

QUARTERLY REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2012

This quarter has seen consolidation of exploration on the Kalgoorlie East and Collie projects. Drilling at Kalgoorlie East revealed further evidence of mineralisation, while at Collie black coal was discovered in two of the three areas tested. MRG Metals Ltd is looking forward to commencing on ground exploration on the Fraser Range and Xanadu projects during 2013 and further exploration on our other projects.

XANADU PROJECT

MRG Metals Ltd ('MRG' or 'Company') is about to commence drilling on its highly prospective gold tenement.

MRG's wholly owned Xanadu project lies 38 kilometres south east of Paraburdoo in the Pilbara Region of Western Australia, within Proterozoic aged rocks of the Ashburton Basin. Xanadu shares many characteristics of Northern Star Resources Ltd adjacent Ashburton Project (Mt Olympus). Considerable exploration has been completed by several companies since the initial discovery of Xanadu in 1985. This exploration work led to the discovery of numerous prospects within the project environs.

Recent work by the Geological Survey of WA has led to a better understanding of the mechanisms controlling the geological framework and mineralising fluid conduits in the Ashburton Basin.

A deep seismic profile across the Ashburton Basin and adjacent Pilbara Craton reveals that a major regional feature known as the Nanjilgardy Fault is the bounding structure between these two geological terranes and this Fault penetrates through the crust into the mantle. (Figure 1). It is the likely major conduit for mineralisation on the north east margin of the Ashburton Basin. Mineralisation is focused in a corridor on the margins of the Fault.

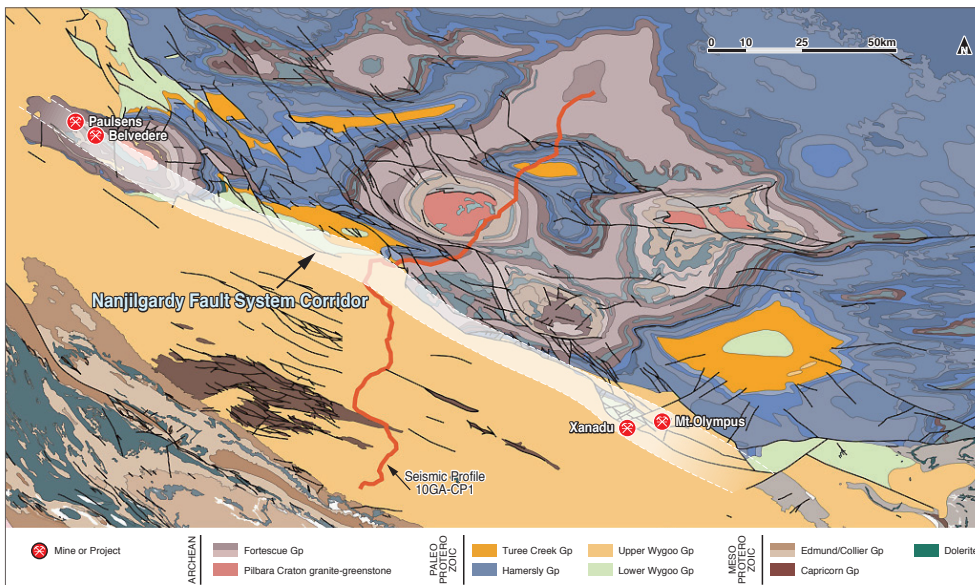


Figure 1: Xanadu Project Regional geology.

Source: Geological Survey of WA.

Northern Star Resources (NST) Paulsen's mine and Belvedere deposit lie at the north-western end of this 200 kilometre long corridor and NST's Mount Olympus and MRG's Xanadu deposit lie on the south-eastern end. This 200km corridor is highly prospective yet lightly explored and MRG's tenements cover a **12 kilometre strike of the prospective zone**.

Field work on the project is in abeyance during the monsoon season and work undertaken by MRG during the quarter comprised database consolidation and continued validation. Exploration is planned to commence in the first half of 2013, after approval of the Program of Works and Native Title Heritage clearances. This will be focused on two areas, the Big Bend and Stynes prospects. Previous drilling at Big Bend found a number of mineralised intercepts and the **Stynes prospect lies within 1 kilometre of Northern Star Resources' Peake and Sparta prospects** in a similar geological setting.



