QUARTERLY REPORT

FOR THE QUARTER ENDED 31 DECEMBER 2016

EXPLORATION:

MRG Metals Ltd ('MRG' or 'Company') completed substantial exploration during the quarter:

- completion of the airborne VTEM and magnetic surveys over five of our seven Queensland projects;

- diamond drilling of two prospects at Yardilla, WA;

- structural mapping at Xanadu, WA.

Data received from the Queensland VTEM survey is now being reviewed by geophysical consultants. It will then be incorporated into the Sasak exploration models to identify surface work programs including drill testing.

Diamond drilling at Yardilla tested a Sasak generated target and discovered a large, high potential alteration system that had been missed by earlier explorers at the Ommaney Prospect. Follow up drilling to test for high grade gold in the alteration system is being planned.

Structural mapping at Xanadu is a prelude to additional drilling later this year.

PROJECT OUTLINES

YARDILLA

This project, located 95km east-northeast of Norseman, WA, is prospective for gold mineralisation on the boundary between the Archaean Yilgarn Craton and the Proterozoic Albany-Fraser Orogen. MRG held an exploration licence outright and during the quarter exercised its option to acquire 100% of two abutting, granted exploration licences based on the favourable results obtained from our drilling.

Analysis by Sasak of the results from the grid based auger sampling program completed during the September 2016 Quarter identified a scantily tested zone within the Ommaney Prospect. Output from the Sasak Technology targeted areas to drill. Two holes from MRG's program intersected wide zones of silica-sericite-albite-biotite alteration, accompanied by quartz veining and disseminated pyrite. Hole YRDH002B was drilled in the vicinity of previous RC drilling, whilst YRDH003A targeted a new zone of multi-element soil anomalism.

Strongly elevated pathfinders, particularly Tungsten and new analysis by Sasak Technology, provide favourable indications that this mineralised system is akin to many high ranking Archean Gold deposits Worldwide. This analysis has classified the alteration system as being proximal to Archean lode mineralisation. The situation is illustrated diagrammatically in figures 1 & 2 below.

As a result of exploration undertaken on Yardilla during the quarter, the Company has applied for additional ground based on the identification of further prospective positions via the Sasak Technology.

