

19th August 2014

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ASX Symbol

MRFL, MRFO, MRFOA

MRL SECURES NEW HIGH-GRADE GRAPHITE PROJECT IN SRI LANKA

Deal comes with highly valuable mining licence, providing clear path to production and cashflow

Highlights:

- **MRL signs Heads of Agreement to acquire the lease covering the high-grade Aluketiya Graphite Mine in Sri Lanka**
- **Aluketiya Graphite Mine is located in Meegahatenna, considered to be the richest graphite-bearing area in Sri Lanka**
- **Acquisition comes with a highly valuable mining licence, which will also enable MRL to apply for transport and export licences**
- **This important addition to MRL's existing portfolio of high-grade vein graphite licences in Sri Lanka advances its strategy of developing multiple production hubs**

MRL Corporation Ltd (ASX: MRF; "MRL" or "the Company") is pleased to advise it has signed a Heads of Agreement to acquire the rights to the high-grade Aluketiya Graphite Mine in Sri Lanka.

Under the agreement, MRL will acquire the lease covering Aluketiya, giving it the right to explore, develop and mine the graphite.

MRL will pay a lease fee of US\$3500 a month during the exploration phase. Upon the start of production, MRL will pay a 10 per cent royalty which will be based on sales. The royalty will be paid quarterly in arrears within 20 days of each quarter's end.

Aluketiya is located in Meegahatenna in the Walallawita District, approximately 85km from Colombo. Meegahatenna is considered to be the richest graphite-bearing area in Sri Lanka, with the graphite veins extending for long distances.

The acquisition complements and expands MRL's extensive portfolio of high-grade vein graphite licences in Sri Lanka, where it is aiming to develop multiple small-scale production hubs.

Aluketiya produced high-grade graphite for several decades until the operation was stopped in the 1960s. Extensive veins of high-grade graphite are visible from surface but the area has not been subjected to any modern exploration techniques.

MRL will seek to establish the extent of this high-grade graphite mineralisation as part of a drilling program due to start in late 2014.

However, MRL does not intend to drill Aluketiya to the point of being able to calculate a JORC-compliant resource estimate and will instead aim to begin production as soon as possible.

Historical records indicate the veins are steeply-dipping (approximately 70 degrees to the east) with a north-south strike direction and with “very good” quality crystalline – vein graphite.

The transaction is subject to MRL completing due diligence and execution of a formal lease agreement.

MRL Managing Director Craig McGuckin said historical records indicated that the graphite was of such high grade that the material would be direct-shipping quality.

"We are aiming to develop a high-grade, low-cost mining operation in the shortest timeframe possible," Mr McGuckin said.

"Based on what we know, the cost of getting into production will be extremely low and therefore there will be no need to spend the time and money establishing a JORC-compliant resource.

"The fact that Aluketiya is already covered by a Mining Licence is immensely valuable because not only will it enable us to start production quickly, it will also underpin our applications for other approvals such as transport and export licences."

Drilling is continuing at the Company's Pandeniya - Priority 1 Area within the Warakopola Area in central Sri Lanka, where extremely high-grade graphite intersections have been returned.

About MRL Corporation Ltd (ASX: MRF)

MRL is aiming to develop an underground mining operation to extract high-grade, crystalline vein graphite, which is unique to Sri Lanka. The Company holds exclusive rights to exploration licenses covering approximately 6,300 hectares in area, with historical workings located within nearly all license grids.

About Graphite

Natural graphite occurs in three forms: amorphous graphite, flake graphite and the most rare and highest quality form being crystalline vein graphite. Sri Lanka is famed for being the only commercial producer of crystalline vein graphite (lump or Ceylon graphite), the highest quality of naturally occurring material in the world. The quality of vein graphite produced in the country has a purity level in excess of 90% TGC (Carbon as graphite) which means little upgrading and processing is required to make a high quality saleable product.

Amorphous (micro crystalline) graphite is the least pure form of naturally occurring graphite and commercial deposits usually have a carbon content of 70-85%, and are found as lenses or lumps with flat fracture cleavages. It is normally formed by metamorphism of previously existing anthracite coal seams.

Flake (crystalline) graphite is the more common form of graphite and typically has a carbon content in the range of 80-99%, and is usually formed in metamorphic rock in concentrations of 5%-12% of the ore body. Mining and processing of these deposits is similar to an open pit gold or copper mine, requiring 'large scale' mining and processing to extract the graphite. Large-scale mining and processing plants typically equates to high capital expenditures and relatively high operating costs.

Vein (crystalline) graphite is the purest form of graphite with TGC grades typically >90%, with some grade as high as 99.5% TGC. Mining vein graphite may be considered analogous to high-grade gold vein mining, requiring considerably less capital expenditure when compared to large-scale open pit mining. That is, development, mining equipment and processing plants will be of a significantly smaller scale. Operating unit costs will also be lower than those for typical large-scale open pit mining.

Nature of vein graphite

Sri Lankan graphite deposition model is best described from the 'bottom up': tension fractures formed in the metamorphic sediments, caused by the folding of the sediments, creating 'conduits' for the hydrothermal deposition of high quality vein graphite. Historically, mining of these veins has found the veins generally increase in thickness and grade quality with increasing depth. Graphite veins generally dip steeply at -70° to near vertical, enabling 'narrow vein' extraction mining techniques similar to those used on narrow vein, high-grade gold deposits. The method commonly used is an overhead retreat stoping technique where the high-grade vein graphite is mined and hauled to surface without contamination. The graphite selvages, in contact with the surrounding waste, is hauled to surface and stockpiled for upgrading. The balance of the waste is used to fill the floor of the stope.

Due to the nature of the vein graphite, it is anticipated vein widths of ~25cm, using narrow vein mining techniques can be economically extracted from underground operations.

The comparison chart below illustrates comparative 'metal equivalent' grades of precious metals with their assumed metallurgical recoveries as compared to Sri Lankan vein graphite.



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