

29 January 2015

Quarterly report for the Period ending 31 December 2014

OVERVIEW

Exploration

- ❖ The Company has continued staged exploration programs on its 100% owned Mt Ridley Project located in the South-West corner of the highly prospective Fraser Range Province.
- ❖ Low level detailed aeromagnetic surveying covering some 800sq/kms of the Company's tenure at the Mt Ridley Project was completed. Several high priority intrusive style targets were identified.
- ❖ Ground based high powered moving and fixed loop electromagnetic (EM) surveying was completed during the quarter over Targets one and two. A moderate EM conductor was identified at Target two.
- ❖ First pass aircore drilling testing conductive targets generated from the ground EM surveying and high priority intrusive style targets from the detailed aeromagnetic survey is slated for mid January 2015.

Corporate

- ❖ The AGM was held on 28th November with overwhelming shareholder support for all resolutions.
- ❖ Following shareholder approval the company name was changed to Mount Ridley Mines Ltd to reflect the company's exploration focus. The Company's ASX code was subsequently changed to MRD.
- ❖ The Company exercised its option to acquire E63/1617, the third of the Company's Mt Ridley project tenements.
- ❖ The company raised \$849,575 through the placement of 96,835,004 shares.
- ❖ Cash as at 31 December 2014 was \$699,966 after a backlog of creditors were paid out and significant payments for exploration expenditure.

EXPLORATION

Mt Ridley Project

Detailed Aeromagnetic Survey

The Company continued exploration activities at Mt Ridley with the completion of a low level detailed aeromagnetic survey designed to cover the company's entire tenement package totalling some 800sq/kms. The survey was designed to highlight areas of potential layered mafic-ultramafic intrusions, similar to that of Sirius Resources Ltd (ASX: SIR) "eye" structure, within the central portions of E63/1547.

These Layered intrusive bodies are expected to lie within the Gravity Corridor, a corridor of more dense iron rich mafic-ultramafic rocks that are highly prospective for nickel and copper mineralisation (Figure 1). Sirius Resources Ltd (ASX: SIR) Nova Nickel deposit lies centrally within this Gravity Corridor that has been coined by other explorers in the Fraser Range as the "nickel corridor"

