QUARTERLY REPORT

FOR THE QUARTER ENDED 31 DECEMBER 2018

Highlights:

During the Quarter MRG executed formal documents to acquire 100% ownership of a high potential Heavy Mineral Sands project in Mozambique.

Shareholder Approval for the transaction was received on 8 January 2019.

MOZAMBIQUE HEAVY MINERAL SAND ACQUISITION PROJECTS

On 7 November 2018 MRG announced that it had reached agreement to acquire Sofala Resources Pty Ltd ('Sofala') the holder of several Heavy Mineral Sands ('HMS') projects in Mozambique and Trophosys Pty Ltd ('Trophosys').

The key terms of the transaction are:

- MRG to acquire 100% of the shares of Sofala and Trophosys and associated entities for an initial 90 million shares (MRQ) and 90 million options (MRQOB);
- Subsequent milestone payments of 160 million shares and 320 million shares;
- The initial payment of shares and options will be subject to a voluntary escrow period of 12 months, with the latter milestone payments subject to 3 months escrow;
- MRG to pay any taxation liabilities on the sale transaction, should they be imposed by the Mozambican Government.

These terms and conditions are more favourable than those originally proposed during earlier negotiations between MRG and Sofala and Trophosys during early 2018.

The execution of formal documentation was completed on 23 November 2018 and approval by shareholders occurred early in the subsequent quarter on 8 January 2019.

MOZAMBICAN PROJECTS

The Projects that MRG gain from the acquisition of Sofala include two granted exploration licences, just to the south of the existing Corridor 1 HMS mine, along with three additional applications over separate project areas. All of the licences and applications are in south eastern Mozambique, easily accessible by road from the capital Maputo.

Mozambique HMS Assets



Sofala secured these highly prospective exploration projects and Sofala directors have an extensive knowledge of the mineral sands potential of Mozambique giving MRG a significant advantage in the development of these projects.

The **Corridor Project** comprises the Corridor Central licence, 6620L and Corridor South licence 6621L, covering a combined 387km^2. The area was discovered and drilled by South Africa's Southern Mining Corporation, with 35 wide spaced drill holes all intersecting high grade HMS intervals from surface up to 90m depth.

Significant drill intercepts include:

- DHCS100 – 36m @ 5.2% Total Heavy Minerals from surface.
- DHCS101 – 39m @ 6.7% Total Heavy Minerals from surface, including 12m @ 9.8% from 21m.
- DHCSEX32 – 87m @ 3.62% Total Heavy Minerals from surface to end of hole, including 27m @ 6.8% Total Heavy Minerals from 39m.

The **Linhuane** application consists of a single licence of 113km^2, immediately adjacent to the current coastline that covers a Palaeo dune system. Rio Tinto have previous completed a first pass shallow drill program to a fixed depth of 10.5m, that delivered promising results.

- DHLP1255 – 10.5m @ 15.8% Total Heavy Minerals from surface to end of hole.
- DHLP1272 – 10.5m @ 17.9% Total Heavy Minerals from surface to end of hole.

The adjacent **Marao & Marruca** projects cover a combined area of 491km^2 over a Palaeo dune system that now lies approximately 50 kilometres inland, parallel to the present shoreline. Rio Tinto previously conducted limited drilling over a small portion of the southwestern corner of the Marao licence. The remaining 75 kilometre long dune system has

received little modern exploration.

Mozambique is a developing country with an up and coming mining and exploration industry. The southern coastline and areas immediately inland are highly prospective for titanium and zircon heavy mineral sand deposits, with Mozambique having the largest known titanium feed stocks in the world. MRG is looking forward to a positive future in this emerging mineral province.

More details in relation to the Mozambique HMS projects can be found in the ASX release dated 23 January 2019.

SWEDEN
NORRLIDEN FARM-IN

PHASE 1 COMPLETION & ASSET SALE

During the previous Quarter MRG announced that it had reached the 1st earn-in milestone of US$500,000 expenditure to earn 10% of the Norrliden Project by completing Phase 1 of the Joint Venture Agreement with Mandalay Resources Corporation (Mandalay). A summary of the exploration completed during Phase 1 can be found in the ASX release dated 26 September 2018.

Mandalay also advised MRG during the Quarter that it has commenced a sales process for the Norrliden Project. MRG is cooperating and assisting Mandalay with this process while continuing the preparation of plans for additional exploration.

A data room has been opened to potential Purchasers of the Norrliden Project to assist with the possible sale of the Project.

