QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2014

- **EAST YILGARN DRILLING COMMENCES**
- **ADDITIONAL SOIL SAMPLING AT XANADU EXTENDS ANOMALOUS ZONE**
- **REMAINING FRASER RANGE -YARDILLA TENEMENT GRANTED**
- **PLANNING FOR LOONGANA DRILLING IN Q4 WELL ADVANCED**
- **QUEENSLAND IOCG PROJECTS TO BE FOCUS OF EXPLORATION IN 2015**

MRG Metals Ltd ('MRG') has a stated exploration strategy to drill high potential targets every quarter. To achieve this, MRG adopts a systematic approach to target generation with rigorous prioritisation of drilling.

Following the granting of the necessary approvals, combined reverse circulation and diamond drilling at East Yilgarn commenced during the quarter and was completed on 22 October 2014, comprising several holes over two distinct targets. The drill samples from this program are currently being processed for assay.

Subsequent to the discovery of a new anomalous gold in soil zone at Xanadu, further infill soil sampling at the Pertinax prospect better delineated the area of anomalism. The prospect is still open along strike and is likely to form a forthcoming drill target.

MRG has reviewed the geophysical data over the Loongana project area and refined the geophysical interpretation as a precursor to drill targeting. Planning for drilling in the coming quarter is well advanced.

After the end of the quarter MRG's licence application for Yardilla was granted. This licence complements two adjoining granted Joint Venture licences. On ground exploration is planned to commence on the consolidated project in Q4 of 2014.



Drilling at East Yilgarn.

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EAST YILGARN PROJECT

MRG's East Yilgarn Project, along with Gold Road Resources Ltd's Yamarna Project, are located at the eastern margin of the Yilgarn Craton and are prospective for greenstone hosted gold in a frontier terrain. The potential of this region is demonstrated by Gold Road's exploration success on their Gruyere Prospect. The greenstone hosted gold deposits of the Yilgarn Craton account for a significant proportion of Australia's gold production. MRG are seeking analogues of this deposit style. This terrain is historically underexplored due its remoteness and is covered by younger rocks and sand of the Great Victoria Desert.

Earthworks in preparation for drilling commenced in late September with drilling conducted during October (Figure 1). Core samples are currently in transit from site and an update will be provided once the results are received.

Note that MRG was granted $112,500 from the Department of Mines & Petroleum WA co-funded Government-Industry Exploration Incentive Scheme for this drilling Program.