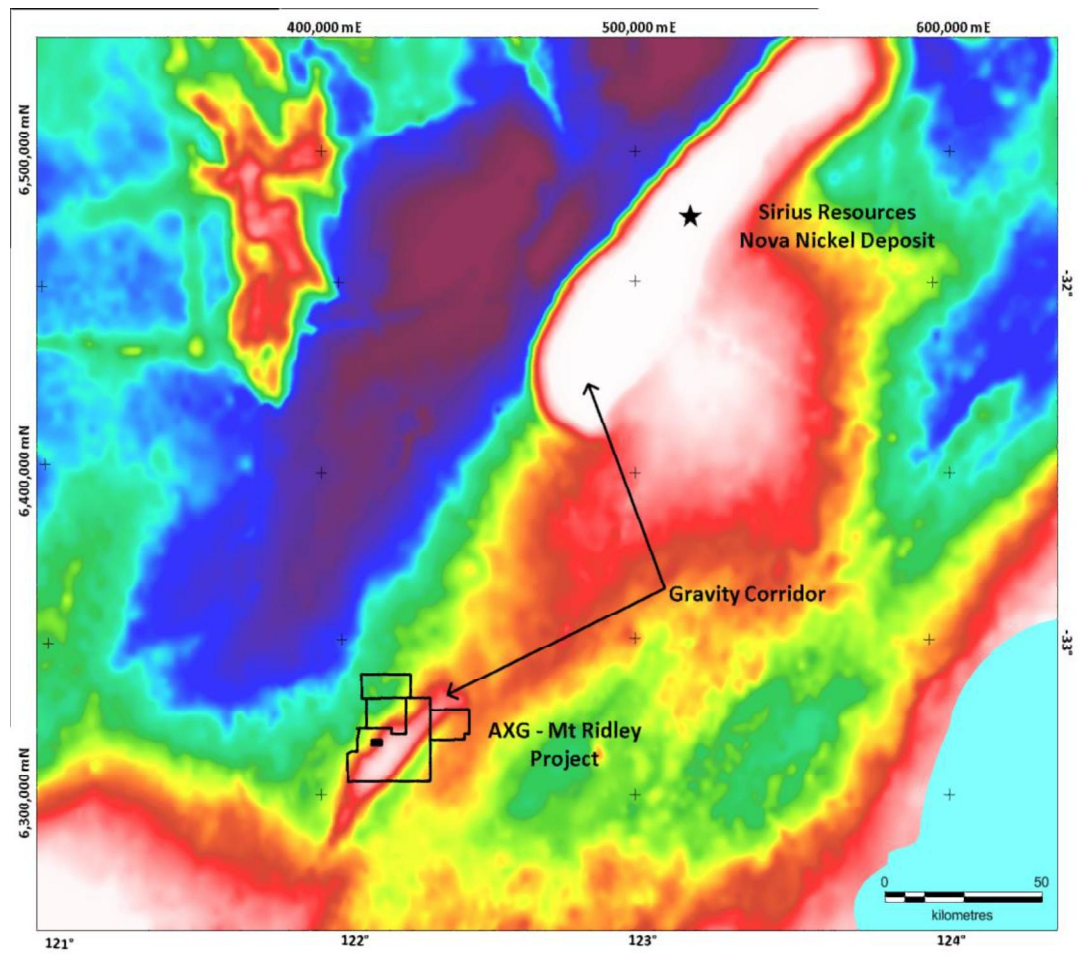


Figure 1: Regional gravity images showing extension of important gravity corridor into AXG tenure, Albany-Fraser Range Province (source: Southern Geoscience).

The survey results are high quality and show detailed magnetic information that will be used for structural and lithological interpretation as well as direct targeting. The radiometric data will also be very useful for interpreting underlying lithology where cover is thin or absent.

At this stage, initial target selection by Southern Geoscience Consultants is based on identifying potential mafic-ultramafic intrusions. These could vary magnetically in character and style depending on the age, size, and nature of the intrusions. Three styles of targets have been considered: weakly to non-magnetic intrusions similar to Nova, moderately to highly magnetic intrusions, and layered magnetic complexes.

A total of thirty seven targets have been selected. The majority of these are the favourable weakly to non-magnetic intrusive type, with nine being ranked high priority. Five of these high priority targets are similar in magnetic character to Sirius Resources' "eye" structure (Figure 2).

