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Quarterly report for the period ended 31 December 2015

OVERVIEW

Exploration

- The Company has continued staged exploration on its 100% owned Mt Ridley Project conducting diamond and aircore drilling to identify the nature of conductor targets in its highly prospective Albany-Fraser Range tenements.
- Three diamond holes (MRDD009-MRDD011) were drilled for 1,168m, testing conductor T19C01 and following up aircore geochemical targets.
- Narrow stringer of semi-massive sulphide intersected at 179 metres downhole in diamond hole MRDD010. Assay results returned 1.1% nickel (Ni) and 0.55% copper (Cu). Sulphide stringer likely to have proximal source.
- Thick discontinuous 170 metre and 337 metre zones of lightly disseminated and globular to blebby sulphides intersected in diamond holes MRDD010 and MRDD011 respectively within coarse grained mesocumulate ultramafic units.
- Portable XRF Niton results from holes MRDD010 and MRDD011 confirm the presence of up to 5.5% nickel (Ni) and 4.9% copper (Cu) from large sulphide blebs in diamond core.
- Infill aircore drilling down to 100 metre spaced lines conducted in the December quarter continues to enhance the understanding of geology and mineralization dispersion within Target 19, identifying significant nickel, copper and other multi-element anomalism.
- No graphitic sediments have been intersected to date in any aircore or diamond drill holes in and around the intrusion.

EXPLORATION

Field work in the reporting period has concentrated on resolving bedrock conductor T19C01 with diamond drilling and clarifying the supergene nickel and copper enrichment zone with aircore drilling at Target 19.

Mt Ridley Project

Diamond Drilling

Three diamond drill holes were completed in the reporting period for 1,168m (MRDD009-MRDD011).

Diamond hole MRDD009 was drilled down the South-western end of the 1,600m long supergene nickel and copper enrichment zone. The hole was primarily designed for stratigraphic purposes but also tested beneath strong supergene copper anomalism returned in aircore hole MRAC203.

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The hole intersected only traces of disseminated sulphides. The mineralisation identified in hole MRDD009 does not adequately explain the high copper values in the overlying weathering zone suggesting the hole had missed potential significant nickel and copper mineralisation. Further work is definitely required in this area.

