

The Company Announcements Officer
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The following is an *Inside Briefing* interview with MRL Corporation Managing Director Craig McGuckin

In this interview, Craig McGuckin provides an update on emerging high-grade graphite producer MRL Corporation (ASX: MRF, market capitalisation ~\$8.3 million; 170.7 million shares on issue). Highlights of this interview include:

- An update on MRL's plan to be producing high-grade graphite in Sri Lanka in 2015
- An explanation of the engineering and development work underway
- An outline of MRL's key costs

Inside Briefing: MRL has several high-grade graphite projects in Sri Lanka. What are the key projects and what work is underway at each of them?

Craig McGuckin: The two key project areas are Aluketiya and Pandeniya.

At Aluketiya, which is covered by an industrial mining licence, we are completing further sterilisation drilling under existing shafts to determine the continuity of the graphite mineralisation.

Engineering work has commenced on two shafts in preparation for fitting headframes and starting the extraction of bulk exploration samples. These shafts can later be used for production. We aim to be in production in the latter half of this year. Aluketiya is likely to support three operating sites.

At Pandeniya, we are completing the work on the headframe and support services to enable underground access. We have applied to have this area converted from an exploration licence to a mining licence. But in the meantime, we will use the underground workings to extract bulk samples.

Inside Briefing: You say you are on track to be producing high-grade graphite in the later half of 2015. Where will this graphite come from?

Craig McGuckin: Initial production will come from Pandeniya and Aluketiya. In both locations, previous drill samples have demonstrated grades with a range of 92.8 to 99.3% Total Graphitic Carbon (TGC).¹

We aim to complete four shafts by the end of 2015, increasing in 2016 as further sites are developed.

Inside Briefing: MRL's graphite projects have no JORC resources or reserves. Why is this and why are you confident there is sufficient graphite to underpin MRL's production targets?

Craig McGuckin: The nature of the vein graphite mineralisation would make it prohibitively expensive to drill any area of interest to the point where a JORC-compliant estimate could be established. That said, our drilling complies with the JORC processes with regards to core logging and identification, core preservation, chain of custody for sample despatch and laboratory analysis.

The production targets are in historical areas which have considerable historical waste dumps, providing firm evidence of previous shallow mining. Drilling is designed to intersect expected commercial mineralisation below selected historical workings. The results should provide sufficient confidence to commence mining.

The nature of the graphite mineralisation throughout Sri Lanka usually means both grade and vein widths improve with depth.

Furthermore, refurbishing shallow historical workings is actually cheaper than continuing to drill diamond core holes to obtain a JORC resource.

Inside Briefing: Independent metallurgical tests have been conducted on graphite samples from Aluketiya. What did the tests find and what does this mean for the value of the project?

Craig McGuckin: Aluketiya samples were tested at Nagrom in Perth and the assays returned Total Graphitic Carbon (TGC) grades ranging from 92.8 to 99.3%.¹

The high-grade nature of Sri Lanka's graphite has a number of valuable benefits for the project. The capital required to start production is low because the ore may be sold as run-of-mine (ROM), removing the need for an expensive processing plant.

Establishing an exploration shaft costs ~US\$150,000. Extraction costs are also low for the same reasons. Finally, the high-grade nature of the ROM material may attract a premium price.

Inside Briefing: Will MRL consider upgrading its product for use in the battery and graphene markets?

MRL has successfully tested its graphite for battery-grade suitability. Repeated test work has provided a solid processing flowchart which will provide consistent battery grade graphite. Uncoated spherical graphite sells for approximately US\$3,500 per tonne while coated spherical sells for US\$7,000 to US\$10,000 per tonne.

The highly crystalline nature of the high-grade Sri Lankan graphite should lend itself very well to the production of graphene. In fact, with a raw material starting at greater than 90% TGC, there is little doubt the results will be positive.

Although early in its life cycle, a significant body of work has demonstrated the far-reaching potential for graphene across a range of industries and products. The main driver in the near-term commercialisation of graphene is through the additive market. Its applications to everyday materials can exponentially increase flexibility and strength, as well as electrical and thermal conductivity.

Very Few Layer graphene (vFLG) of 99.9% purity has a sales price of approximately US\$55,000 per tonne.

Inside Briefing: MRL is also advancing Pandeniya. What needs to be done to bring Pandeniya into production and how long is that work likely to take?

Craig McGuckin: The headframe infrastructure is almost complete and should be ready by the end of April. We would expect to have our IEE (Initial Environmental Examination) completed over the next six weeks and then have the Industrial Mining Licence awarded. We will then progress underground rehabilitation and commence bulk sample testing for offtake with a view to it being used for initial production.

Inside Briefing: What does MRL believe its production costs will be?

Craig McGuckin: We estimate our C1 (cash) costs of extraction of exploration bulk samples will be US\$290 per tonne. Our full sustaining cost, including amortisation of capital, is expected to be approximately US\$600 per tonne.

Inside Briefing: What is the current state of the market for Sri Lankan graphite?

Craig McGuckin: Recent pricing was US\$1,750 per tonne, which was the published 2013/14 price. However, we are aware of some Sri Lankan graphite attracting up to US\$2,500 per tonne.

Inside Briefing: What are MRL's key targets for the First Half of 2015?

Craig McGuckin: MRL is active on several key fronts. This includes:

- Completing the construction of the Pandeniya EL228 – S2 headframe and installation of the support equipment to enable underground access. The Company also expects to receive its Industrial Mining Licence for this project.
- Diamond core drilling at Aluketiya and starting the refurbishment of two shafts in the project area and construction of civil works and headframes.
- Further exploration work, including drilling targets on the Dedigama and Pujapatiya project areas and securing further Land Access agreements.
- Further analytical testing by Wuhan University in China and Nagrom Metallurgical group to simplify the metallurgical flow sheet and achieve grades of at least 99.95% TGCⁱⁱ through acid leaching techniques.
- Continue discussions with several potential offtake parties for planned production.

Inside Briefing: Thank you, Craig.

ENDS

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ⁱ ASX Announcements 17 July 2014 & 28 January 2015

ⁱⁱ ASX Announcement 21 January 2015