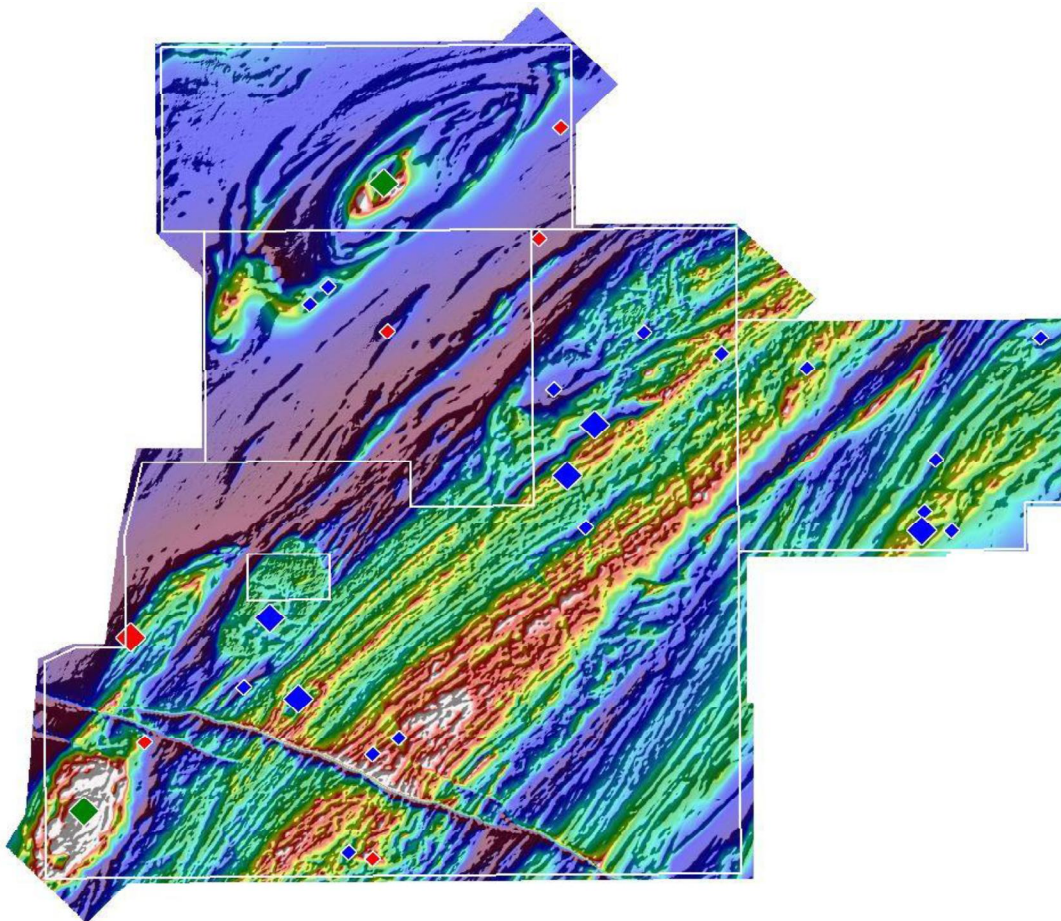


Figure 2: Reduced to pole magnetic image showing new high and moderate priority target locations. Large blue diamonds represent high priority non-magnetic intrusive targets ("eye" style) while large green diamonds represent magnetic complex high priority targets. White outlines show AXG tenure.

Each of the targets will be progressively field checked, and then a follow up strategy will be decided upon. An appropriate combination of mapping, soil sampling, air core drilling and deep penetration ground electromagnetic surveys will be applied depending on the target and its setting.

Moving and Fixed Loop EM Surveys

First pass ground based high-powered moving loop electromagnetic (EM) surveying was completed over two high priority targets during the quarter (ASX announcement dated 15/10/2014). Figure 3 shows the location of these two surveys located in the south-west corner of E63/1547. Initial ground EM will focus on targets exhibiting layered mafic-ultramafic intrusive signatures.

