

30th October 2014

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ASX Symbol

MRF, MRFO, MRFOA

SEPTEMBER QUARTERLY REPORT

MRL makes rapid progress with its plan to be a high-grade graphite producer in 2015

Highlights

- **MRL on track for production and cash flow in 2015 from the production of high-grade graphite at its Sri Lankan projects**
- **Strategy received a significant boost from the acquisition of the Aluketiya project, which came with an Industrial Mining Licence**
- **Outstanding high-grade assays reported from first drill hole at the Pandeniya project**
- **Successful completion of placement to sophisticated investors in Asia, raising \$1.148m**
- **Appointment of highly experienced engineer Joel Chong as a Non-executive Director**
- **Subsequent to the end of the Quarter, MRL started key metallurgical test work on bulk samples to establish suitability of its graphite for use in lithium batteries**

MRL Corporation (ASX: MRF) is pleased to report on what has been a highly successful September Quarter across its Sri Lankan graphite projects.

The significant progress made during the period means MRL is well on track to start generating production and cash flow in 2015.

Exploration

In July 2014, MRL advised it had received outstanding final assay results for the two previously reported high-grade vein graphite intersections from the maiden diamond drill hole at its rapidly emerging Pandeniya vein graphite project in Sri Lanka.

The results, from diamond drill hole DHE228-01, completed in the Pandeniya – Priority 1 Area within the Warakopola Project Area in central Sri Lanka included extremely high-grade graphite intersections over two intervals (see *ASX Announcement – 25 June 2014*).

Individual results as high as 97.8% TGC (Total Graphitic Carbon) were returned with the first intersection, from 91.62m to 92.32m, averaging 94.1% TGC while the second interval, from 97.0m to 97.9m, averaged 97% TGC with TC (Total Carbon) results as high as 99.2% TC.

Visible intersections of the diamond drill core from DHE228-02 revealed the hole intersected several minor zones of graphite before the hole was suspended in mineralisation at 261.8m downhole, at which point the drilling rig had reached the extent of its capability due to the loss of drilling fluid return.

The hole was drilled to test the western depth of mineralisation in the Bopitiya zone of Warakapola and has been capped at the surface awaiting the arrival of a new, higher capacity drill rig from the Geological Survey and Mines Bureau (GSMB) expected to arrive in December 2014/ January 2015.

During the Quarter, MRL acquired the rights to the high-grade Aluketiya Graphite Mine in Sri Lanka. (Refer Figure 1 & 2 for location)

Aluketiya is located in Meegahatenna within the Walallawita District, approximately 85km from Colombo. Meegahatenna is considered to be one of the richest graphite-bearing areas in Sri Lanka, with the graphite veins potentially extending over large distances.

Under the transaction, MRL has acquired the lease covering Aluketiya, giving it the right to explore, develop and mine the graphite.

MRL will pay a lease fee of US\$3,500 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 produced high-grade graphite for several decades until the operation was stopped in the 1960s. Extensive veins of high-grade graphite are visible at surface.

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 high grade production hubs.

Project planning has commenced on the work required to bring the historical mine back into production and further progress updates will be provided as they come to hand.

It is anticipated the GSMB diamond core drill will be shifted to Aluketiya following the arrival of the higher capacity drill which will continue deeper operations at Bopitiya.

Corporate

In September, the Company completed a private placement of 16.4 million shares at 7c each to sophisticated investors from Asia. The funds were to be utilised in a pivotal bulk sampling program at its high-grade Warakapola graphite project in Sri Lanka.

During the period, highly experienced civil engineer Joel Chong has been appointed as a Non-executive Director of the Company.

Mr Chong holds a Masters Degree in Science from Arizona State University and has provided engineering and sustainability consultancy services to numerous Australian resources companies with projects in Australia, Asia and Indonesia.

For further information:

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MRL Corporation Ltd

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He has also assisted small and mid-cap resource companies doing business with Asian companies, especially in China, by using his networks in the resources industries throughout Singapore, Hong Kong, China and North America.

Mr Chong's contacts and experience have enabled him to help bridge the gap for many companies working across these regions.