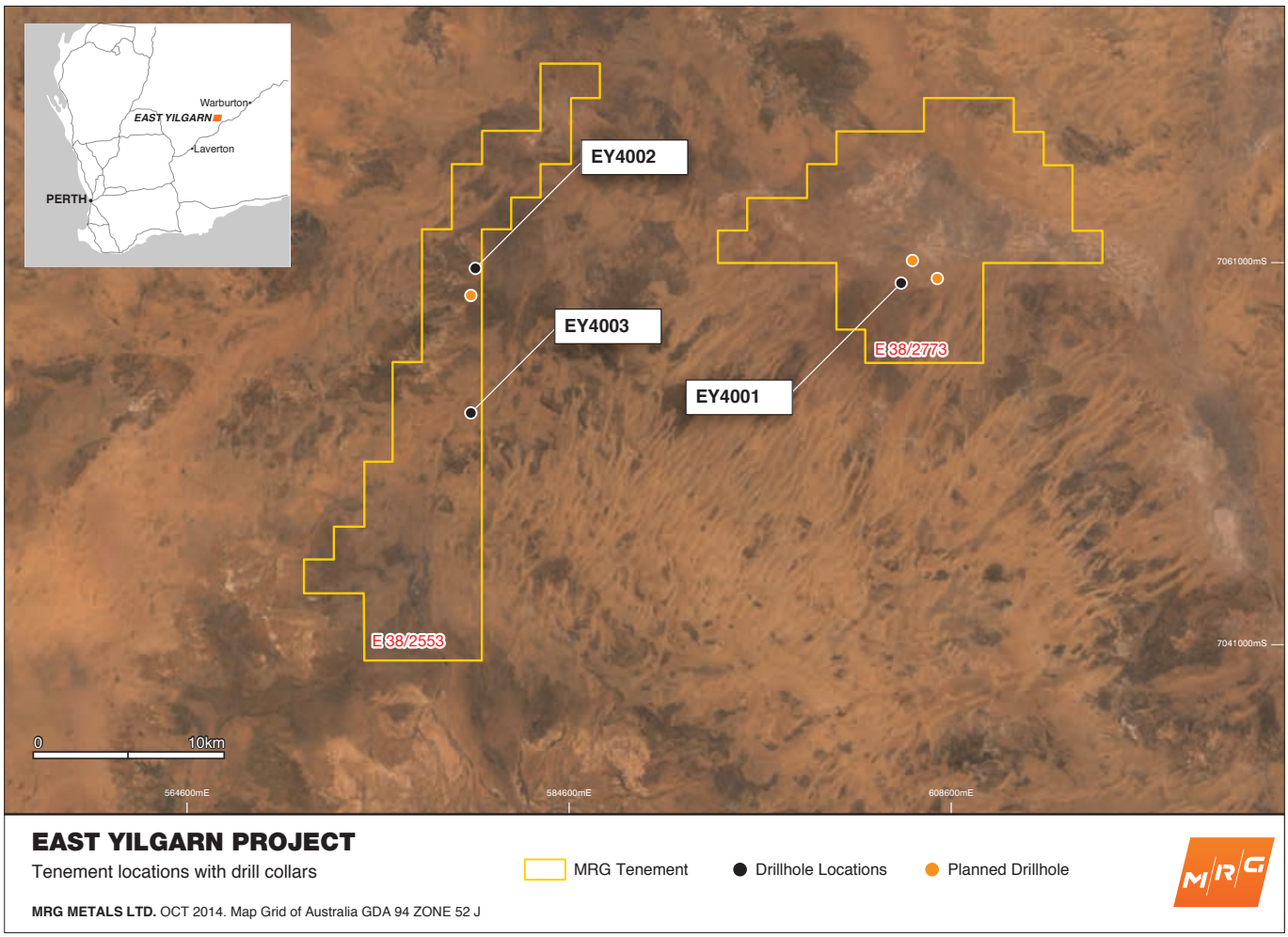

Figure 1: East Yilgarn Tenement & Drillhole Location Plan.

XANADU PROJECT

MRG's Xanadu project is located close to the northern margin of the Ashburton Basin, some 4 kilometres WSW of Northern Star Resources Ltd's Ashburton Project, (21.3 million tonnes @ 2.4g/t gold for 1.67 million ounces). The Xanadu mineralisation was discovered in the mid 1980's by BP Minerals and has been subject to various phases of exploration in the ensuing period until MRG's acquisition.

Concurrent with MRG's first drill program undertaken during May 2014 (15 holes for 1677 metres, see June 2014 Quarterly Report) was a soil sampling program that outlined a new prospect area now called Pertinax. The sampling outlined an anomalous zone parallel to the North Eastern boundary of the tenement where the Cheela Springs Basalt