AUSTRALIA
QUEENSLAND IOCG PROJECTS

On the 19 September 2018 MRG announced that it had entered into a binding Heads of Agreement (HOA) with Au Resource Company Limited ("Au"), whereby Au will commence Due Diligence on MRG's projects in Queensland including Oban, Mt Angelay, Selwyn and Kamileroi. Au has advised that they have recently completed the Due Diligence over the Oban project and a formal report on the results of their exploration is pending. The balance of the projects will be assessed as their geophysical team is available.

MRG's Xanadu project remains subject to deferred Due Diligence under the original HOA (refer ASX release dated 1 November 2017) pending Au being able to coordinate Due Diligence specific to Xanadu in early 2019 (see below).

PULCHERA

On the 26 July 2018 MRG announced that it and Singapore based Magnaver Group (through its exploration & Mining related subsidiary "Apollo Exploration & Mining Ltd ('Apollo')" have entered into a Memorandum of Understanding (MOU) for Apollo to farm-in to MRG's Pulchera Project (EPM19471) in Queensland. However, the period of Due Diligence by Apollo on the Pulchera Project ended without Apollo doing sufficient work to complete the Due Diligence. A further request to an extension was not granted and MRG is currently pursuing Joint Venture opportunities with other interested parties.

XANADU

MRG entered into a binding Heads of Agreement with Au Resource Company Ltd to farm into MRG's Xanadu Project in late 2017, subject to successful Due Diligence by Au. They have advised that the Due Diligence may take place in early 2019 subject to personnel being available to complete the on ground geophysical inspection.

YARDILLA

The preliminary discussions with a potential Joint Venture partner are ongoing with a view to a potential Farm-In Agreement. In addition, several licences, granted in late 2017, in the vicinity of MRG's Yardilla Project were also surrendered during the quarter, as they were considered to have lesser prospectivity than the core Yardilla Project licences.

LOONGANA

MRG has applied for extension of the main Loongana Licence, E69/3104 to enable completion of a revised exploration program over the project. Drilling at Loongana is planned for 2019, subject to funding.

KALGOORLIE EAST

No exploration was conducted on the project during the quarter. MRG is reviewing the Project to decide whether to continue to hold the Kalgoorlie East Prospecting Licences.

CORPORATE

There were no capital raisings during the quarter.

EVENTS SUBSEQUENT TO END OF QUARTER

On 8 January 2019 MRG shareholders approved the Mozambique HMS transaction.

MRG appointed Mr Mark Alvin as General Manager of Mozambique operations.

Mark Alvin is well qualified for the role, with 20 years professional experience in multi-commodity minerals exploration and mining in Australia, Africa and North America. Mark brings foundation management skills developed in Rio Tinto and a strong, proven exploration to pre-development track record in titanium and zircon heavy mineral sands in both Mozambique and Tanzania. A positive commitment to safety, health, and environment issues, combined with a belief in a participatory approach to stakeholder engagement underpin Mark's core technical knowledge.

The two remaining prospecting licences at Kalgoorlie East were surrendered on 18 January 2019, as their small size was not conducive to the discovery of significant mineral deposit.

The peripheral licence E28/3288, surrounding the core of the Loongana project was also surrendered on 25 January 2019 as part of an ongoing rationalisation of MRG's Australian tenement holdings.

Andrew Van Der Zwan
Chairman and Non-Executive Director

Competent Persons Statements

The information in this summary report, as it relates to Australian-based Exploration Results is based on information compiled and/or reviewed by Mr. Keith Weston, who is a member of the Australasian Institute of Mining & Metallurgy. Mr. Weston is an employee of 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 2018

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	(42)	(101)
	(b) development		
	(c) production		
	(d) staff costs	(109)	(162)
	(e) administration and corporate costs	(104)	(191)
1.3	Dividends received (see note 3)		
1.4	Interest received	4	9
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**	**(251)**	**(445)**

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 (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**	**-**	**-**

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

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,531	1,725
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(251)	(445)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**1,280**	**1,280**

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	5	6
5.2	Call deposits	1,275	1,525
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)**	**1,280**	**1,531**

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	111
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.

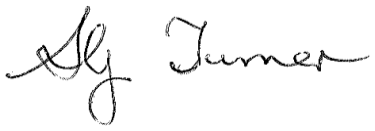
9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	250
9.2	Development	
9.3	Production	
9.4	Staff costs	80
9.5	Administration and corporate costs	60
9.6	Other (tenement acquisition costs)	140
9.7	**Total estimated cash outflows**	**530**

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	Yardilla E28/2669 E28/2670 E28/2671 E28/2672 E28/2673 E28/2674 E28/2678 E52/3065 E63/1626 E63/1837	Exploration	100%	0%
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: 31 January 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.