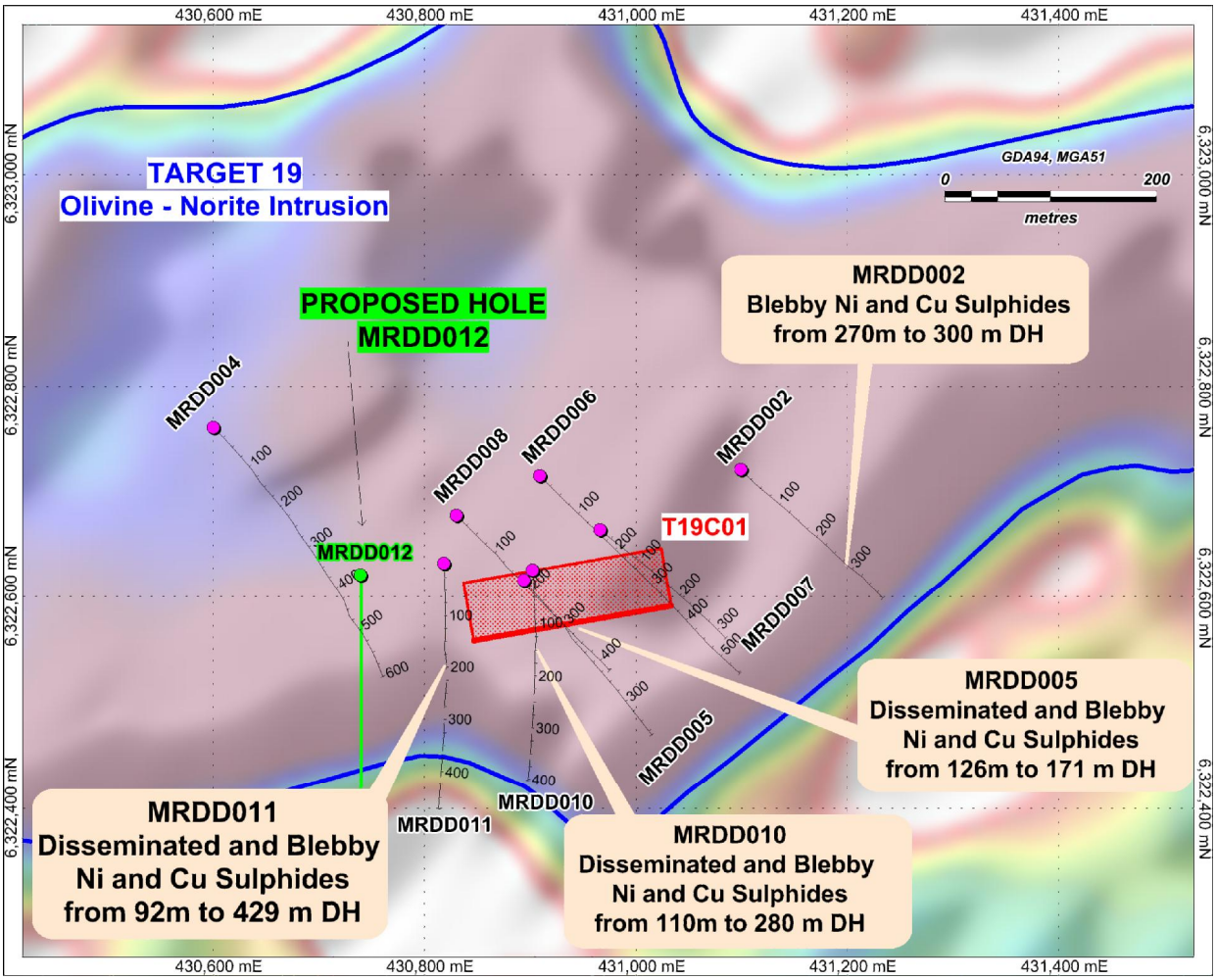

FIGURE 1: Aeromagnetic image showing the location of bedrock conductor T19C01 together with the location of diamond holes MRDD010 and MRDD011 and surrounding diamond holes.

Diamond hole MRDD010 was designed to test for extensions to the 45m thick zone of lightly disseminated and globular to blebby sulphides intersected in diamond hole MRDD005 and also test the southern end of conductor T19C01. (See announcement dated 20th August 2015).

MRDD010 intersected a discontinuous 170m thick plus zone of minor (1-5%) disseminated and globular to blebby sulphides from 110m-270m downhole including a 7cm thick stringer of semi-massive sulphides (50-70%) at 179m (See Figure 2). Assay results from the stringer returned 1.10% nickel (Ni) and 0.55% copper (Cu). Results from the remainder of MRDD010 returned only anomalous values as predicted.

