

30 April 2015

March Quarterly Report

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ASX Symbol

MRF, MRFOA

Further Progress in the March Quarter

MRL (ASX: MRF) is pleased to report on what has been a quarter of further advancement for the Company.

As a result of this significant progress, MRL continues to be on track to begin production of high-grade graphite in Sri Lanka in late 2015.

The key areas of activity during the Quarter were:

- Completion of the construction of the Pandeniya S2 head frame and installation of the hoist. Power generation, pumping, ventilation and site office facilities have been ordered or installed. All remaining items are expected to be delivered and installed over the May – June period.
- Sterilisation drilling commenced at the Aluketiya mine and will be ongoing during the June quarter.
- Preparation has commenced on civil works towards the rehabilitation of the initial two shafts at the Aluketiya site.
- Further land access agreements were completed in the Pujapatiya & Dedigama project areas. This has enabled exploration work and the identification of future drill ready targets.
- Metallurgical test work has continued at Wuhan University and Nagrom. A simplified process flow sheet now generates consistent results of at least 99.95% TGC battery grade graphite through acid leaching techniques.
- Adelaide Research & Innovation Pty Ltd, the commercial development company of the University of Adelaide, has been engaged to test the Company's Sri Lankan graphite and its properties for scalable graphene production.
- Further geological reconnaissance, mapping and geophysics was undertaken at the Dedigama and Hikkaduwa project areas ongoing.
- Submitted renewal documentation and formal presentation for renewal of the Company's exploration licences EL 225, 226, 227, 228, 231, 243 & 244 for a further two year period extension.
- MRL environmental report required for the Pandeniya mining license application due for completion shortly.
- Industrial Mining License for the Pandeniya location expected following the successful environmental clearance.

Pandeniya

As planned, the rehabilitation of EL228 – S2 progressed during the period. Headframe construction was completed with hoisting equipment installed and commissioned. Electrical generation equipment has been ordered and delivery and installation are expected in May 2015.

GSMB has provided a letter of support to the Central Environmental Authority (CEA) and they have conducted their site visit. CEA have issued their terms of reference and the required report is being completed.



EL228-S2 Headframe nearing completion



EL228-S2 Headframe Ancillary Hoist



EL228-S2 Office & and Store



Winder for Headframe

Aluketiya

As advised in a release on 27 January 2015, assays from drilling at Aluketiya returned Total Graphitic Carbon (TGC) grades of up to 99.3%. MRL commenced the civil ground works for the rehabilitation and construction work on two historic shafts at Aluketiya during the quarter.

Diamond drilling commenced for exploration and sterilisation purposes, drilling is expected to be completed by the end of the June quarter when the drill is expected to be relocated to the next priority area.

Reticulated site power has been established to the two priority shaft areas and initial site facilities / ablutions installed.



Aluketiya Site looking north & initial site facilities

Pujapitiya



Geological Mapping Pujapitiya

Mapping has identified six priority areas within Grid 4, EL262 where historical workings were identified. These will be used to plan the drilling for this area at the Mornakanda location. As this priority area in Grid 4 is only 1 of 18 grids in the Pujapitiya area, many other priority areas are expected to be located with further mapping.

Trenching has taken place on Grid 4 with near surface vein occurrences being intersected in unconsolidated material. Samples from trench areas still returned an encouraging 77% TC at 1.7m from surface.

Graphite grade is expected to improve with depth in the consolidated base rock.



Near surface Vein set at Morankanda

Exploration activities are dictated by land access agreements being in place. This is an ongoing task and MRL has employed another senior Sri Lankan to assist the General Manager in undertaking these duties. This allows further areas to be opened up for exploration and development.

Graphene Test Work

The Company has entered into a contract with Adelaide Research & Innovation Pty Ltd, the commercial development company of the University of Adelaide, to test its Sri Lankan graphite and its properties for scalable graphene production. The tests will seek to determine the yield and quality of isolated graphene within MRL's graphite.

Graphene sells for a substantial premium to conventional graphite and therefore the tests are potentially highly significant to the economics of the Company's projects. Graphene is currently produced from composited graphite and lower grade graphite. This makes the ultra-high grade Sri Lankan graphite an exciting prospect.

These graphene tests, involving a range of different processes to determine the potential production and quality of graphene from MRL's graphite ore, will be conducted by the University of Adelaide's School of Chemical Engineering graphene research group, led by Professor Dusan Losic.

Recent tests have already established that MRL's graphite is suitable for use in high-technology batteries. Should the impending round of tests demonstrate graphene properties, the Company will be in a position to supply products to various markets ranging from traditional graphite customers to the next generation of high-end technology users.