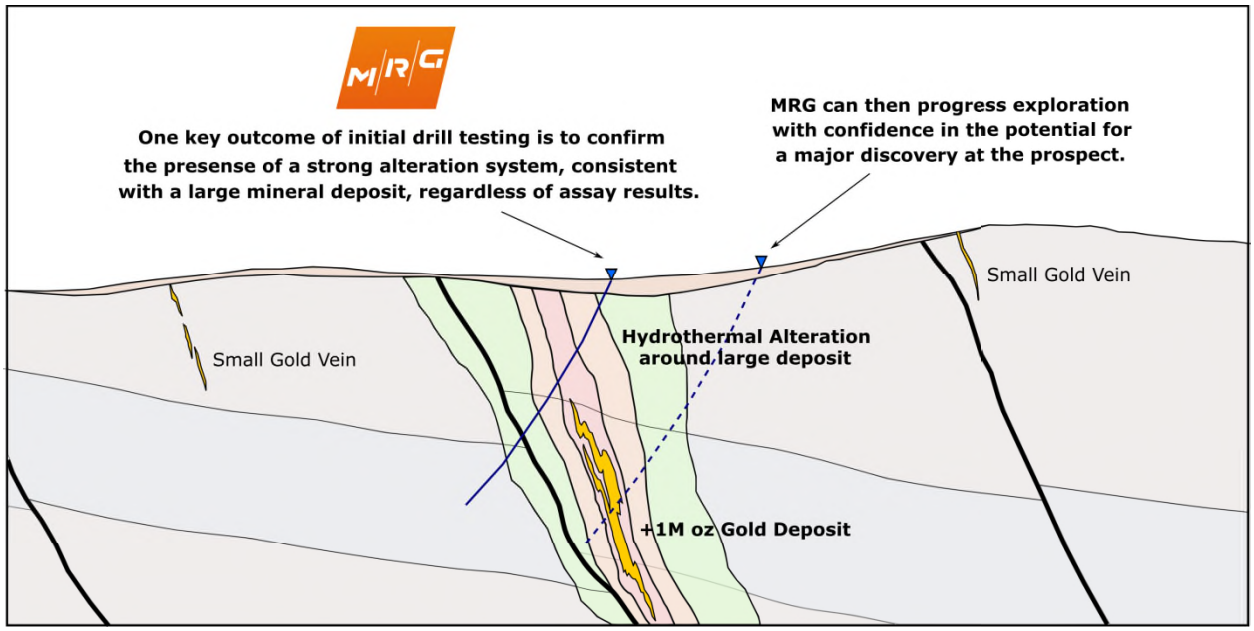


Figure 1 – Diagrammatic representation of MRG drilling relative to mineralisation.

