QUARTERLY REPORT

FOR THE QUARTER ENDED 30 SEPTEMBER 2019

MOZAMBIQUE HEAVY MINERAL SAND PROJECTS

- **Aircore drilling commenced at Koko Masava, with excellent visual estimated results. The drilling is demonstrating a strong correlation between visual estimated (total heavy mineral) THM grade in aircore drilling with laboratory assay of THM grade from auger drillholes collared in the same locations down to 10 metres depth from surface.**

- **The same aircore holes were drilled to 50 metres depth and delivered visually estimated high THM grades from surface to the end of hole in numerous drillholes.**

- **World Class regional context and confirmation of the enormous prospectivity of the Company's Heavy Mineral Sands (HMS) projects.**

- **Hand Auger Drilling THM laboratory assay results over the Koko Masava target provided strong correlation with the earlier visual estimations of THM grade in the same sample intervals and auger holes.**

- **The reliability of visual estimation of THM grade is now clearly established as an early and reasonably accurate indication of THM assay grade from the laboratory.**

- **Aircore drilling at Koko Masava commenced on 26 September 2019. Visual estimation of THM grade from the first few holes shows high grade HMS occurs to 50 metres depth.**

- **Reconnaissance Hand Auger drilling over Nhacutse and Poiombo HMS targets in the Corridor South tenement showed visual estimation of THM grade again strongly correlated with THM assay grade from the laboratory.**

The Company is pleased to advise quarterly activities and results from HMS exploration focussed at Koko Masava, Nhacutse and Poiombo targets in Corridor Central and Corridor South tenements in Mozambique.

Technical review following the previously reported airborne geophysical survey, established 11 high quality targets for hand auger drilling to 10 metres, into aircore drilling to 50 metres. The review included comparison against surrounding, analogous HMS deposits that are either already in production, or at PFS stage. The mineralised footprint and grade potential of each of the 11 targets is of World Class potential as an exploration prize. Koko Masava, Nhacutse and Poiombo are the first 3 targets to be tested (Figure 1).