About Graphene

Graphene, the well-publicised and now famous two-dimensional carbon allotrope, is as versatile a material as any discovered on Earth. Its amazing properties as the lightest and strongest material, compared with its ability to conduct heat and electricity better than anything else, mean it can be integrated into a huge number of applications. Initially this will mean graphene is used to help improve the performance and efficiency of current materials and substances, but in the future it will also be developed in conjunction with other two-dimensional (2D) crystals to create some even more amazing compounds to suit an even wider range of applications.

One area of research which is being very highly studied is energy storage. Currently, scientists are working on enhancing the capabilities of lithium ion batteries (by incorporating graphene as an anode) to offer much higher storage capacities with much better longevity and charge rate. Also, graphene is being studied and developed to be used in the manufacture of super capacitors which are able to be charged very quickly, yet also be able to store a large amount of electricity.

MRL Managing Director Craig McGuckin said it had been a significant quarter in the Company's steady march towards production.

"The March Quarter has seen significant progress, with the completion of the structural head frame construction at Pandeniya and the Company continuing toward its strategic target of being a producer of high-grade Sri Lankan graphite in the foreseeable future

It is a testament to the dedication and hard work of all MRL employees and contractors" Mr McGuckin said.

The June Quarter

MRL is now immersed in an active June Quarter, which includes:

- Completing the CEA requirements for receiving its Industrial Mining Licence for the Pandeniya project application.
- Continuing the refurbishment of two shafts in the Aluketiya project area and construction of civil works and headframes.
- Graphene testing being conducted at the University of Adelaide.
- Results on upgraded graphite electrical tests from Wuhan.
- Discussions with potential offtake parties for planned production.
- Complete sterilisation drilling at Aluketiya and move drilling to Dedigama / Pujapitiya
- Continue land access agreements to provide the future exploration path in the MRL priority areas.
- Ongoing evaluation of further opportunities that will add value to the MRL portfolio.

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 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 open pit gold or copper mines, 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.

For further information:

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MRL Corporation Ltd

Peter Youd

Executive Director

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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 Chris Banasik, 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.

JORC TABLE 1 Report for Exploration Locations

Section 1 Sampling Techniques and Data

<i>Criteria</i>	<i>Explanation</i>
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 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"> All future drilling will be undertaken utilising NQ Triple Tube (NQTT) drilling.
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 and or Wuhan University of Technology (WUT). Nagrom and WUT 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 will visit the MRL operation sites 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 & Aluketiya areas. All drill collars will be geo-referenced to the Sri Lankan Transverse Mercator 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.

Criteria	Explanation
Audits or reviews	<ul style="list-style-type: none"> A review was undertaken by the consulting Geologist of all procedures, including retrieving of core samples from the core tube, through to logging and storage of core samples, during drilling activities. Consulting Geologist 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><tr><th>License No.</th><th>MRL Interest</th><th>Status</th><th>General Location</th></tr><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></table> <table><tr><td>IML/C/HO/8416</td><td>100%</td><td>Granted</td><td>Western</td></tr></table> <ul style="list-style-type: none">MRL Corporation Ltd has informed the Consulting Geologist 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	IML/C/HO/8416	100%	Granted	Western
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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.MRL continues exploration in all license areas																																								
Geology	<ul style="list-style-type: none">Warakapola / Bopitiya / Pandeniya / AluketiyaGeologically, 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><tr><th>Drill Hole</th><th>Easting</th><th>Northing</th><th>Dip / Azimuth</th><th>Hole Depth</th><th>Comments</th></tr><tr><td>AK07</td><td>134,584</td><td>136,467</td><td>65 °/ 325°</td><td>150m</td><td>Ongoing</td></tr><tr><td>AK08</td><td>134,540</td><td>136,606</td><td>50 °/ 338°</td><td>160m</td><td>Planned</td></tr><tr><td>AK09</td><td>134,642</td><td>136,515</td><td>50 °/ 325°</td><td>110m</td><td>Planned</td></tr><tr><td>AK10</td><td>134,620</td><td>136,565</td><td>80 °/ 310°</td><td>100m</td><td>Completed</td></tr></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	AK07	134,584	136,467	65 °/ 325°	150m	Ongoing	AK08	134,540	136,606	50 °/ 338°	160m	Planned	AK09	134,642	136,515	50 °/ 325°	110m	Planned	AK10	134,620	136,565	80 °/ 310°	100m	Completed										
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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"> NA
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 continues to complete further site investigations on all licenses. Following the completion of progressive site investigations and evaluation the next phase of exploration for each location will be undertaken and reported. Land access agreements continue at Pujapitiya, Dedigama and Hikkaduwa Further drilling is planned at Aluketiya, Dedigama & Pujapitiya and other license areas as land access is obtained.