MRL Managing Director Craig McGuckin said this had been a defining quarter in the Company's steady march toward production.

"The September quarter has seen significant progress as the Company continues toward its strategic target of being a producer of high-grade Sri Lankan graphite in the foreseeable future" Mr McGuckin said.

The December Quarter

MRL has an active work schedule for the December Quarter, 2014. This includes:

- Continuing the rehabilitation process of the EL228 – S2 shaft at Pandeniya to enable further bulk samples and, potentially, early production to commence following the conversion to a mining licence. The rehabilitation activities will take place concurrently with the licence conversion process.
- Continuation of drilling campaign under the main Bopitiya - Pandeniya priority area and designed to intersect multiple vein sets.
- Undertake a full review of available technical geological data at Aluketiya Mining Licence and commence rehabilitation of selected shafts. Commence diamond core drilling.
- Further exploration work towards drill targets on the Pujapatiya project areas
- Further geological reconnaissance, mapping and geophysics on the Company's other priority areas.
- Complete analytical testing by Wuhan University in China and Nagrom Metallurgical group for upgrading the graphite material.

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 licences covering approximately 6,300 hectares in area, with historical workings located within nearly all licence 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.





Figure 1: MRL Graphite Project Locations – Sri Lanka

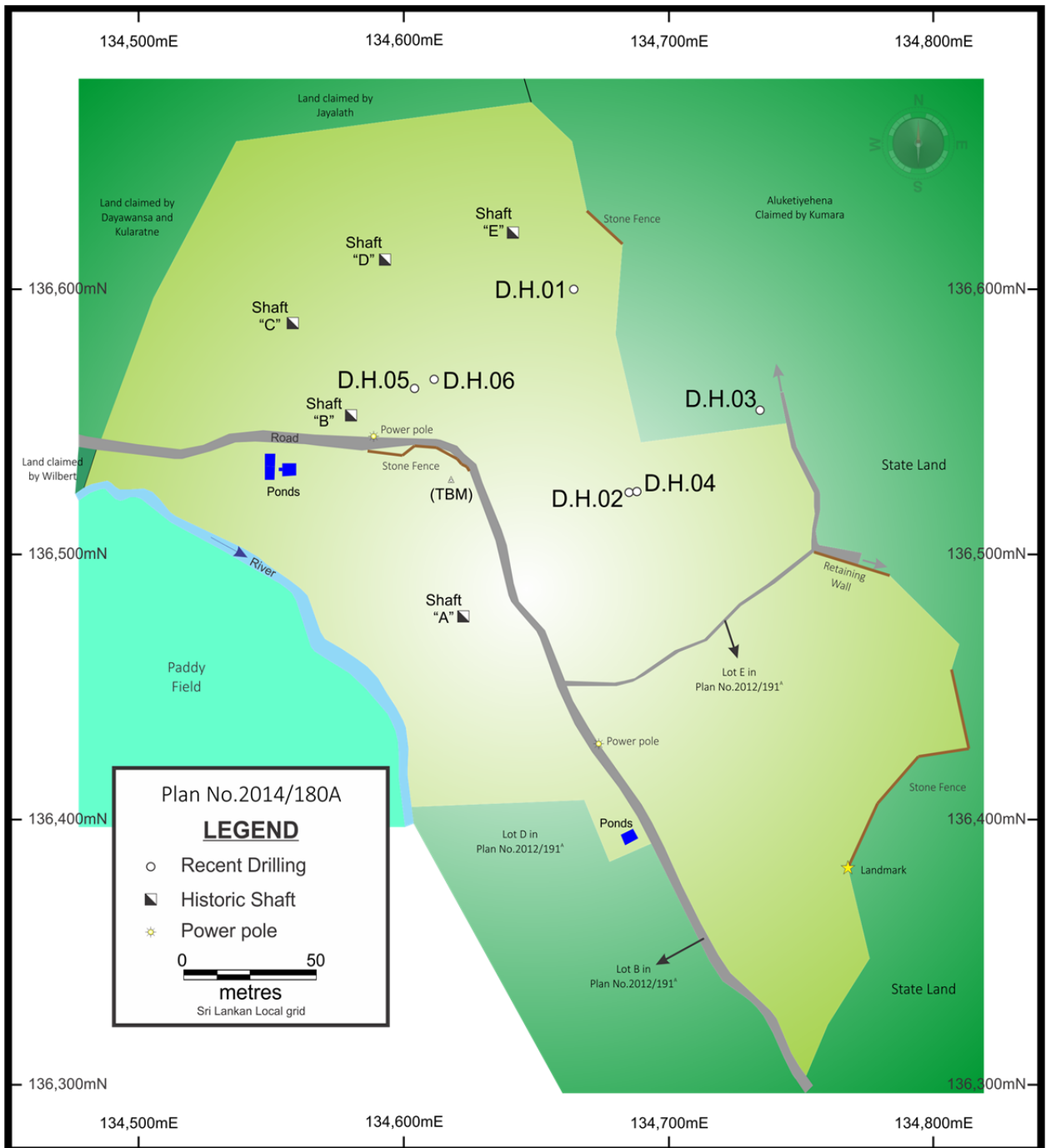


Figure 2: Aluketiya Location Plan

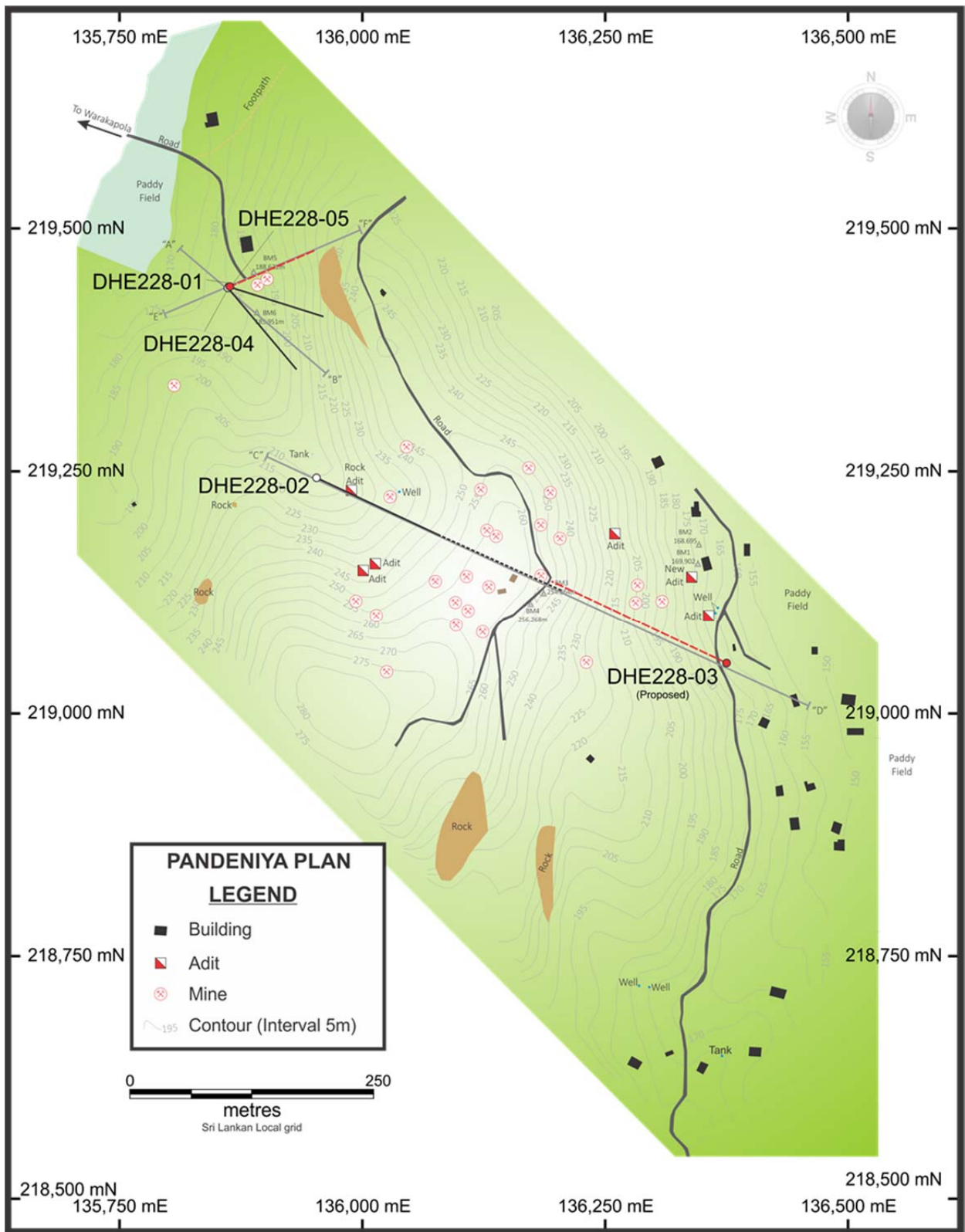


Figure 3: Warakapola Bopitiya - Pandeniya Location