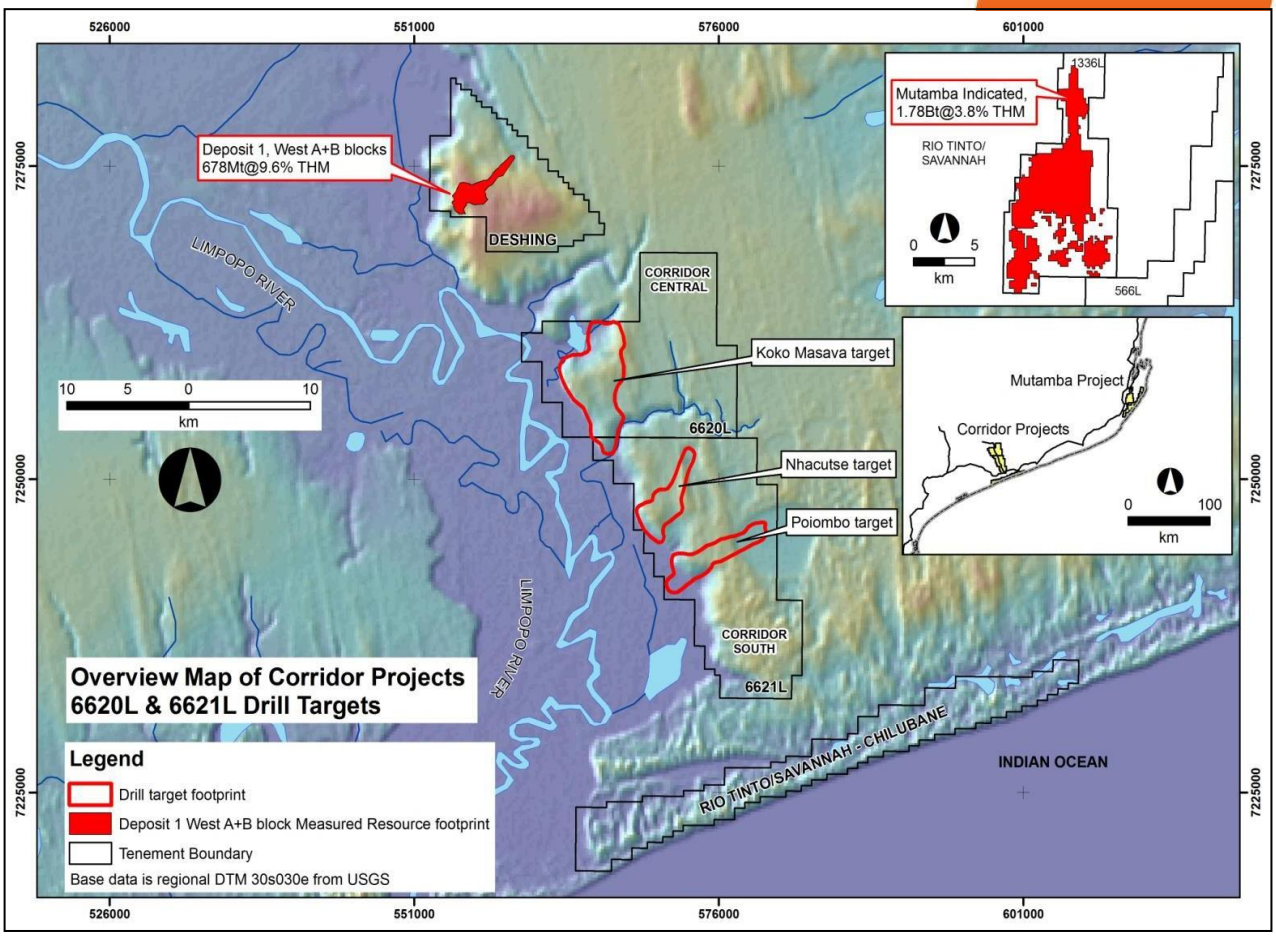


Figure 1: Regional overview map of the Company's Corridor projects, showing relative locations to nearby deposits.

HAND AUGER DRILLING

Laboratory assay results were received from the first auger drilling program at Koko Masava (refer ASX announcement 19 August 2019). Of particular importance is the verification drilling at Koko Masava, where all of the 16 auger holes drilled returned assays >3% THM over 10.5 metres from surface, with 5 of those holes ending in high grade >5% THM. From auger drilling to date, 10.5 metres is the maximum depth of optimal penetration of the hand held auger equipment.

Near surface, high grade assay results obtained from the auger drilling to date demonstrate potential for a significant heavy mineral sand discovery. High grade mineralisation of >5% THM commonly extends to the end of hole at 10.5 metres depth and indicates the high grade THM remains open at depth. Highlights of the auger assay results include:

10.5M @ 5.43% THM (HOLE 19CCHA028) FROM SURFACE

10.5M @ 5.13% THM (HOLE 19CCHA026) FROM SURFACE

10.5M @ 5.00% THM (HOLE 19CCHA021) FROM SURFACE

This first data set confirmed that the Koko Masava target is mineralised from surface over an extensive area measuring approximately 4.5km x 4km (18 sq km), which still remains open in all directions.

The assay results reported here strongly endorse auger drilling as an integral part of the comprehensive methodology and systematic approach being implemented by the Company for HMS exploration across its Corridor Central and Corridor South tenements in Mozambique.

Visual estimates of heavy mineral pan concentrations were recorded during field logging and sampling. With the first laboratory results now at hand the Company is able to calibrate and improve the effectiveness of field visual estimation of HMS grade for future exploration purposes.