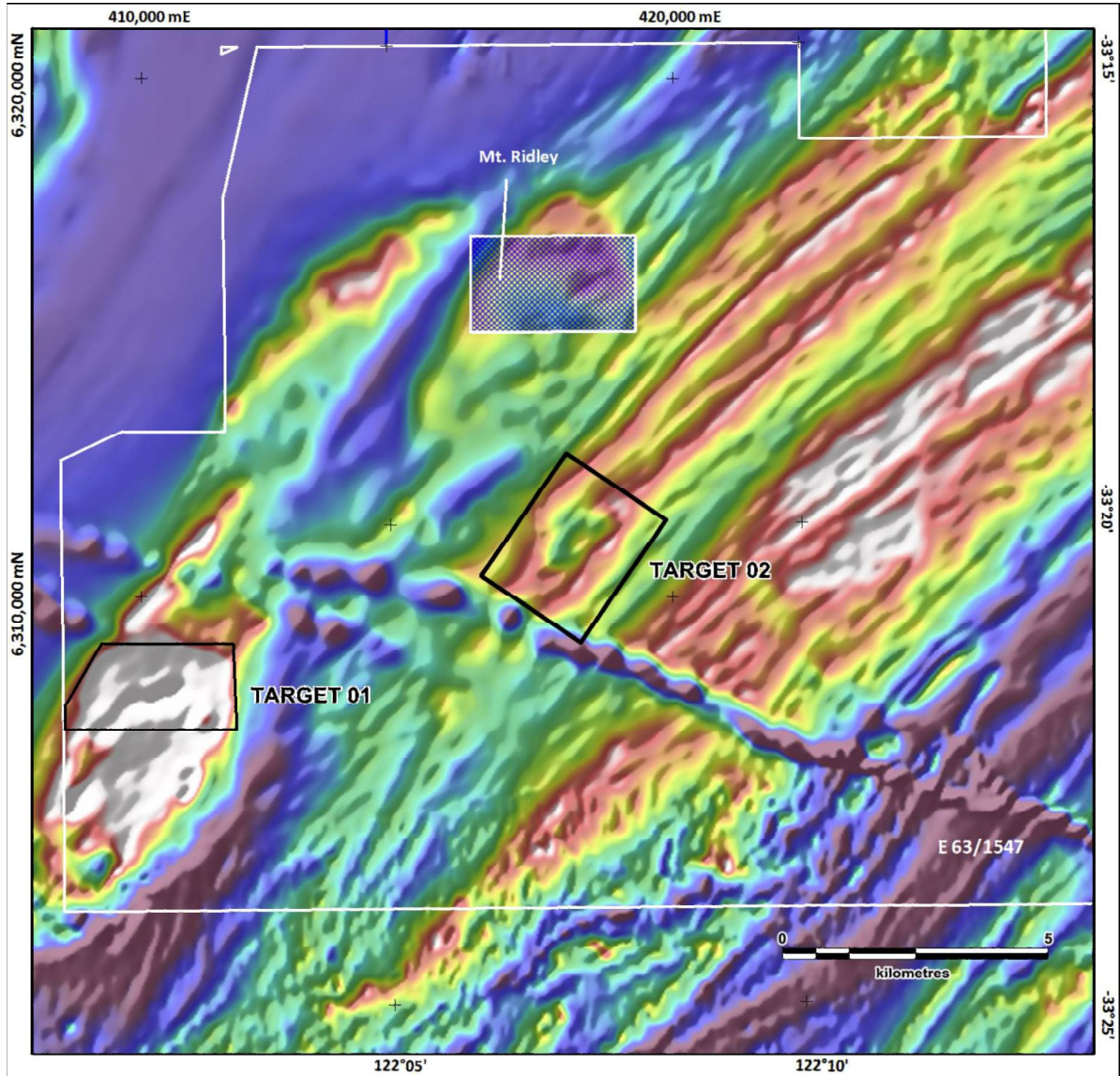


Figure 3: Priority target areas covered this quarter by high powered ground EM surveys (*source:* Southern Geoscience Consultants).

Target 1 was previously flown with airborne electromagnetics (VTEM) back in March 2013. This survey delineated several conductive targets that were partly covered by the recent high-powered ground EM work. Target 2 is more typical of an “eye” structure with a characteristic ovoid shape and low magnetic centre or core.

The results from the survey over Target 1 were inconclusive with highly conductive transported overburden obscuring any potential bedrock conductors.

However at Target 2 a more discrete mid-late time anomaly was delineated (Figures 4 and 5).

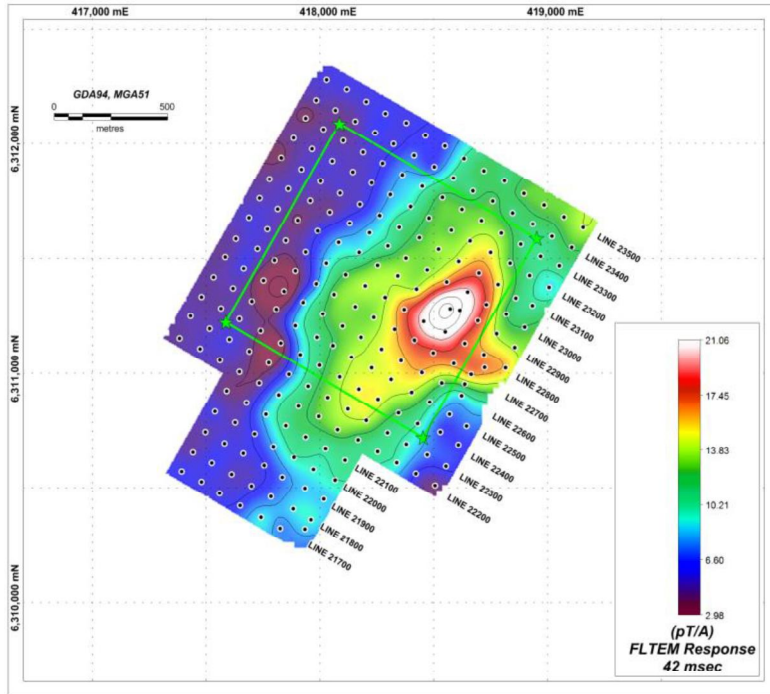


Figure 4: Target 2 FLEM Survey: Z Component 42 ms response showing a distinct anomaly over the interpreted aeromagnetic target zone.