Information in this report relating to Metallurgical interpretation, analysis, mineral distribution and recommendations has been compiled by Mr Denis Geldard, MAusIMM in consultation with Dr Slobodanka Vukcevic, Senior Metallurgist at Nagrom the Mineral Processors. Dr Slobodanka Vukcevic has sufficient experience and expertise relevant to this type of test work through her job experience and expertise and qualifies as a competent person in the field of metallurgy. Mr Geldard consents to the inclusion in the report of the matters based on the information reported in the form and context in which it appears.

Information in this report relating to Exploration Results is based on information compiled by Mr Denis Geldard, MAusIMM working in consultation with consulting Geologist Mr Gary Powell, MAusIMM and MRL's Senior Sri Lankan Geologist who has 35 years of vein graphite experience in Sri Lanka. Their experience is relevant to the type of deposit under consideration. Mr Geldard is signing as competent person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Geldard consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Appendix 1 – Analytical Results DHE228-01 intersections & repeat samples.

Drill Hole	Sample Test #	Intersection : From (m) – To (m)		TC%	TGC%	Average TGC%
DHE228-01	Sample 1A - #1	91.62	92.32	93.0	92.8	94.1
DHE228-01	Sample 1A - #2	91.62	92.32	95.3	94.1	
DHE228-01	Sample 1A - #3	91.62	92.32	95.8	94.1	
DHE228-01	Sample 1A - #4	91.62	92.32	96.3	95.4	
DHE228-01	Sample 2A - #1	97.0	97.9	98.1	97.8	97.0
DHE228-01	Sample 2A - #2	97.0	97.9	98.5	96.1	

JORC TABLE 1 Report for Exploration Locations

Section 1 Sampling Techniques and Data

Criteria	Explanation
Sampling techniques	<ul style="list-style-type: none"> Diamond core is collected and stored in core trays of 5m per tray. Vein graphite is readily identified visually (black in colour) and intersections recorded accordingly. Intersections will then be cut using a small hand held diamond saw under the supervision of MRL's Senior Sri Lankan Geologist and prepared for transport to Nagrom (Australia) for analysis.
Drilling techniques	<ul style="list-style-type: none"> DH1 drill hole was drilled using NQ Double Tube (NQ2) due to lack of available NQ Triple Tube (NQTT) Diamond Drilling equipment in Sri Lanka at the start of the drilling campaign. It is anticipated future drilling will be undertaken utilising NQ Triple Tube (NQTT) drilling, once it becomes available