Auger Sample Laboratory Process

Auger samples were sent to a dedicated HMS laboratory, Western GeoLabs, in Perth for heavy liquid separation analysis. Samples were initially oven dried and disaggregated if required by hand, weighed and then split to approximately 100g sub-samples. The sub-sample was wetted and attritioned to ensure further breakdown of any clay aggregates and then de-slimed at 45µm to measure Slime percent. The sub-sample was then screened at +1mm to remove and measure Oversize percent. The +45µm-1mm fraction was then subjected to heavy liquid separation (HLS) with tetrabromoethane (TBE) at specific gravity of 2.95. The settling time for HLS was 45 minutes with several stirs of the liquid to ensure adequate heavy mineral 'drop'.

In terms of QAQC, field duplicate samples are prepared at a frequency of 1 per 25 primary samples and submitted 'blind' to the laboratory. At the laboratory, duplicates are routinely prepared at a frequency of 1 per 10 primary samples.

Of particular importance are the auger drill results received from verification and orientation drilling over the high potential Koko Masava target. This included sixteen holes, 19CCHA017 to 19CCHA032, drilled at 500m stations on two traverses 2000m apart that cover the central portion of the anomaly (refer Announcement 6 May 2019). All of these holes drilled at Koko Masava returned un-cut average downhole intersections of ≥10.5m @ >3% THM, with the best result being from hole 19CCHA028 with 10.5m @ 5.43% THM (Table 1). This hole, 19CCHA028, also returned the highest grade individual sample of 6.11% THM from the interval 3-4.5m.

Significantly, five of the drillholes (19CCHA021, 025, 026, 028, & 030) ended with individual sample results >5% THM, indicating robust high grade THM mineralisation continues at depth.

High grade results in holes 19CCHA021-24 and 19CCHA025-26, have expanded the footprint of known high grade mineralisation by approximately 2km in the southeast and 1km in the northeast, respectively (Figure 2). The mineralisation remains open in all directions.

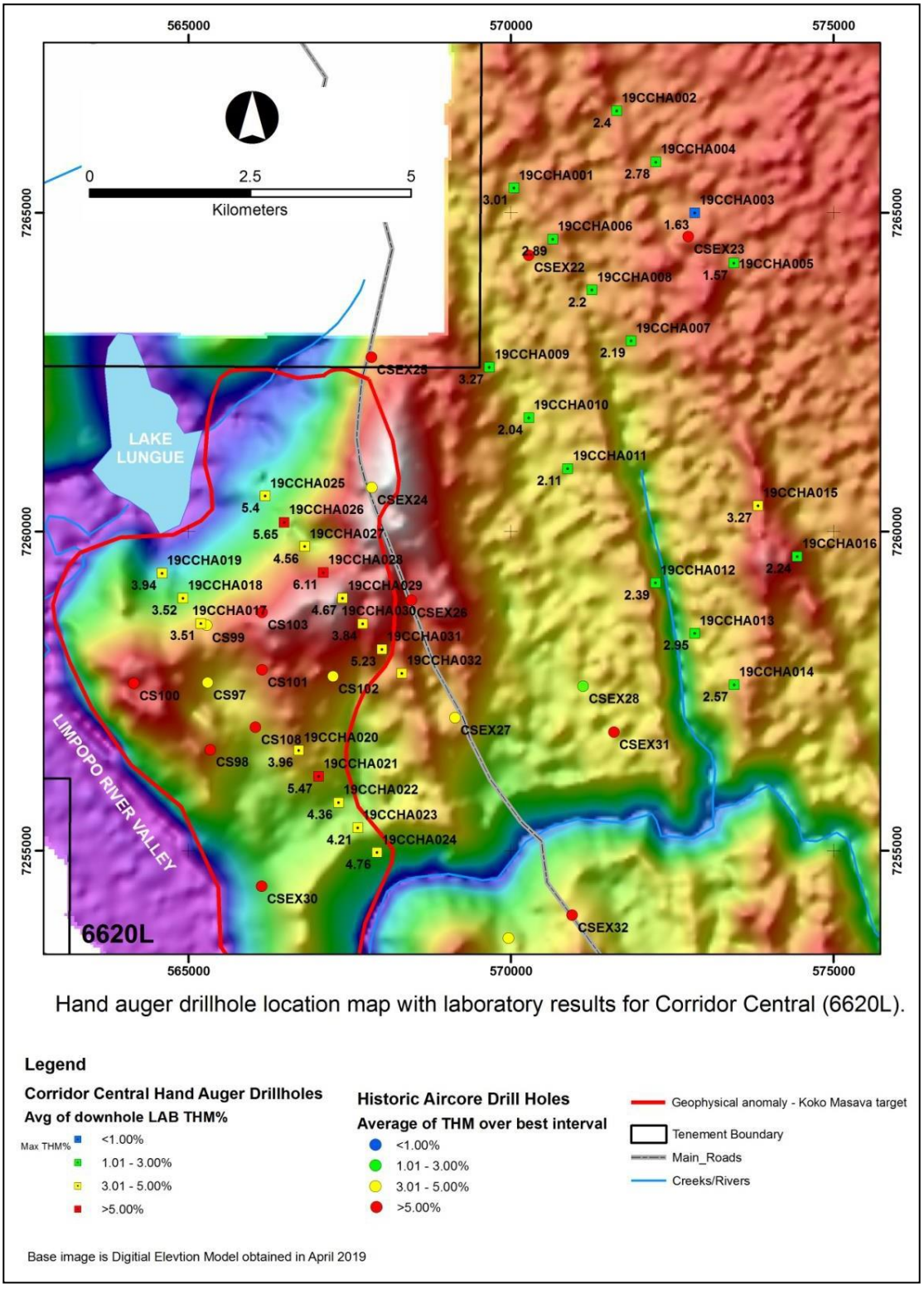
Slime (-45µm) content in the samples is only moderate, with an overall average 14.31% (n=117) and range from 4.64% to 25.26%. The Oversize (+1mm) fraction is low and has an average of 1.12%.