Company Information

Directors

Albert Pietrzak
Non Executive Chairman

Keith Weston
Managing Director

Andrew Van Der Zwan
Non Executive Director

Shane Turner
Non Executive Director
& Company Secretary

MRG aspires to become an investment of choice, focused on the discovery of gold, base metals and other commodities which fit its growth strategy.

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Quick Facts

as at 29 January, 2013

Shares on Issue: 88 million

Market Cap: A\$16 million

Options: 44 million

Cash in Bank: approx. A\$3.7 million

Debt: Nil

Current Projects:

Kalgoorlie East (Gold, Nickel)

Collie South (Coal)

Xanadu (Gold)

Braemore (Gold, Copper)

Fraser Range (Gold, Base Metals)

Royalty Interest:

Diorite (Gold)

Bell Chambers (Gold, Copper)

Mulgul (Gold, Copper)



KALGOORLIE EAST PROJECT

The Kalgoorlie East project covers an area of approximately 17 square kilometres and is some 8 kilometres due east of Kalgoorlie in the Eastern Goldfield of WA. It is considered prospective for both gold and nickel mineralisation.

The project is part of the Golden Ridge Belt which consists of a structurally complex package of Achaean ultramafic, mafic to felsic volcanic rocks with associated sediments and cherts, intruded by a series of younger dolerite dykes and felsic porphyries.

The project has had considerable exploration by MRG directed to gold, silver, nickel & base metals. Work to date comprises historic data review & compilation, broadly spaced soil sampling, detailed soil sampling, Moving Loop Electro - Magnetic Survey, Aircore drilling & Reverse Circulation drilling.



Figure 2: Aircore drilling Kalgoorlie East November 2012.

Indications of 4 styles of mineralisation have been identified, lateritic nickel, shear hosted gold, silver mineralisation in felsic volcanics (Nimbus style) and disseminated base metal mineralisation in black shales.

1. Lateritic nickel was detected in the northern part of the project with the best result of 5m @ 1% Ni, 0.2% Co & 0.33% Cr.
2. Shear hosted gold (Au) occurs over a strike length of 450 metres, with the best intercept being 1m @ 2.61 g/t Au. The narrow structure that hosts mineralisation is still open to the north, south and at depth.
3. Nimbus style silver mineralisation was originally detected when drilling gold in soil anomalies south west of Boorara. An Air core hole terminated at 61 metres down hole in a quartz veined volcanoclastic rock with an silver (Ag) assay of 1 m @ 19.1 g/t Ag. Repeat sampling returned 1m @ 88 & 69 g/t Ag. Later soil sampling to the south of this initial drilling showed that anomalism continued in this direction. This southern soil anomaly was drill tested in late November 2012 with the best result of 5m @ 1.59 g/t Ag.
4. The Electro Magnetic survey delineated a number of conductive features suggestive of nickel sulphide accumulations. Subsequent drilling has confirmed that these conductive features are pyritic graphitic black shales. Low tenor zinc (Zn) and copper (Cu) mineralisation (up to 1.5% Zn & 0.2% Cu) occurs within these shales.

Following a review of results generated to date, MRG plans to further assess the nickel potential in northern part of the project and follow up gold and silver anomalies generated by the earlier Aircore drilling and soil sampling programs.

COLLIE SOUTH PROJECT

MRG is farming into the Collie South Coal Project which lies 40 kilometres south east of the town of Collie, the hub for electricity generating centre for the southwest of WA. Two operating coal mines within the Collie Basin currently supply thermal coal for power generation. The export potential of coal from this region is currently under investigation.

Coal is known to occur in 3 basins, these are the Collie Basin, Wilga Basin and the Boyup Basin. Each coal bearing basin occurs as discrete North West oriented areas of Palaeozoic / Mesozoic rocks within the Achaean granite gneiss basement. The Company's licence covers the projected extensions of these Palaeozoic basins as indicated by gravity and aeromagnetic data.