Drill sample recovery	<ul style="list-style-type: none"> Diamond core recovery is recorded between core runs by the geological crew in the Core Logging Record. The unconsolidated surface material will be drilled using rotary wash method until competent material is intersected
Logging	<ul style="list-style-type: none"> All holes are logged on site by MRL geological personnel under the supervision of MRL's Senior Sri Lankan Geologist, using MRL's Core Logging Procedure Manual. Logging will record geological and geotechnical observations, and is undertaken on a continual basis throughout the entire drill hole.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> Half-core intersections of Vein Graphite will be submitted for analysis to Nagrom laboratories in Perth Western Australia. The remaining half-core is stored in the core boxes. Core & bulk samples may be provided to potential off-take parties.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> All Vein Graphite core intersections will be analysed by Nagrom the Mineral Processors in Perth Western Australia. Nagrom will follow industry practice QA/QC procedures to ensure high quality sample assurance. Certified Sample Standards will be inserted routinely into sample analysis.
Verification of sampling and assaying	<ul style="list-style-type: none"> All diamond core will be logged and photographed by MRL geologists under the supervision of MRL's Senior Sri Lankan Geologist. Independent consulting geologist Mr Gary Powell visited the MRL Pandeniya / Bopitiya site during June & July and will return on a regular basis to oversee QA.
Location of data points	<ul style="list-style-type: none"> All drill locations have been positioned using hand-held Garmin GPS systems. MRL has completed a full topographical survey of the Pandeniya – Bopitiya area of approximately 65 Ha. All drill collars will be geo-referenced to the Sri Lankan Transverse Mercator