These laboratory assay results for auger drilling at Koko Masava target also illuminate the historic aircore drill data (refer Announcement 14 May 2018) collected by Western Mining Corporation and BHP, that stated high grade HMS mineralisation extends from surface to depths up to 90m over a significant footprint area of 6km x 4km.

Outside of the Koko Masava target footprint, 5km to the east, auger sample assay results from shallow reconnaissance drilling at Malehice and Muxuxane prospects were not as encouraging (Table 1). Visual estimated THM grades from drillhole samples in those areas were elevated. However, relatively lower slime contents in those samples may have caused over estimation in THM% in pan concentrates. Some of these samples will be selected for analysis at a secondary laboratory as part of the Company's standard QAQC practices.

Table 1: Summary laboratory sample data for auger drilling at the Corridor Central, Koko Masava target.

HOLE_ID	UTM EAST WGS84	UTM NORTH WGS84	EOH (M)	ELEV'N (M)	PROSPECT	AVG HOLE THM%	MAX HOLE THM%	MIN HOLE THM%	AVG HOLE SLIME%	AVG HOLE O/S%
19CCHA001	570044	7265390	11.0	75	MUXAXANE	2.66	3.01	2.33	9.91	1.06
19CCHA002	571639	7266600	12.0	74	MUXAXANE	2.21	2.40	1.92	10.26	0.92
19CCHA003	572848	7265001	10.5	77	MUXAXANE	1.51	1.63	1.41	10.36	1.57
19CCHA004	572244	7265799	12.0	74	MUXAXANE	2.54	2.78	2.20	12.32	0.90
19CCHA005	573453	7264212	12.0	73	MUXAXANE	1.53	1.57	1.48	12.57	1.15
19CCHA006	570647	7264590	13.0	69	MUXAXANE	2.64	2.89	2.31	10.56	0.90
19CCHA007	571861	7262994	13.0	73	MUXAXANE	2.09	2.19	1.86	11.17	1.18
19CCHA008	571256	7263789	13.0	69	MUXAXANE	2.06	2.20	1.94	12.67	1.14
19CCHA009	569667	7262580	13.0	66	MALEHICE	2.90	3.27	2.37	10.46	1.23
19CCHA010	570275	7261788	12.0	68	MALEHICE	1.75	2.04	1.60	12.31	1.58
19CCHA011	570877	7260991	10.5	59	MALEHICE	1.90	2.11	1.71	10.54	0.89
19CCHA012	572240	7259198	12.0	65	MALEHICE	2.02	2.39	1.68	8.33	0.70
19CCHA013	572846	7258407	12.0	67	MALEHICE	2.72	2.95	2.52	7.55	0.72
19CCHA014	573458	7257602	12.0	65	MALEHICE	2.31	2.57	2.09	9.59	1.02
19CCHA015	573830	7260410	12.0	76	MALEHICE	3.08	3.27	2.64	10.64	0.43
19CCHA016	574436	7259612	12.0	76	MALEHICE	2.05	2.24	1.90	9.57	0.77
19CCHA017	565191	7258562	10.5	72	KOKO MASAVA	3.03	3.51	2.66	18.55	1.39
19CCHA018	564911	7258958	12.0	41	KOKO MASAVA	3.22	3.52	2.68	12.08	1.72
19CCHA019	564590	7259349	10.5	38	KOKO MASAVA	3.38	3.94	2.93	11.21	1.29
19CCHA020	566708	7256572	10.5	66	KOKO MASAVA	3.58	3.96	3.18	15.87	1.84
19CCHA021	**567014**	**7256163**	**10.5**	**62**	**KOKO MASAVA**	**5.00**	**5.47**	**4.01**	**18.56**	**0.96**
19CCHA022	567323	7255754	10.5	60	KOKO MASAVA	4.17	4.36	3.70	17.61	0.75
19CCHA023	567624	7255359	10.5	50	KOKO MASAVA	3.90	4.21	3.62	16.55	0.68
19CCHA024	567920	7254972	10.5	50	KOKO MASAVA	4.45	4.76	4.07	18.45	0.69
19CCHA025	**566189**	**7260561**	**10.5**	**47**	**KOKO MASAVA**	**4.90**	**5.40**	**4.50**	**8.88**	**1.59**
19CCHA026	**566481**	**7260147**	**10.5**	**47**	**KOKO MASAVA**	**5.13**	**5.65**	**4.47**	**12.72**	**1.29**
19CCHA027	566798	7259768	10.5	70	KOKO MASAVA	4.12	4.56	3.60	10.32	1.35
19CCHA028	**567089**	**7259360**	**10.5**	**81**	**KOKO MASAVA**	**5.43**	**6.11**	**4.83**	**15.34**	**0.67**
19CCHA029	567389	7258957	10.5	95	KOKO MASAVA	3.93	4.67	3.58	13.88	0.83
19CCHA030	567701	7258559	10.5	86	KOKO MASAVA	3.49	3.84	3.16	14.99	1.28
19CCHA031	**567996**	**7258157**	**10.5**	**76**	**KOKO MASAVA**	**4.76**	**5.23**	**4.11**	**13.58**	**0.67**
19CCHA032	568306	7257781	10.5	83	KOKO MASAVA	3.51	3.93	2.91	10.86	0.77



Hand auger drillhole location map with laboratory results for Corridor Central (6620L).

Legend

Corridor Central Hand Auger Drillholes
Avg of downhole LAB THM%
Max THM%
- <1.00%
- 1.01 - 3.00%
- 3.01 - 5.00%
- >5.00%

Historic Aircore Drill Holes
Average of THM over best interval
- <1.00%
- 1.01 - 3.00%
- 3.01 - 5.00%
- >5.00%

- Geophysical anomaly - Koko Masava target
- Tenement Boundary
- Main_Roads
- Creeks/Rivers

Base image is Digitial Elevtion Model obtained in April 2019

Figure 2: Hand auger drillhole location map of the Corridor Central, Koko Masava target, showing summary results for laboratory analyses of samples.