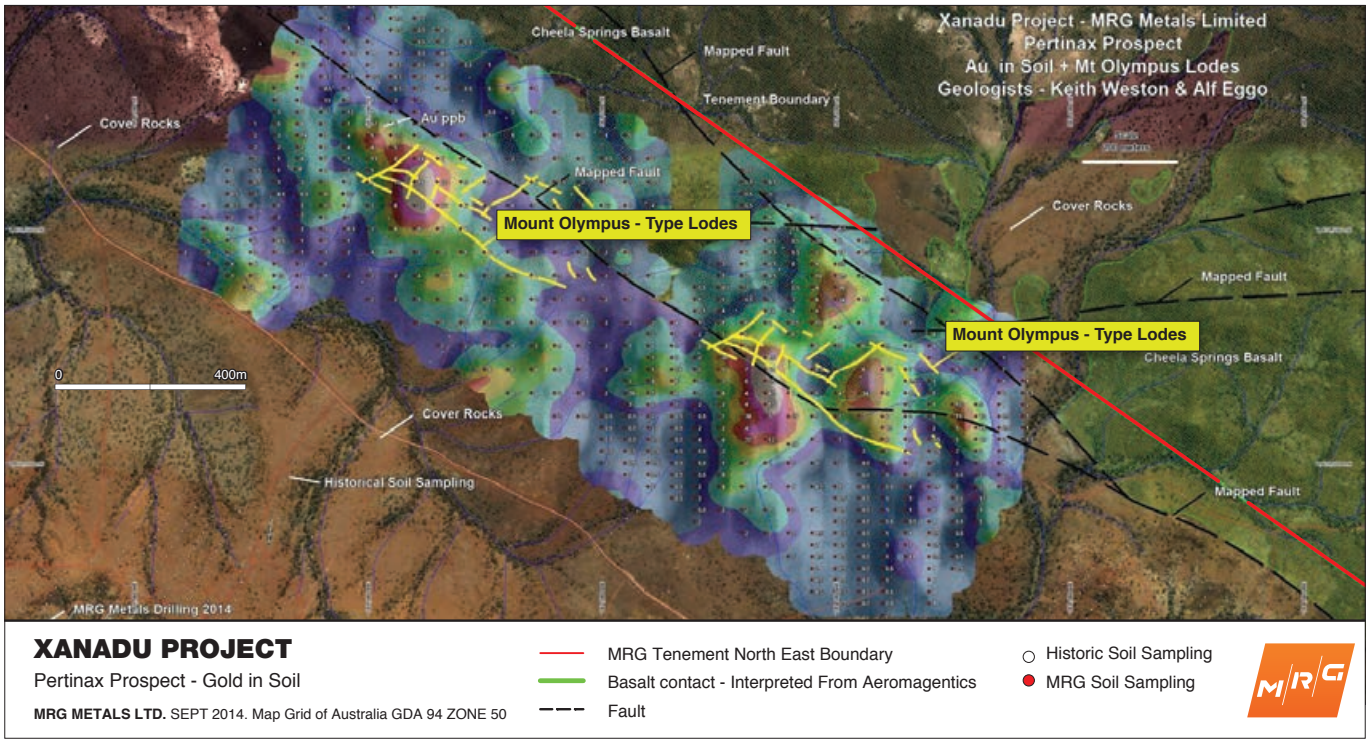

Figure 2: Mt Olympus lodes in yellow superimposed onto Pertinax soil anomalies, indicating similar dimension.

abuts the overlying sediments of the Mount McGrath Formation. This geological position is akin to those found on Northern Star Resources Ltd's adjacent Ashburton Project. Three separate blocks were initially tested and during the quarter infill sampling between them confirmed the strike continuity of the anomalous zone (Figure 2).

Towards the south east the anomaly is truncated by faulting, however, it potentially extends to the northwest to the boundary of MRG's tenement holdings. Additional soil sampling is planned to determine the position of the best zones, which will likely form future drill targets in the second phase of drilling planned for 2015.

LOONGANA PROJECT

The Loongana Project is located on the Nullarbor Plain, 500kms east of Kalgoorlie and 60kms north of the Trans Australia railway line. MRG holds a tenement that covers the majority of the Loongana Igneous Complex. This Complex is a large layered mafic and ultramafic intrusive body that lies at depths ranging from 250 metres to 350 metres below the surface. It includes one of the strongest gravity residuals in Australia, with accompanying multifarious magnetic features.

In order to improve drill targeting the geophysical data was split into three separate domains and then displayed in 3 dimensions to gain an understanding of the relationship between the major rock units (Figure 3). It is apparent that the eastern part of the Complex has been disrupted by faulting affecting the continuity of any platinum bearing reefs. On the western side large blocks of the complex remain intact and drilling is likely to be focussed on this side.

MRG is currently re logging the previous holes drilled into the Complex and all the data will be combined to select a suitable drill collar position, as MRG believe that previous drilling was not sited in the optimum location for discovery.

Drilling is planned for the coming quarter with the support of funding from the Department of Mines and Petroleum WA Co-funded Government - Industry Drilling Program of the Exploration Incentive Scheme ('EIS'). Under the EIS, funds committed by MRG towards the approved drill programs will be matched by funds from the Western Australian Government, up to a maximum of $108,000.