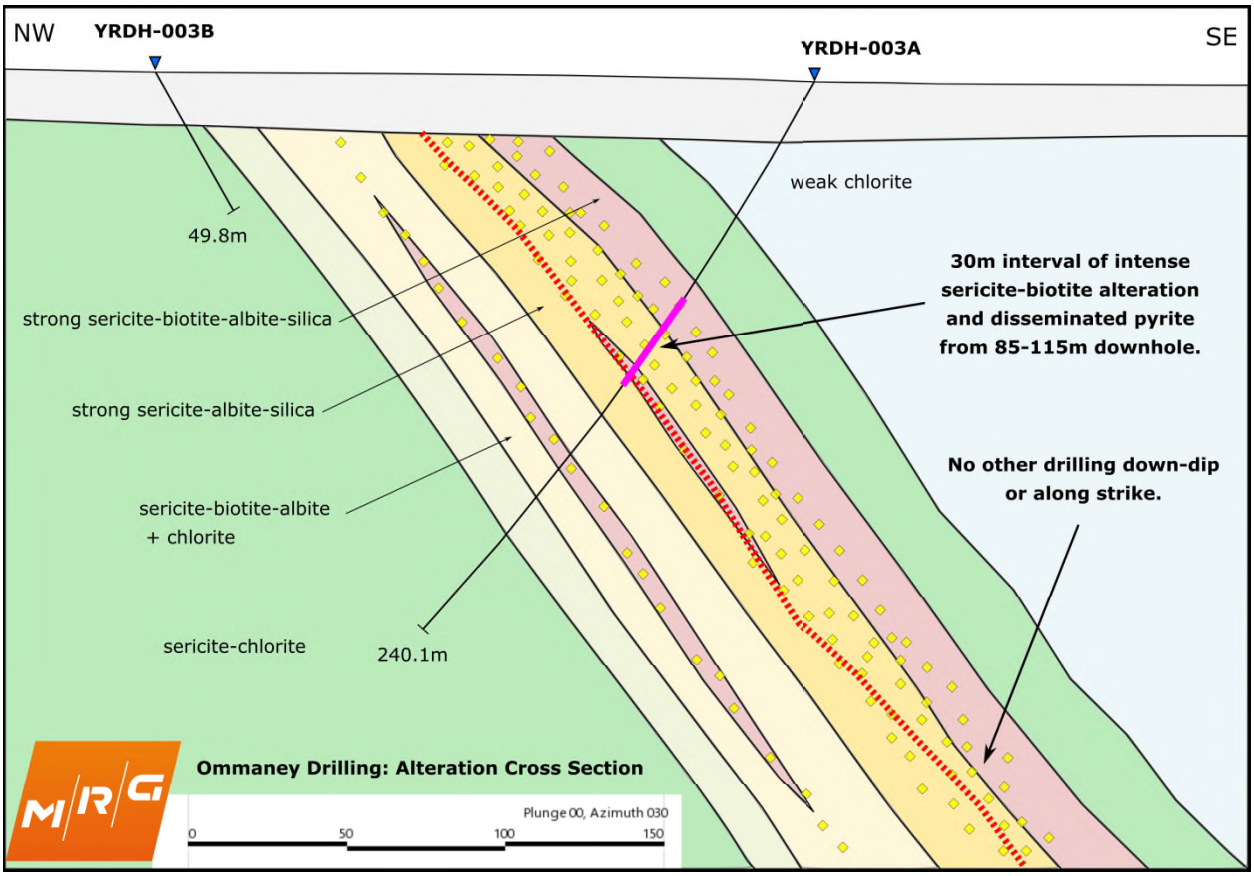


Figure 2 –Cross section of Holes YRDH003A & YRDH003B showing alteration zonation.

A comprehensive analysis of the recently received data is being finalised and planning to vector towards the source mineralisation of these multi element associations is underway and further drilling at Yardilla is planned shortly.

XANADU

Geological and structural mapping at Xanadu during the quarter enhanced MRG's understanding of the geological setting of the project and confirmed the existence of a large and intense hydrothermal alteration system, strengthening our belief of the potential for a large mineralised system. An eight kilometre long alteration halo present at surface may be masking a deeper gold mineralized system and the majority of prior drilling is shallow, with little attention paid to the probable source of the near surface mineralisation.

During early 2017 MRG will conduct further detailed mapping, integrating new geological concepts into our past drilling to provide an enhanced understanding of geology geochemistry and mineralization. This will be utilized to plan suitable deep seeking EM geophysical methods and subsequent drilling.

QUEENSLAND PROJECTS

The aerial VTEM and magnetic survey over MRG's Squirrel Hills, Oban, Mount Angelay, Kamileroi and Selwyn tenements is now complete and final leveled data has been received by our Geophysical Consultants. In addition, all of the data is being incorporated into the Sasak Technology databases and will be used to enhance the location of the prospective areas within the projects and refine target areas.

Subject to the interpretation by Geophysical Consultants and Sasak Technology, MRG plans to commence ground exploration on the Queensland licences at the end of the current wet season.

MRG's Queensland Projects comprise:

Squirrel Hills - EPM19470

The Squirrel Hill Project is located approximately 125 km SSE of Cloncurry and some 15 kilometres WNW of the Cannington mine, operated by South 32. MRG is pursuing Cannington style mineralisation on this project.

Pulchera - EPM19471

Situated in the Simpson Desert near the Northern Territory border in western Queensland EPM19471 and is located 135 kilometres north west of Bedourie. The Pulchera project is near the major Toomba Fault which lies on the south western edge of the Mt. Isa Block, a Proterozoic geological terrain that hosts a diverse range of world class ore bodies. Previous broad spaced drilling by BHP revealed that the depth of cover ranges from a manageable 40m to 100m. Recent exploration on an adjacent licence returned strongly anomalous results of up to 27m @ 0.4% copper from 9m (including 3m @ 2.4% copper). The aim is to discover an Olympic Dam style IOCG (Iron Oxide Copper Gold) deposit in a granitic breccia host, associated with continental faulting and high fluid flow on terrane boundaries.

Davenport Downs - EPM19306

The Davenport Downs Project lies 120 kilometres south east of Boulia. Like the Pulchera Project, it is close to the interpreted southern margin of the Mount Isa Block. The Project straddles portion of a prominent gravity ridge with accompanying favourable magnetic signatures. Exploration work undertaken on the tenement to date comprise historical data compilation, geophysical data review and prospectivity assessment. The Davenport Downs EPM is considered prospective due to its positive magnetic - gravity response which is characteristic of IOCG-Type deposits in the Mount Isa Block. The depth of cover is understood to be around 800m, so future exploration will comprise focussed drilling of geophysical (magnetic + gravity) anomalies.

Mount Angelay – EPM25884 & EPM26167

This Project is 44 kilometres southwest of the Eloise Mine. It lies on part of a prospective structural corridor associated with the major regional feature, the Cloncurry Overthrust. The licence covers portion of this feature and associated fault splays. MRG is targeting mineralisation related to these fault splays.