AIRCORE DRILLING

A purpose-built aircore drill rig was commissioned for manufacture by the drill contractor, Bamboo Rock Drilling, earlier in 2019 (Figure 3).

The Koko Masava target was generated from wide spaced historic drilling and confirmed by excellent recent Auger drilling results by MRG (Figure 3). The Aircore rig arrived on site 24 September, having been held up on the Mozambique/South Africa border for a number of days due to Mozambique import clearance delays. Drilling commenced on 25 September (Figure 4) and the planned 2250 metre program will progress through to November.



Figure 3: Purpose built Aircore rig in the Johannesburg workshop prior to delivery to site.

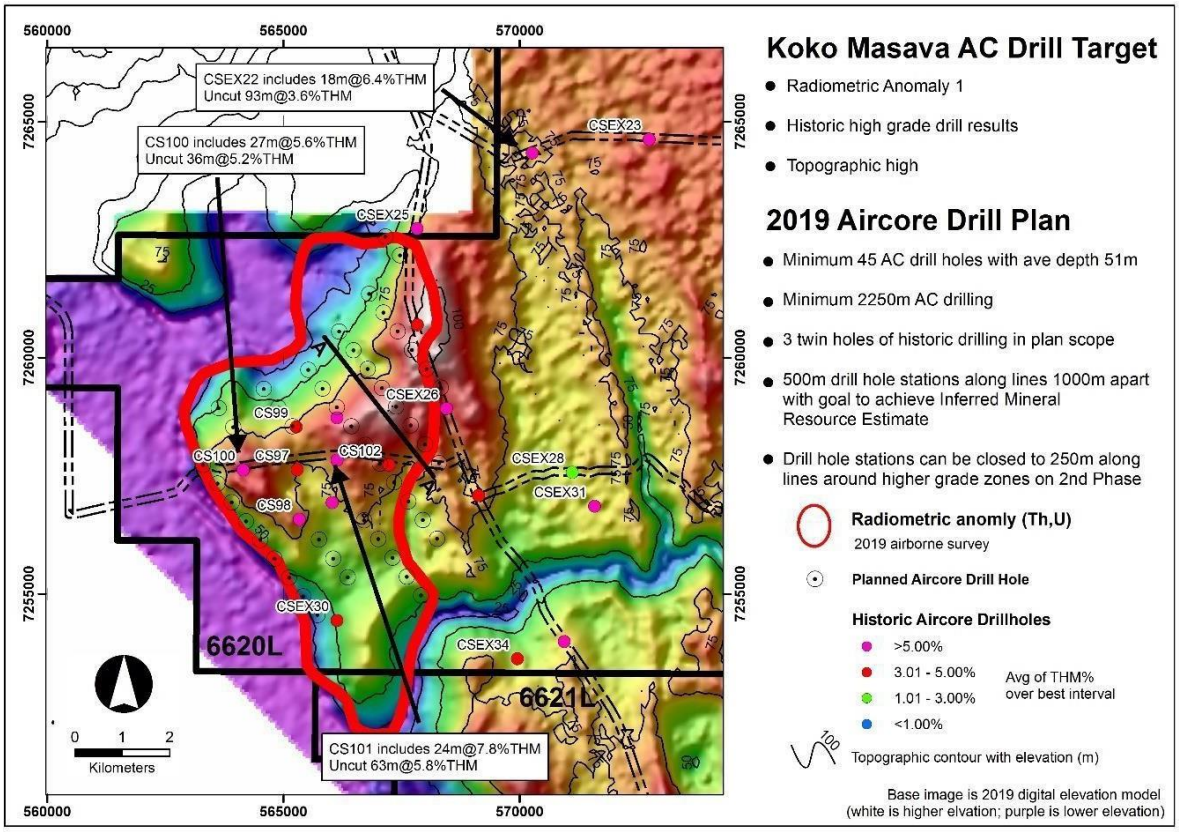


Figure 4: Map of planned and historic aircore drilling at the Corridor Central, Koko Masava target.