Criteria	Explanation
	Projection.
Data spacing and distribution	<ul style="list-style-type: none"> Drill holes have been orientated in a position to intersect the expected vein mineralisation (based on historical shafts / adits and geophysical information) at the optimal angle for evaluation, whilst minimising surface land disturbance.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Diamond Core Drill holes are designed to intersect potential graphite vein mineralisation perpendicular to strike, wherever possible, whilst taking into account expected deviation in dip and azimuth.
Sample security	<ul style="list-style-type: none"> Core Samples are collected and stored in core trays under the supervision of MRL geological crews and then transported at the end of each day, and secured in a locked container at the MRL site facility for further detailed logging. Security is managed by MRL's Senior Sri Lankan Geologist and the MRL country General Manager.
Audits or reviews	<ul style="list-style-type: none"> A review was undertaken by Mr Gary Powell of all procedures, including retrieving of core samples from the core tube, through to logging and storage of core samples, during a recent visit to Sri Lanka during drilling activities. Mr Powell will undertake further reviews into the future.

Section 2 Reporting of Exploration Results

Criteria	Explanation																																				
Mineral tenement and land tenure status	<p>The Warakapola / Bopitiya / Pandeniya project exploration license areas EL228 are 100% owned by MRL Graphite (Pvt) Ltd. The exploration Licenses when granted have a two year term which can be renewed prior to the 2 year anniversary.</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>License No.</th> <th>MRL Interest</th> <th>Status</th> <th>General Location</th> </tr> </thead> <tbody> <tr> <td>EL/225</td> <td>100%</td> <td>Granted</td> <td>Central</td> </tr> <tr> <td>EL/226</td> <td>100%</td> <td>Granted</td> <td>Central</td> </tr> <tr> <td>EL/227</td> <td>100%</td> <td>Granted</td> <td>South Central</td> </tr> <tr> <td>EL/228</td> <td>100%</td> <td>Granted</td> <td>Central</td> </tr> <tr> <td>EL/231</td> <td>100%</td> <td>Granted</td> <td>South West</td> </tr> <tr> <td>EL/243</td> <td>100%</td> <td>Granted</td> <td>Central</td> </tr> <tr> <td>EL/244</td> <td>100%</td> <td>Granted</td> <td>South West</td> </tr> <tr> <td>EL/262</td> <td>100%</td> <td>Granted</td> <td>Central</td> </tr> </tbody> </table> <ul style="list-style-type: none"> MRL Corporation Ltd has informed Mr Powell all granted licenses are in good standing and comply with the reporting requirements of the exploration licence. 	License No.	MRL Interest	Status	General Location	EL/225	100%	Granted	Central	EL/226	100%	Granted	Central	EL/227	100%	Granted	South Central	EL/228	100%	Granted	Central	EL/231	100%	Granted	South West	EL/243	100%	Granted	Central	EL/244	100%	Granted	South West	EL/262	100%	Granted	Central
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EL/262	100%	Granted	Central																																		
Exploration done by other parties	<ul style="list-style-type: none"> Initial Exploration and Review of the Warakapola / Bopitiya / Pandeniya project was carried out by Geological Survey and Mines Bureau (GSMB) Technical Services (Pvt) Ltd with reports provided to MRL. MRL has established a regional office in the EL228 area to support the company geologists and underground exploration crews. Historical mining has taken place with several shafts and adits evident. 																																				