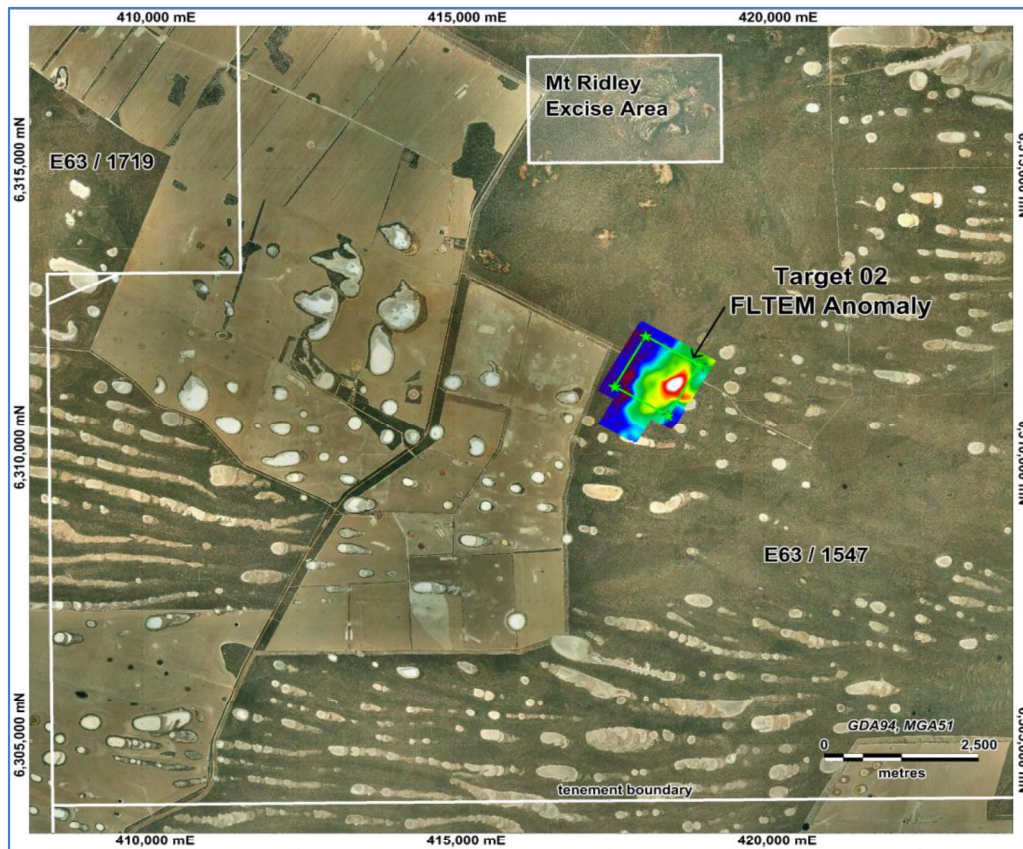


Figure 5: Fixed loop TEM anomaly over orthophoto image

The project area contains numerous salt lakes as can be seen in Figure 5 and this has resulted in a high EM response from the conductive overburden. This complicates modelling and interpretation of the conductor making it difficult to obtain a definitive model. However modelling has confirmed the conductor is shallow dipping, but its depth cannot be determined with accuracy.