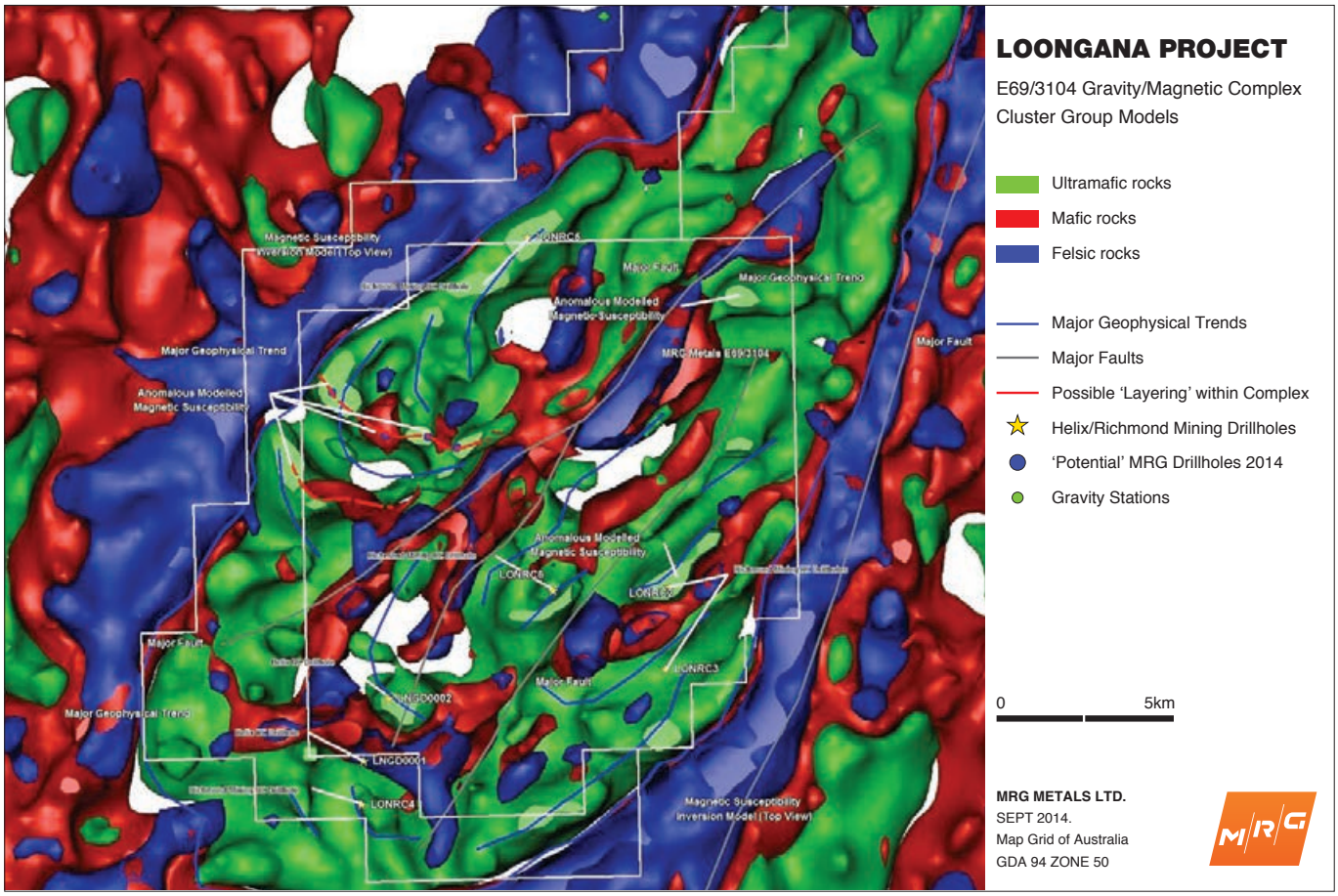

Figure 3: Loongana tenement outline over 3D geological model.

YARDILLA

MRG's combined Yardilla project area straddles part of the Cundeelee Fault, which separates the Archean Yilgarn Craton from the Proterozoic Albany-Fraser Orogen (Figure 4) and comprises three adjoining exploration licences. It is considered to be prospective for gold, nickel and base metals that may be present in both geological terrains.

During the previous quarter, the Board of MRG successfully negotiated an option and purchase agreement over two granted exploration licences that adjoin an existing MRG 100% owned licence application at Yardlla. Together, they cover a contiguous area of approximately 220 square kilometres. On 11 October, MRG's application was granted by the Department of Mines & Petroleum. Now that the remaining project licence is granted, an exploration program will be formulated over selected areas already identified by our preliminary research.