Geology	<ul style="list-style-type: none"> Warakapola / Bopitiya / Pandeniya Geologically, the area covered by the selected grid units belong to the Wannu Complex of Sri Lanka. The Wannu Complex is mainly characterised by thick sequences of orthogneisses, comprising amphibolite, migmatitic, granitic and granodioritic gneisses. These rocks represent a series of antiformal and synformal structures. A characteristic feature of the exploration area is the alignment of identified abandoned graphite mines / pits within a NNW-SSE trending corridor. (GSMB 2013) 																																				
Drill hole Information	<p>Planned Diamond Core Drill Holes</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Drill Hole</th> <th>Easting</th> <th>Northing</th> <th>Dip / Azimuth</th> <th>Hole Depth</th> <th>Comments</th> </tr> </thead> <tbody> <tr> <td>DHE228-01</td> <td>135,857</td> <td>219,465</td> <td>55 °/ 109°</td> <td>125m</td> <td>Completed</td> </tr> <tr> <td>DHE228-02</td> <td>135,950</td> <td>219,250</td> <td>47 °/ 115°</td> <td>300 - 380m</td> <td>Suspended at 261m</td> </tr> <tr> <td>DHE228-03</td> <td>136,375</td> <td>219,052</td> <td>50 °/ 295°</td> <td>300 - 325m</td> <td>Drilling</td> </tr> <tr> <td>DHE228-04</td> <td>135,857</td> <td>219,465</td> <td>50 °/ 140°</td> <td>125m</td> <td>Completed</td> </tr> <tr> <td>DHE228-05</td> <td>135,857</td> <td>219,465</td> <td>50 °/ 67°</td> <td>125-145m</td> <td>Completed</td> </tr> </tbody> </table> <ul style="list-style-type: none"> All Diamond Core Drill holes are planned to be accurately surveyed for dip and azimuth using a GlobalTech Pathfinder multi-shot, electronic, down hole survey tool. A GlobalTech core orientation tool is being used to orientate the core during the drilling. 	Drill Hole	Easting	Northing	Dip / Azimuth	Hole Depth	Comments	DHE228-01	135,857	219,465	55 °/ 109°	125m	Completed	DHE228-02	135,950	219,250	47 °/ 115°	300 - 380m	Suspended at 261m	DHE228-03	136,375	219,052	50 °/ 295°	300 - 325m	Drilling	DHE228-04	135,857	219,465	50 °/ 140°	125m	Completed	DHE228-05	135,857	219,465	50 °/ 67°	125-145m	Completed
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DHE228-05	135,857	219,465	50 °/ 67°	125-145m	Completed																																
Data aggregation methods	<ul style="list-style-type: none"> Intersections of diamond core containing vein graphite will be visually selected for analytical testing with accurate lengths recorded to ensure 100% of mineralisation is analysed and reported. 																																				
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> Planned Drill hole orientation is based on observations from historical shafts / adits and geophysics, and planned to intersect any vein graphite mineralisation as close to perpendicular as practical. 																																				
Diagrams	<ul style="list-style-type: none"> Refer Figure 1 for location plan for project locations. 																																				

<i>Criteria</i>	<i>Explanation</i>
	<ul style="list-style-type: none"> • Refer Figure 2 for Schematic location plan of Aluketiya Mining License • Refer Figure 3 for Schematic plan of Warakapola Pandeniya Location
Balanced reporting	<ul style="list-style-type: none"> • MRL Corporation Ltd will endeavour to produce balanced reports accurately detailing the results from any exploration activities.
Other substantive exploration data	<ul style="list-style-type: none"> • No other substantive exploration data is available at this time.
Further work	<ul style="list-style-type: none"> • MRL Corporation Ltd intends to complete further site investigations on its other licenses. Following the completion of this drilling program MRL will evaluate the results and plan the next phase of exploration for the Pandeniya / Bopitiya exploration location. • Land access agreements are underway on the Pujapitiya, Dedigama and Hikkaduwa • Further drilling is planned at Aluketiya, Pujipatia and other license areas as land access is obtained.