Planned Aircore Drilling Program

An aircore program has been designed to test several high priority aeromagnetic intrusive style targets (see announcement dated 10th November 2014) including those at Target 1 and Target 2. Drilling will be conducted as single traverses on existing cleared tracks and gridlines (Figure 1.0)

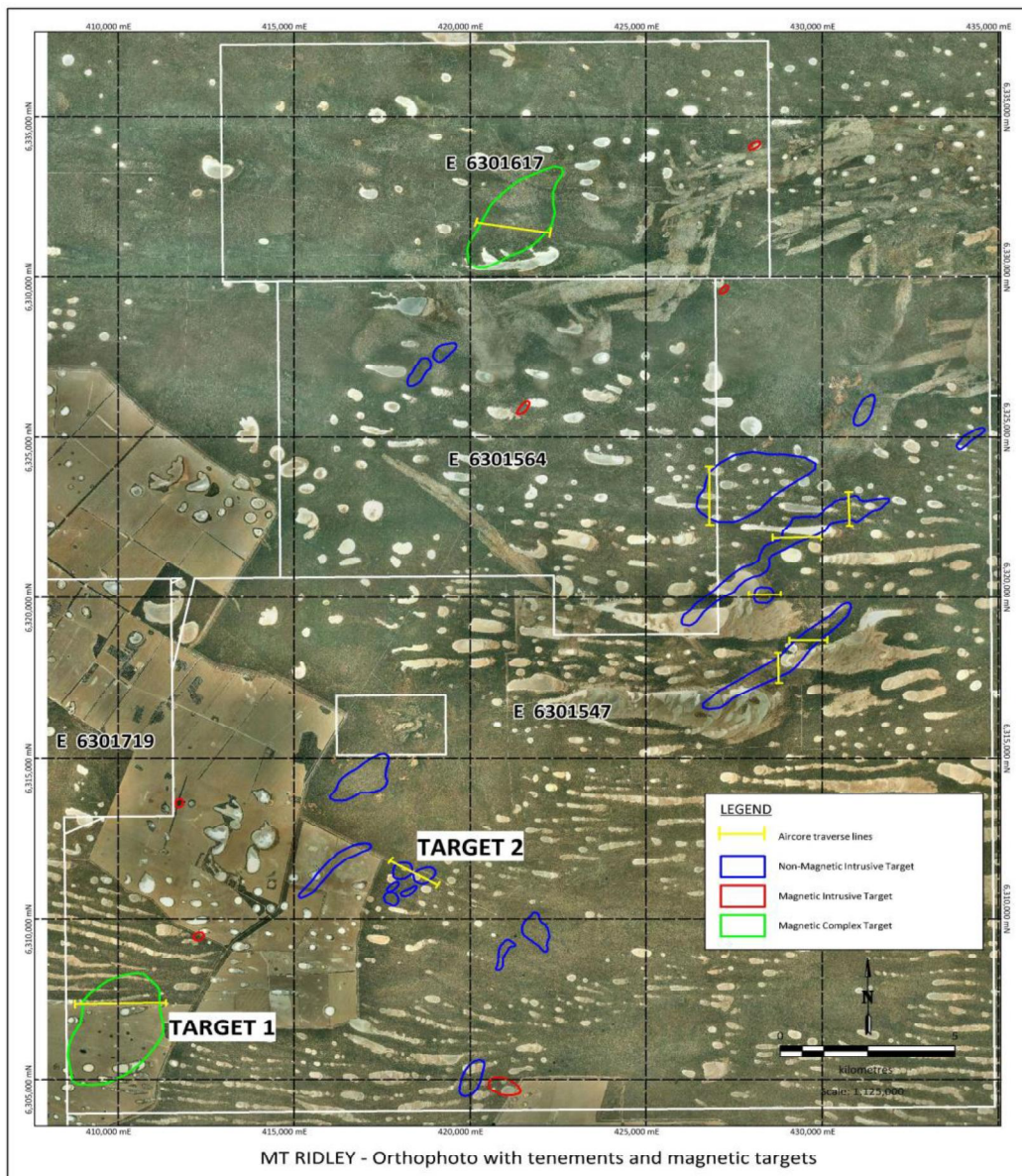


Figure 1: Orthophoto image showing planned aircore drill traverses, marked in yellow, over aeromagnetic targets.