Following a comprehensive literature review and compilation of past work, MRG tested by Aircore drilling three of eight target areas. A single coal seam 3 to 5 metres thick lying under 10 to 12 metres of overburden was discovered, demonstrated proof of concept at two of the three site drilled to date. Based on the geometry of the targets, any coal bearing basin would be of a similar order of magnitude as Wilga deposit, i.e. around 250 million tonnes. Drilling has revealed that faulting parallel to the basin margins has uplifted most of the coal bearing seams, which have subsequently eroded away, but remnant coal is preserved in down faulted sub basins with little overburden.

More targets remain to be tested. The coal appears to lie within down faulted sub basins within the broader basin structure. Recent geophysical interpretation of aeromagnetic data (Figure 3) has identified an additional target area, but was unable to better resolve the position of the coal bearing sub basins, therefore additional ground geophysics is required to target future drilling.

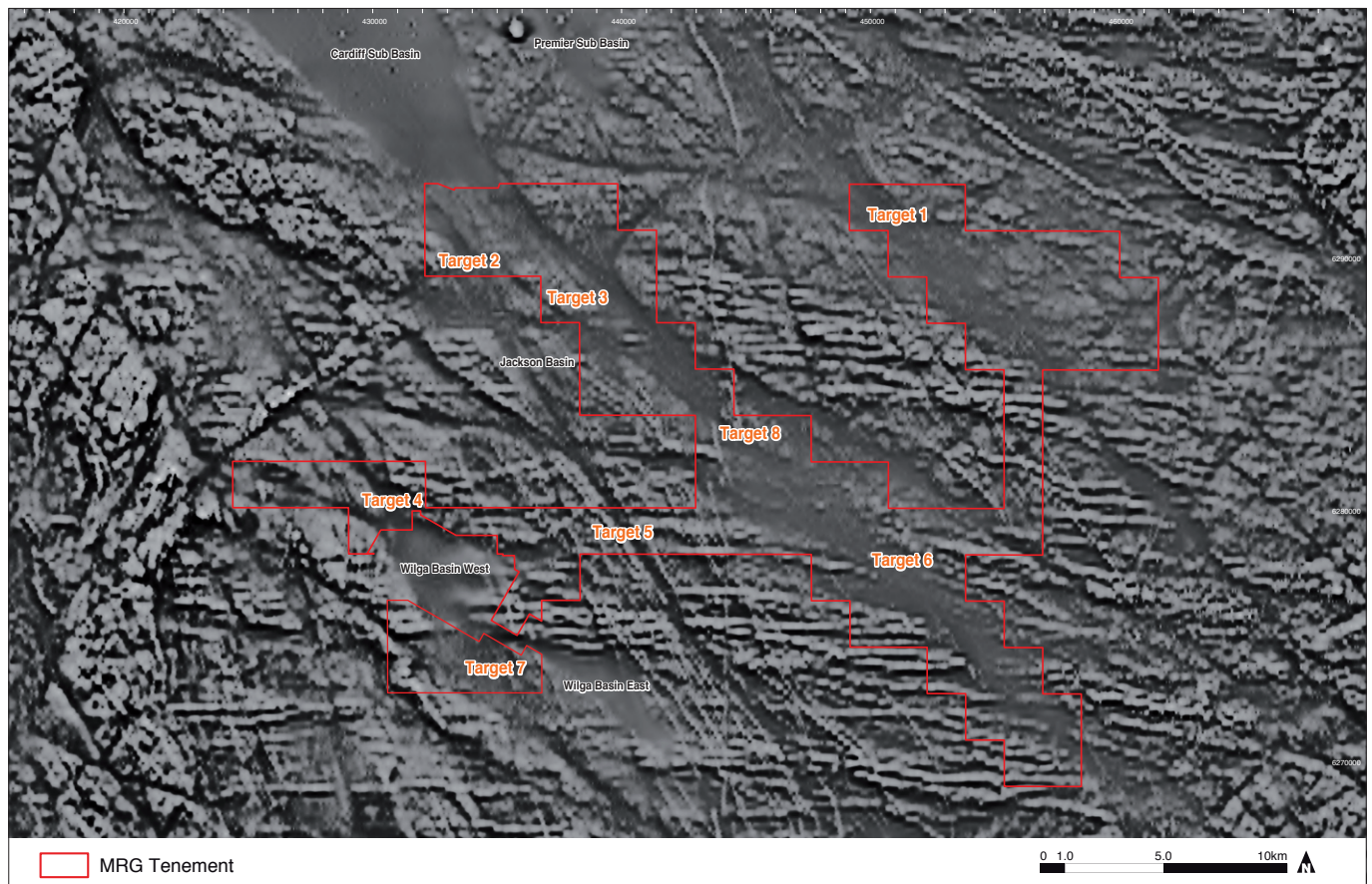


Figure 3: Collie South Project tenement over total magnetic intensity.

FRASER RANGE PROJECT

The project lies 100 kilometres east south east of Norseman and approximately 60 kilometres due south of the Eyre Highway and comprises two Exploration licence applications, E63/1552 & E63/1553. Recent advice from the department of Minerals and Petroleum is that grant of the licences is due during the first Quarter of 2013.

The MRG licences are 400km southwest of the Tropicana +5 million ounce gold discovery and 80km southwest of the recent Nova nickel-copper discovery by Sirius Resources. The Tropicana gold deposit represents the first major discovery within this geological province, located along an ancient collision zone between the Yilgarn Craton and the Albany-Fraser Orogen. The geological setting was previously seen to not be prospective for gold deposits.

The MRG licences are within the southern portion of the Biranup zone of the Albany Fraser Orogen, similar to Tropicana and cover metamorphosed granitoids, mafic volcanics and sediments as well as small inliers of Achaean aged rocks.

Upon grant of the licences the Company will compile all open file and geophysical data seeking indications of favourable structural positions and alteration zones. Areas will then be selected for geochemical sampling.

BRAEMORE PROJECT

