QUARTERLY REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2015

HIGHLIGHTS

- **Deep drilling completed at the Xanadu Gold Project**
- **New Xanadu exploration licence granted**

MRG Metals Limited ("**MRG**" or the "**Company**", MRQ.ASX) continued to progress its wholly-owned gold, copper and base metals projects in Western Australia and Queensland throughout the December 2015 quarter. Despite the challenging market conditions, MRG was able to continue its exploration efforts and successfully complete its drilling program at the Xanadu Gold Project ("**Xanadu**") and also progress its review of its broader portfolio including its Queensland IOCG targets to refine future exploration expenditure and rationalisation opportunities.

DEEP DRILLING COMPLETED AT THE XANADU GOLD PROJECT

MRG completed its drilling program at the Xanadu during the December quarter. The receipt of the assay data was delayed by a shutdown at the analytical laboratory over the Christmas holiday period. MRG has received all the multi-element data from the late 2015 drilling program which comprised two deep holes that tested components of an intrusive centred magmatic exploration model, within an 8km prospective zone masked by a lithocap. The arsenic anomalism was particularly strong in the Big Bend hole, which assayed up to 0.98% arsenic, however, there were no ore grade gold intercepts, with only trace levels of gold found in both holes.

Analysis of the data and additional 3D modeling is now being undertaken to vector into areas of higher gold grades. There are four styles of mineralisation at Xanadu that all warrant further drill testing.

1. Mineralisation that is hydrothermally associated with and underlying the lithocap, This target forms an 8km long prospective zone
2. Mt Olympus style mineralisation at Pertinax, associated with steeply dipping fault zones
3. Open pittable disseminated mineralisation occurring in a sedimentary the package directly overlying a flat lying dolomite unit at Cleopatra.
4. Analogues of Mt Olympus style mineralisation to the southeast of the current project within the newly granted exploration licence E52/3065

Drilling of deeper holes at Pertinax is the current focus of the next drilling program at Xanadu.

NEW XANADU EXPLORATION LICENCE GRANTED

MRG was granted an additional exploration licence in November 2015, covering additional prospective ground to the southeast of the current Xanadu project area. The new licence covers c.65km^2 and is located 5km due south of the Mt Olympus mine, covering a similar geological environment. Preliminary geological analysis has commenced using the Sasak technology to generate targets for on ground exploration.

Managing Director Keith Weston said: *"The December quarter saw progress made at the Xanadu gold project. Although the results did not reveal ore grade gold intersections, the presence of arsenic anomalism and trace levels of gold provided confirmation of our geological thesis, which gives us confidence that this region contains additional uncovered gold deposits. We continue to assess and review our portfolio of Sasak-enhanced exploration prospects and have several workstreams underway to joint venture and/or monetise these assets."*

XANADU PROJECT BACKGROUND

MRG's Xanadu project is located close to the northern margin of the Ashburton Basin, some 4km west-northwest of Northern Star's Ashburton project, (21.3Mt @ 2.4g/t Au for 1.67Moz). The Xanadu mineralisation was discovered in the mid-1980s by BP Minerals and subject to various phases of exploration in the ensuing period until acquired by MRG in 2011. Three dimensional structural modelling and a detailed analysis of the exploration database compiled for MRG by our technical consultants Sasak Technical Services ("**Sasak**"), provided an enhanced understanding of geological controls on mineralisation, to better target prospect scale drilling. Drilling completed during 2015 was based on the targets identified by the Sasak.

YARDILLA

Yardilla straddles the Cundeelee Fault, which separates the Archean Yilgarn Craton from the Proterozoic Albany-Fraser Orogen, Western Australia. The Yardilla project area includes both 100% MRG-owned licences and an option and purchase agreement over two additional exploration licences, which together cover a contiguous area of c.220km^2 in the southern Fraser Range. The 3 adjoining exploration licences are considered to be prospective for gold, nickel and base metals. MRG believes the geological setting of Yardilla is similar to that of Tropicana (114.7Mt grading 1.95 g/t for 7.19Moz Au). MRG has a soil project ready to commence, which will lead to the targeting of a maiden drilling program.

LOONGANA

MRG holds 2 granted licences that cover the massive Loongana Igneous Complex that lies 500km east of Kalgoorlie and 60km north of the Trans Australia railway line. It is a large layered mafic and ultramafic intrusive body that has compelling affinities with the Bushveld Complex in South Africa (820Moz Pt and 720Moz Pd).

The target is grossly under-explored, due to a 250m to 350m covering of younger rocks. Helix Resources Ltd previously intersected mineralisation (0.72m @ 0.12g/t Pt + Pd) at 270m below surface in broad-spaced scout drilling that was not followed up at the time. MRG have identified the potential for an 11km long Bushveld-style PGE reef along strike from the Helix discovery hole. A deep diamond hole drilled by MRG hole in late June 2015 was unsuccessful in testing this "company-maker" exploration target. A package of gabbroic mafic rocks were detected after drilling through 311m of cover. The targeted horizon was reached at 443m down hole, comprising a sequence of chromium bearing mafic to ultramafic rocks, containing a 4.5m thick zone of anomalous PGE's. MRG received A$108,000 (50% of the drilling cost of the hole) from the Western Australian Government's Exploration Incentive Scheme for this drill program.