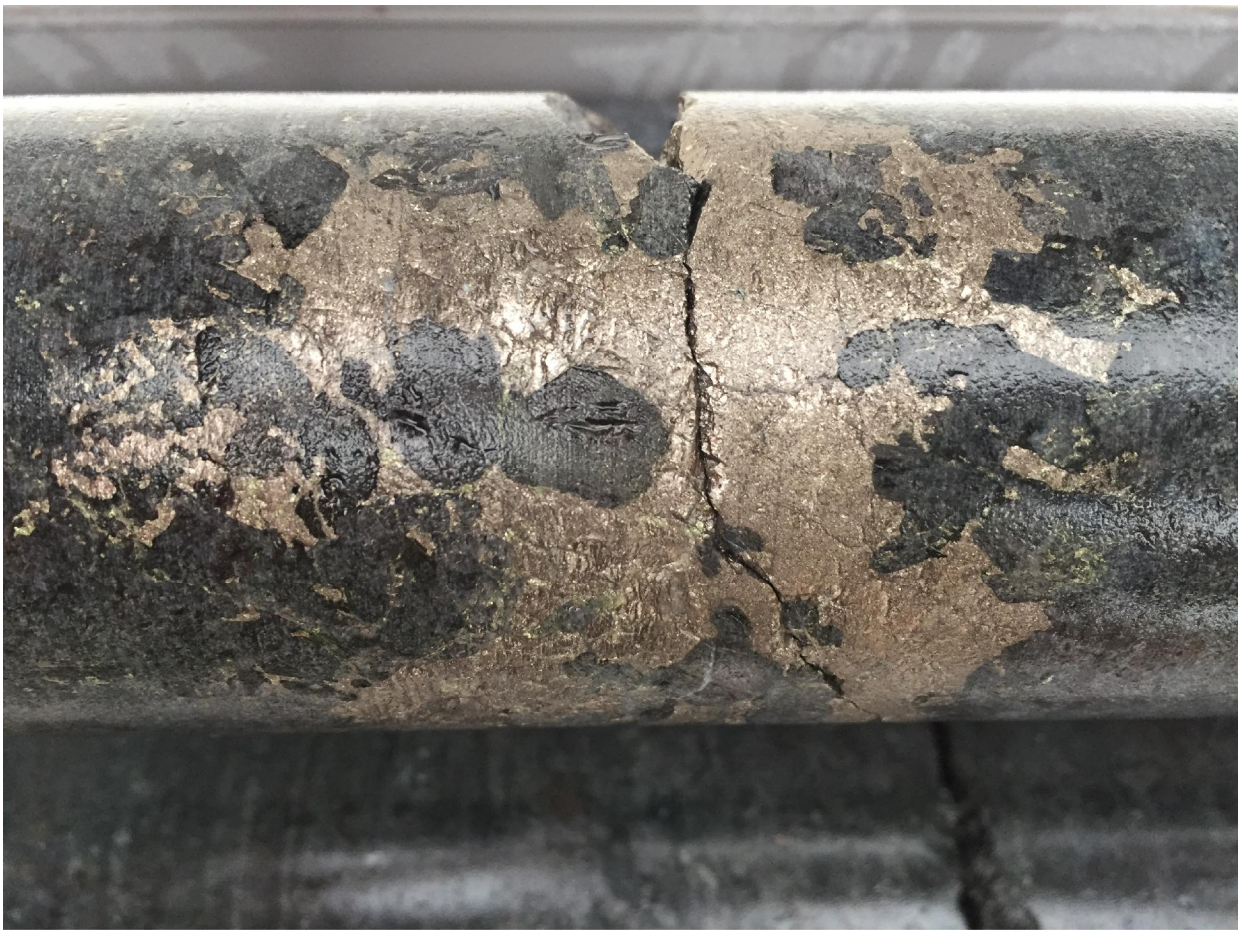

FIGURE 2: Core from MRDD010 showing stringer sulphides at depth 179m. Note the sulphides encasing large olivine and pyroxene crystals.

Diamond hole MRDD011 was designed to test for extensions to the 170 metre thick zone of lightly disseminated and globular to blebby sulphides intersected in MRDD010 and also test the southern end of conductor T19C01. (See MRD ASX announcement, 8th December 2015).

MRDD011 intersected a discontinuous 337 metre thick zone of minor (1-5%) disseminated and globular to blebby sulphides from 92 metres to 429 metres downhole including an almost continuous 96 metre thick zone from 203 metres to 299 metres downhole. This new zone is almost twice the thickness of the mineralisation intersected in hole MRDD010. (See MRD ASX announcement, 11th January 2016). Assay results are pending.

These sulphides are interpreted to represent a halo or flanking style mineralisation surrounding a potential massive or semi massive sulphide accumulation located nearby. Importantly the mineralisation intersected to date in both MRDD010 and MRDD011 is not conductive and is therefore not the source to conductor T19C01 which has yet to be found.

The presence of globular to blebby Ni and Cu sulphides is highly encouraging. Globules and blebs are believed to represent zones of settling where the sulphides are coalescing and moving down through the semi molten crystals to the base of the host coarse grained rock unit where massive sulphides would be expected to accumulate.

The apparent thickening of the mineralised zone from 45 metres in MRDD005, 170 metres in MRDD010 to 337 metres in MRDD011 indicates the company is potentially heading in the right direction towards discovering a potential massive sulphide accumulation nearby.

Aircore Drilling

Aircore drilling was conducted in the December quarter with some results for the 4m composite sampling received at the end of the reporting period. Aircore drilling has been focused on the north-eastern portion of Target 19 in the vicinity of conductor T19C01 where the olivine bearing intrusion is interpreted to be at its thickest.

A total of 66 aircore holes for 3,092 metres were completed in December. The drilling was concentrated around the current diamond drilling program, closing down from existing 200m x 50m to 100m x 25m line spacing inside the supergene enrichment zone.

The main nickel and copper supergene enrichment zone is located near the central axis of Target 19 positioned roughly over multiple layers of coarse grained mesocumulate ultramafics defined by the recent aircore and diamond drilling. The identified bedrock EM conductor T19C01 lies near the southern edge of the enrichment zone adjacent to the SE contact of the intrusion. Some of the best copper results returned in this latest round of drilling coincide with the south-westerly along strike projection of the EM conductor including MRAC338 and MRAC361 which returned 12m @ 1,400ppm nickel and 720ppm copper from 32m and 26m @ 1,800ppm nickel and 342ppm copper from 39m respectively at the bottom of hole. Assay results are pending.