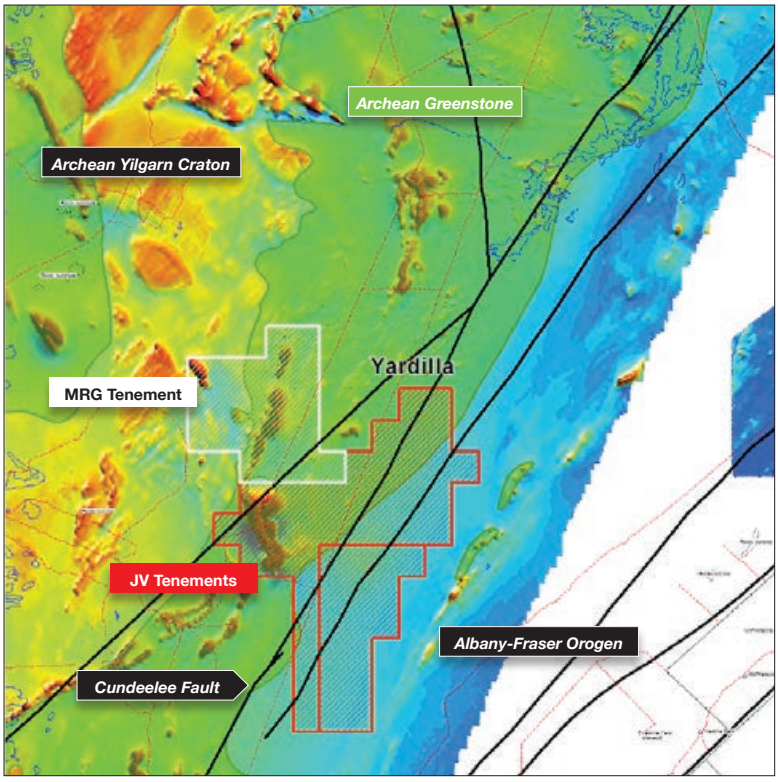

Figure 4: Yardilla MRG Project Tenements overTMI.

QUEENSLAND IRON OXIDE COPPER GOLD PROJECTS

The focus of MRG's exploration in 2015 will be the our three Iron Oxide Copper Gold (IOCG) licences in western Queensland. As outlined in the release to the Australian Stock Exchange dated 28 July 2014, two licences were granted in mid 2014 over prospective ground within the Mount Isa Block, adding to our original licence granted in mid 2013. In these areas the basement lies mostly under cover and analysis utilising the technology of Sasak has revealed their potential to host mineralisation.

These projects have similar geophysical characteristics to known deposits such as Glencore PLC's Ernest Henry Mine (166 Mt @ 1.1% Cu & 0.54 g/t Au - pre mining resource) and BHP's Cannington Mine (44 Mt @ 383 g/t Ag, 8.9% Pb, 4.2% Zn - 2007 resource).

The recent discovery of significant copper mineralisation south of Cloncurry at the Artemis prospect illustrates the continuing potential of the Mount Isa Block and reinforces MRG's strategy to actively explore these projects.

Keith Weston
Managing Director

The information in this 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.

Appendix 5B
Mining exploration entity quarterly report

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	30 September 2014

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (3 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	(158)	(158)
	(b) development		
	(c) production		
	(d) administration	(220)	(220)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	8	8
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other		
	Net Operating Cash Flows	(370)	(370)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	(9)	(9)
	(b) equity investments		
	(c) other fixed assets		
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	(9)	(9)
1.13	Total operating and investing cash flows (carried forward)	(379)	(379)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(379)	(379)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
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	0	0
	Net increase (decrease) in cash held	(379)	(379)
1.20	Cash at beginning of quarter/year to date	1,239	1,239
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	860	860

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	$103
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

Appendix 5B
Mining exploration entity quarterly report

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	300
4.2	Development	NIL
4.3	Production	NIL
4.4	Administration	200
	Total	**500**

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	32	14
5.2	Deposits at call	828	1,225
5.3	Bank overdraft	NIL	NIL
5.4	Other (provide details)	NIL	NIL
	Total: cash at end of quarter (item 1.22)	860	1,239

Appendix 5B
Mining exploration entity quarterly report

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	East Yilgarn E38/2548 E38/2551 E38/2556	Exploration	 100% 100% 100%	 0% 0% 0%
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		

Appendix 5B
Mining exploration entity quarterly report

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	44,007,993	*Exercise price* 25 cents	*Expiry date* 21/09/2016
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: S Turner Date: 31 October 2014
(Director/Company secretary)

Print name: SHANE TURNER

Appendix 5B
Mining exploration entity quarterly report

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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