The Company plans to drill some 106 aircore holes for approximately 6000m on 9 traverses testing 7 separate high priority intrusive style targets, including targets one and two. Target 2 has a discrete ground EM conductor which was defined late last year (see announcement dated 23rd December 2014). Holes will be drilled vertically to refusal which is expected to be around 50-60m depth. The program has two main objectives, the first is to probe for the right intrusive ultramafic-mafic rocks and the second is to detect any potential nickel and copper anomalism in those intrusive rocks beneath the thin transported cover.

CORPORATE

The Company's AGM was held on 28th November and the board was pleased with the overwhelming vote in favour of all resolutions.

Following shareholder approval at the AGM the company name was changed to Mount Ridley Mines Limited to reflect the company's exploration focus. The ASX code was subsequently changed to MRD.

During the quarter the company placed 96,835,004 shares to raise \$849,575 to enable it to continue with its active exploration program. The company also issued 14,285,714 shares to exercise the option to acquire E63/1617, the third of the company's key Mt Ridley project tenements.

Administration expenditure was unusually high during the quarter with the company clearing a backlog of creditors. This expenditure would normally be around half the December quarter level.

Cash at the end of the quarter was \$698,966 which allows the company to continue with its active exploration program.

For and on behalf of the board



Mr Dean Goodwin. AIG

Managing Director

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The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dean Goodwin who is a Member of the Australian Institute of Geoscientists. Mr Goodwin is the Managing Director of the Company. Mr Goodwin has sufficient experience which is relevant to the style and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Goodwin consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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, 01/05/2013

Name of entity

MOUNT RIDLEY MINES LIMITED

ABN

93 092 304 964

Quarter ended ("current quarter")

31 December 2014

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	(303)	(362)
(b) development	-	-
(c) production	-	-
(d) administration	(266)	(270)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid	(24)	(24)
1.6 Income taxes paid	-	-
1.7 Other income	-	-
	(589)	(652)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(8)	(8)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	20	20
(c) other fixed assets	-	-
1.10 Loans to other entities	(11)	(11)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	1	1
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(588)	(651)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(588)	(651)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	850	1,350
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		850	1,350
Net increase in cash held		262	699
1.20	Cash at beginning of quarter/year to date	437	-
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	699	699

Payments to directors of the entity, associates of the directors, 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	99
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments for exploration consulting services and directors 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

On 16 October 2014, 2,386,417 fully paid ordinary shares and 1,193,208 unlisted options exercisable at 2.1 cents and expiring on or before 31 December 2016 were issued upon the exercise of a convertible note.

On 2 December 2014, 14,285,714 fully paid ordinary shares were issued in consideration for the exercise of the option to acquire E63/1617.

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

N/A

+ 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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	347
4.2 Development	-
4.3 Production	-
4.4 Administration	125
Total	472

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	699	437
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	699	437

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased	EL63/1617 Western Australia	Nil	100%

6.3 Interests in mining tenements at end of the quarter

Location	Project Name	Tenement #	Ownership	Titleholder
Western Australia	Mt Ridley	EL63/1547	100%	Fraka Investments Pty Ltd**
Western Australia	Mt Ridley	EL63/1564	100%	Global Metals Exploration NL**
Western Australia	Mt Ridley	EL63/1617	100%	Proto Resources & Investments Ltd**

** Mount Ridley Mines Limited has exercised its option and paid the consideration for these three tenements which are awaiting formal transfer.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	685,358,034	685,358,034		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,386,417 96,835,004 14,285,714	2,386,417 96,835,004 14,285,714	\$0.085 \$0.009 \$0.002	Nil \$0.009 Nil
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- Unsecured Convertible Note of \$20,000 plus interest converted to 2,386,417 fully paid ordinary shares.			
7.7 Options <i>(description and conversion factor)</i>	1,785,714 6,252,956 7,500,000 275,000,000	- - - -	<i>Exercise price</i> \$0.070 \$0.021 \$0.015 \$0.0125	<i>Expiry date</i> 30 June 2016 31 December 2016 31 December 2016 31 August 2019
7.8 Issued during quarter	1,193,208	-	\$0.021	31 December 2016
7.9 Exercised during quarter				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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: Dean Goodwin
 (Managing Director)

Date: 29 January 2015

Print name: Dean Goodwin

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 and petroleum 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 or petroleum 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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+ See chapter 19 for defined terms.