Follow Up Exploration

Conductor T19C01

Several new diamond holes have been planned to further test conductor T19C01 at various depths down dip and along strike from MRDD010 and MRDD011. This program is expected to get underway once downhole EM surveying in MRDD007, MRDD008, MRDD010, and MRDD011 is complete.

Downhole EM Surveying

Conductor T19C01 was identified from surface moving-loop EM surveys. The conductor was initially targeted with drill holes MRDD005 and 006, which intersected the mineralised mesocumulate layer but failed to intersect any conductive mineralisation which may explain the surface anomaly. Downhole EM surveys in these holes failed to detect any near-hole anomalies. Forward modelling completed by the Company's geophysical consultants indicates that any narrow, steeply dipping and deep conductors would be difficult to detect (due to the orientation of the targets and conductivity of the overburden). Further testing of T19C01 is warranted to resolve the cause of the surface moving loop response.

Downhole EM surveying will be carried out in holes MRDD007, MRDD008, MRDD010, and MRDD011 to locate any nearby off-hole conductors which will aid in the design of future diamond holes.

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Infill Aircore Drilling

Infill aircore drilling is also planned for January and February 2016 at Target 19 to further enhance the existing supergene enrichment zone in particular around the two new conductive zones. The drilling is designed to locate geochemical hotspots within the 1,600m long supergene zone. These nickel and copper hotspots will be the focus for future diamond drilling programs.

Regional Aircore Drilling

Aircore drilling is planned to test several regional aeromagnetic targets during February 2016. The program will be run similar to the Company's inaugural drilling program initially undertaken on existing cleared tracks and gridlines. The drilling will be targeting aeromagnetic lows which may represent olivine bearing intrusions.

Ground EM Surveying

Further ground EM surveying is planned for early March over the remaining areas at Target 19.
Further follow-up drilling will be undertaken if additional conductive zones are identified within the supergene enrichment. Further drilling will also be undertaken testing the newly identified conductive zones.

CORPORATE

On 5 November 2015, Mr Paul Fromson agreed to resign as Director and Messrs Keith Bowker and Michael Pedley were appointed as Non-Executive Directors. The Board thanked Mr Fromson for his significant contribution to the Company since September 2014.

On 1 December 2015, the Company received a Research and Development (R&D) Tax Incentive refund of $905,062 for the 2014/2015 financial year.

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.

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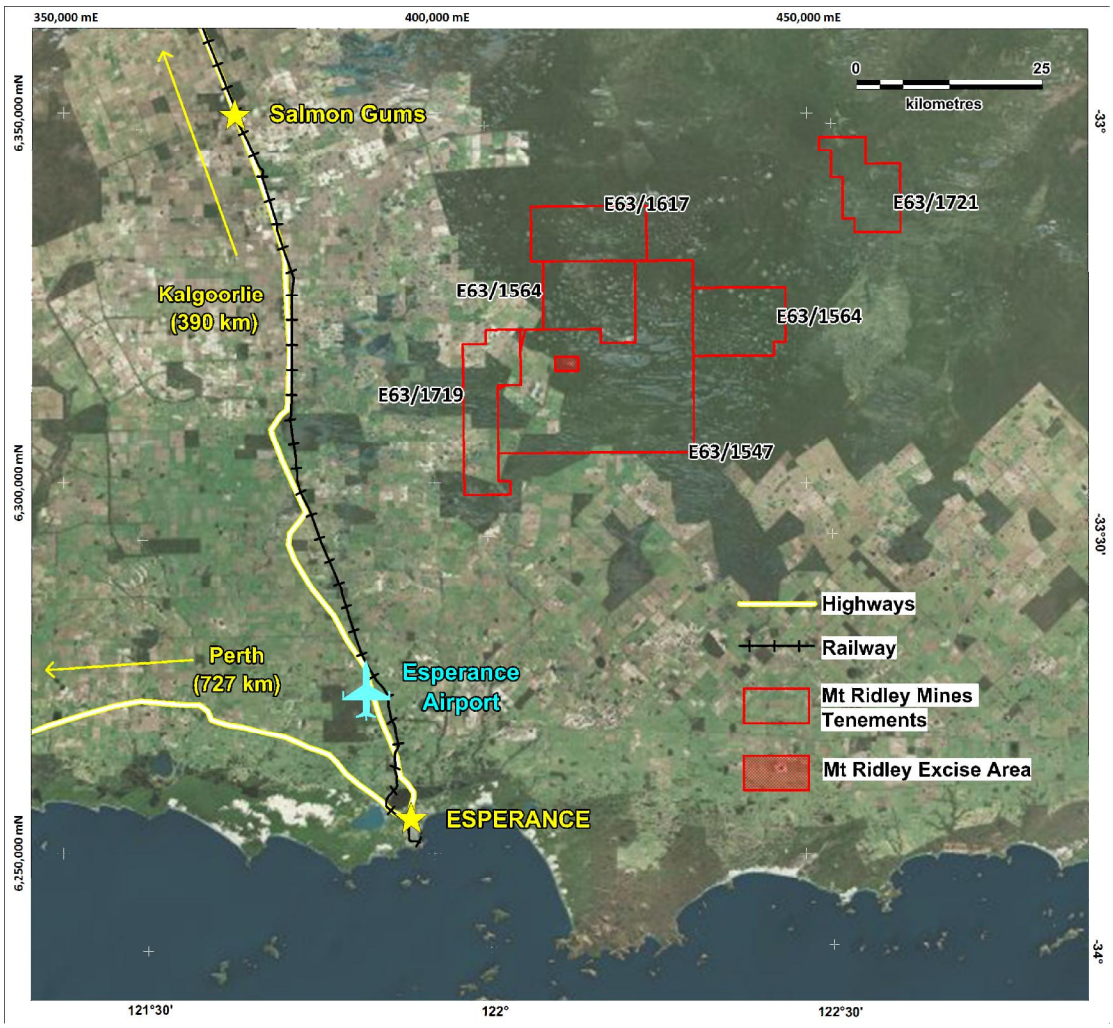
About Mt Ridley Mines Ltd