Selwyn – EPM25887

Selwyn lies just to the north of Cannington Deposit and like Mount Angelay it is situated on part of the Cloncurry Overthrust. MRG is seeking IOCG mineralisation adjacent to the Cloncurry Overthrust. Like the Mount Angelay Project, this major regional control passes through the Project and is considered a focus for mineralisation.

Kamileroi – EPM25885

The Kamileroi Project lies approximately 150 kilometres north northeast of Mount Isa and 40 kilometres west of the Burke & Wills Roadhouse. MRG is targeting a combined gravity and magnetic IOCG target under 140mof younger cover. The area has been subject to limited prior drilling by CRA, Teck & Paradigm Resources. This previous drilling includes a best result of 40m @ 0.14% Cu from 397m. Previous drilling has not adequately tested the gravity anomaly on this licence, which will be the focus of our forthcoming exploration.

Oban – EPM25883

The Oban EPM is approximately 20 kilometres SSW of Mount Isa on the Mount Isa – Boulia road. It covers the southern extension of the Mount Isa Fault systems and is prospective for Middle Proterozoic Isa style shale hosted Pb- Zn-Ag and Cu mineralisation within Mount Isa group sediments adjacent to the Mount Isa Fault system. MRG is looking for repetitions of the Mount Isa style mineralisation associated with this Fault System.

CORPORATE:

During the quarter, MRG enhanced its technical capability with the appointment of Ben McCormack as Exploration Manager. Ben brings a wealth of relevant knowledge to the Company, with extensive exploration experience in the Albany Fraser Zone on the Tropicana Project and for IOCG deposits in the Mount Isa Block. Ben has particular expertise in geological and structural mapping of ore deposits and these skills will aid in the understanding of the structural setting of our projects and complements the geochemical modeling provided to MRG by Sasak Technical Services.

Andrew Van Der Zwan

Chairman and Non-Executive Director

The information in this summary report, as it relates to Exploration Results is based on information compiled and/or reviewed by Mr. Keith Weston, who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM).

Mr. Weston is an employee to the Company and has the relevant experience with the mineralisation reported on to qualify as a Competent Person as defined in the 2012 Edition of the " Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ". Mr. Weston consents to the inclusion in the report of the matters based on the information in the form and context in which they appear.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MRG METALS LIMITED

ABN	**Quarter ended ("current quarter")**
83 148 938 532	31 December 2016

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(466)	(659)
	(b) development		
	(c) production		
	(d) staff costs	(83)	(201)
	(e) administration and corporate costs	(182)	(357)
1.3	Dividends received (see note 3)		
1.4	Interest received	4	4
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Research and development refunds		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(727)**	**(1,213)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1)	(1)
	(b) tenements (see item 10)	(20)	(20)
	(c) investments/government bond		
	(d) other non-current assets		

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6months) $A'000**
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(21)**	**(21)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	45	2,076
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**45**	**2,076**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,617	72
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(727)	(1,213)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(21)	(21)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	45	2,076
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**914**	**914**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	3	41
5.2	Call deposits	911	1,576
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**914**	**1,617**

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	88
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director Fees, Secretarial Fees, Consulting Fees, & Accounting Fees.

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	Nil
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	Nil	Nil
8.2	Credit standby arrangements	Nil	Nil
8.3	Other (please specify)	Nil	Nil

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Note – Received refundable tax offset of $551,679 for Research & Development activities on 25 January 2017.

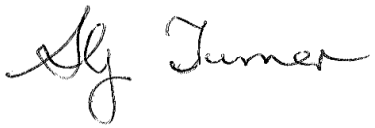
9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	400
9.2	Development	
9.3	Production	
9.4	Staff costs	80
9.5	Administration and corporate costs	120
9.6	Other (capital raising costs)	
9.7	**Total estimated cash outflows**	**600**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased	E63/1626 E28/2338	Exploration	100% 100%	0% 0%

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 30 January 2017

(Company secretary)

Print name: SHANE TURNER

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.