Stakeholder Engagement

In the course of preparing for the hand auger drilling and aircore drilling programs, numerous meetings were held with local communities and government departments. Community alignment meetings were held at several villages within the area of influence of the drilling (Figure 5). In compliance with Mozambique environment law, the village meetings are facilitated by the relevant District Planning and Infrastructure Department with representatives from the Provincial Directorate of Land, Environment and Rural Development and Provincial Directorate of Mineral Resources, in addition to the local community stakeholders.



Figure 5: Community and key stakeholder engagement meeting at Poiombo. (Note: Similar meetings held with Koko Masava, Guemulene and Malehice communities that may be impacted by proposed drill programs).

Mozambique Tax Assessment and Clearance

The Mozambique Tax Authority (MTA) issued a binding tax assessment of the Capital Gains Tax (Tax) payable in relation to the indirect transfer of the Mozambique mineral rights.

The amount assessed was MZN2,991,441 (AUD$70,609) and was within the range expected based on the Company's own assessment. Payment of Tax was made.

MRG understands that payment of this Tax is the remaining item required by the Mozambique Ministry of Mineral Resources and Energy (MIREME) to finalise approval of ownership.

SWEDEN - NORRLIDEN FARM-IN

During the quarter, MRG and its JV Partner, Mandalay Resources, pursued potential sale opportunities.

CORPORATE

During the Quarter the Company successfully completed an oversubscribed placement to raise $661,500, before costs. The Company issued 94.50 million ordinary shares at $0.007, together with 94.50 million free attaching MRQOB options, which have an exercise price of $0.01 and an expiry date of 20 December 2020; to sophisticated and professional investors and retail private clients.

Subsequent to the end of the Quarter the Company, after approval by Shareholders at a General Meeting, completed a placement to raise $199,500 via the placement of 28.50 million ordinary shares at an issue price of $0.007, together with 28.50 million free attaching MRQOB options, which have an exercise price of $0.01 and an expiry date of 20 December 2020; to Directors of the Company.

Andrew Van Der Zwan
Chairman and Non-Executive Director

Competent Person for Mozambique
The information in this report, as it relates to Mozambique-based Exploration Results is based on information compiled and/or reviewed by Dr Mark Alvin, who is a member of The Australasian Institute of Mining and Metallurgy. Dr Alvin is an employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which has been undertaken 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". Dr Alvin consents to the inclusion in this 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	30 September 2019

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	25	25
1.2	Payments for		
	(a) exploration & evaluation	(146)	(146)
	(b) development		
	(c) production		
	(d) staff costs	(80)	(80)
	(e) administration and corporate costs	(41)	(41)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	1
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**	**(241)**	**(241)**

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

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3months) $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 (Mozambique tenement tax)	(71)	(71)
2.6	**Net cash from / (used in) investing activities**	**(71)**	**(71)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	661	661
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**	**661**	**661**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	405	405
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(241)	(241)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(71)	(71)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	661	661
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**754**	**754**

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	30	6
5.2	Call deposits	724	399
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)**	**754**	**405**

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	87
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 – Placement of $199K received in October 2019.

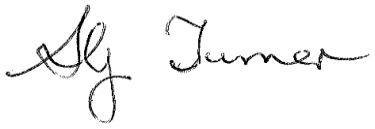
9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	300
9.2	Development	
9.3	Production	
9.4	Staff costs	70
9.5	Administration and corporate costs	80
9.6	Other (tenement acquisition costs)	
9.7	**Total estimated cash outflows**	**450**

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				

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 October 2019

(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.