Mt Ridley Mines Ltd is a Perth based Australian exploration company focusing primarily on projects in the Fraser Range region with the potential to host major mineral deposits in base and precious metals including nickel, copper, cobalt, silver and gold.

The Company is managed by a team of highly motivated professionals with significant expertise in mineral exploration, mining operations, finance and corporate management with a proven track record of successfully delivering value to shareholders.

Mt Ridley Mines Ltd is actively targeting nickel sulphide deposits in the Albany-Fraser Range Province of Western Australia, the site of Sirius Resources Nova Nickel-Copper Deposit. The Company currently has a portfolio of tenements totaling in excess of 1000sq/kms in what is fast becoming the world's most exciting emerging nickel province.



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, 01/05/2013

Name of entity

MOUNT RIDLEY MINES LIMITED

ABN	Quarter ended ("current quarter")
93 092 304 964	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	(574)	(1,520)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(258)	(462)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	9
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – GST refund/(paid) & R&D Rebate	929	964
	Net Operating Cash Flows	100	(1,009)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	(9)
	(b) equity investments	-	-
	(c) other fixed assets	-	(16)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	8	8
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – Security Bond	-	-
	Net investing cash flows	8	(17)
1.13	Total operating and investing cash flows (carried forward)	108	(1,026)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	108	(1,026)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	532
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 – Capital raising costs	-	(32)
	Net financing cash flows	-	500
	Net increase in cash held	108	(526)
1.20	Cash at beginning of quarter/year to date	735	1,369
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	843	843

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	189
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 directors fees: $41,250
Payments for consulting and exploration: $113,608
Payments for financial consulting: $34,320

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

N/A

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	500
4.2	Development	-
4.3	Production	-
4.4	Administration	100
	Total	**600**

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	843	735
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	843	735

+ See chapter 19 for defined terms.

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				

6.3 Interests in mining tenements at end of the quarter

Location	Project Name	Tenement #	Ownership	Titleholder
Western Australia	Mt Ridley	EL63/1547	100%	Mount Ridley Mines Limited
Western Australia	Mt Ridley	EL63/1564	100%	Mount Ridley Mines Limited
Western Australia	Mt Ridley	EL63/1617	100%	Mount Ridley Mines Limited
Western Australia	Mt Ridley	EL63/1719	100%	Mount Ridley Mines Limited

+ See chapter 19 for defined terms.

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)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	825,174,646	825,174,646		Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	15,785,714 94,469,366 5,201,982 7,500,000 5,000,000 10,000,000 275,000,000	- - - - - - -	*Exercise price* $0.070 $0.021 $0.021 $0.015 $0.070 $0.021 $0.0125	*Expiry date* 30 June 2016 30 June 2016 31 December 2016 31 December 2016 31 March 2018 31 August 2019 31 August 2019
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				

+ See chapter 19 for defined terms.

7.11	**Debentures** *(totals only)*		
7.12	**Unsecured notes** *(totals only)*		

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 2016

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.