MRG plans to further drill-test this reef target, along with nickel-copper mineralisation and IOCG targets on the western side of the complex.

QUEENSLAND IRON OXIDE COPPER GOLD PROJECTS

MRG's ground holding in the Mt Isa province in western Queensland comprises 5 granted licences, following the grant of 2 applications in September 2015. 4 of these licences are focused on IOCG targets and one Cannington style silver-lead-zinc mineralisation. The two remaining IOCG exploration tenement applications, Oban and Kamileroi, are currently undergoing Cultural Heritage clearance. The new licences all lie under shallow cover, close to favourable structural positions near existing mines.

MRG is currently re-assessing the geophysical data on these licences and is in joint venture discussions on a project by project basis.

The current granted licences comprise:

Pulchera

Situated in the Simpson Desert near the Northern Territory border in western Queensland, the Pulchera project lies 135km north-west of Bedourie. The project lies 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 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% Cu from 9m (including 3m @ 2.4% Cu).

Based on spinifex biogeochemical sampling (a method for collecting geochemical data in areas covered by cover rocks) on an adjacent area to Pulchera, a new mineral province in western Queensland, the Diamantina Alkaline Province, has recently been identified. The Diamantina Alkaline Province comprises highly differentiated intrusions that are prospective for platinum group elements and copper.

Mineralisation associated with alkaline intrusives may be present on the Pulchera licence and MRG aims to pursue this concept in the future. Follow up work can also be carried out on previously carried out research, which suggests that Olympic Dam style IOCG deposits may occur within a granitic breccia host.

Davenport Downs

Davenport Downs lies 120km south-east of Boulia, Queensland. Like Pulchera, it is close to the interpreted southern margin of the Mt Isa Block. Davenport Downs straddles a portion of a prominent gravity ridge with accompanying favourable magnetic signatures. Exploration work undertaken on the tenement to date has comprised historical data compilation, geophysical data review and prospectivity assessment. This work has identified two distinct targets on the north-eastern side of the licence.

The Davenport Downs EPM is considered prospective due to its positive magnetic gravity responses, which are characteristic of IOCG-type deposits in the Mt Isa Block. An exploration co-funding grant of A$75,000 was obtained from the Queensland government to assist with exploration on the project.

Squirrel Hill

Squirrel Hill is located c.15km west north-west of South32's Cannington mine (71Mt @170g/t Ag, 4.86% Pb and 3.26% Zn). It lies in a structurally favourable trend between Cannington and the Squirrel Hills granite.

The tenement is covered by a relatively thin, 10m to 40m thick, cover of younger sedimentary rocks, masking the underlying prospective lithologies.

A program of shallow air-core holes over previously identified geophysical anomalies to identify zones for subsequent RC drilling would be the logical first step.

Selwyn

Selwyn, recently granted, lies 14km north of South32's Cannington mine within the Stavely Formation and comprises brecciated granofels and meta sandstone. Sasak's predictive modeling technology indicates that this tenement has potential for IOCG discovery at depth as well as Broken Hill type mineralisation akin to that found at Cannington.

Mt Angelay

This licence is c.44km southwest of FMR Investments' Eloise Mine at the junction of two major fault zones in the meta-sedimentary Soldiers Cap Group. Like Selwyn, Sasak's predictive modeling technology has identified Mt Angelay as an IOCG target at depth.

Keith Weston

Managing 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 5.3

Appendix 5B

Mining 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

Name of entity

MRG METALS LIMITED

ABN	Quarter ended ("current quarter")
83 148 938 532	31 December 2015

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (6 Months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(121)	(624)
	(b) development		
	(c) production		
	(d) administration	(238)	(460)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1	5
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other – Drill Funding Grant	22	117
	Net Operating Cash Flows	(336)	(962)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	(1)	(1)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(1)	(1)
1.13	Total operating and investing cash flows (carried forward)	(337)	(963)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(337)	(963)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	704
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	704
	Net increase (decrease) in cash held	(337)	(259)
1.20	Cash at beginning of quarter/year to date	488	410
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	151	151

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	$94
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

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

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	NIL	
3.2	Credit standby arrangements	NIL	

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	100
4.2	Development	NIL
4.3	Production	NIL
4.4	Administration	100
	Total	**200**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	5	4
5.2	Deposits at call	146	484
5.3	Bank overdraft	NIL	NIL
5.4	Other (provide details)	NIL	NIL
	Total: cash at end of quarter (item 1.22)	151	488

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	NIL	NIL		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	135,612,115	135,612,115	20 cents	20 cents
7.4	Changes during quarter (a) Increases through issue (b) Decreases	NIL	NIL		
7.5	**+Convertible debt securities** (*description)*	NIL	NIL		

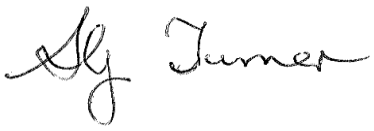
+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	44,007,993 72,978,404	44,007,993 72,978,404	*Exercise price* 25 cents 15 cents	*Expiry date* 21/09/2016 31/08/2020
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*	NIL	NIL		
7.12	**Unsecured notes** *(totals only)*	NIL	NIL		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

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

Sign here:  Date: 29 January 2016

(Director/Company secretary)

Print name: SHANE TURNER

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 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.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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