The Braemore project lies 8 kilometres north east of Leonora in the Eastern Goldfields of Western Australia, within the regionally significant north north-westerly trending Keith-Kilkenny Tectonic Zone. This major structural corridor is associated with many auriferous shear hosted deposits in the Leonora area. The project is considered prospective for mesothermal structurally controlled gold mineralisation in mafic volcanics or sediments as well as volcanogenic massive sulphide mineralisation.

Historic gold workings such as the Pride of Leonora occur just to the east of the project area and produced 1217 ounces of gold from 1899 to 1905 at an average grade of 24.6g/t Au.



Figure 4: Braemore gossanous ironstone outcrop.



Following the acquisition and interpretation of Aeromagnetic & LandSat data, MRG undertook a extensive soil survey of the project which confirmed past gold in soil anomalies but no new anomalous areas were revealed. Aircore drilling of these anomalies is currently being considered.

Following interpretation of soil data two small prospecting licences were dropped during the quarter from the wider project area.

Anglo Australian Resources ('AAR') have recently drilled two diamond holes targeting an electromagnetic conductor in their adjacent tenement to the north. The interpreted trend of this conductor strikes into MRG's tenements. AAR's best result is 0.65m @ 2.08%Cu from 233.25m down hole. MRG is investigating a ground Electro Magnetic survey in order to delineate similar buried conductors within the Braemore project.

NEW PROJECTS

During the quarter MRG has continued to review a number of promising project opportunities, as market conditions continue to work in the Company's favour. The Board is currently evaluating two projects and will announce further information as discussions progress.

CORPORATE

MANAGEMENT CHANGES

On 7 January 2013 Mr Andrew Van Der Zwan the foundation Managing Director and CEO of MRG Metals resigned from the Company to pursue other commercial interests. Mr Van Der Zwan continues with MRG in the role of Non Executive Director thereby continuing to provide his experience to the Company. Mr Keith Weston, a geologist with over 26 years minerals industry experience in both Australia and Latin America has replaced Mr Van Der Zwan as Managing Director.

Keith Weston

Managing Director

The information in this report, as it relates to Exploration Results and Resource Estimates, 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 Keith 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 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Keith Weston consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.