

September, 2015 Quarterly Report

30 October 2015

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ASX Symbol

MRF, MRFOA

MRL about to be one of world's highest-grade graphite producers

Strategy aimed at producing graphite from 20 shafts within 2-3 years

MRL Corporation (ASX: MRF) is pleased to report on what has been a successful September Quarter, with the Company making steady progress towards its goal of becoming one of the world's highest-grade graphite producers.

These achievements mean MRL is set to start production of high-grade graphite at Sri Lankan projects early next year.

The key achievements during the Quarter were:

- Acquisition of diamond drill rig. This rig, which started drilling at the Dedigama project, will accelerate the exploration program and provide MRL with flexibility over its exploration activities.
- Completed Initial Environmental Examination (IEE) and pump test at Pandeniya required for the Industrial Mining License application
- Testing at University of Adelaide demonstrated exceptionally high graphene yields from MRL graphite.
- Moved to facilitate sales contracts by appointing an Australian graphite and graphene specialist to act as an agent for MRL's high-grade products.
- Completed successful Share Purchase Plan.
- Announced successful capital raising of \$4m to strategic investors and high net worth individuals.

Accelerated Drilling Program:

In late September, MRL commenced drilling at the Dedigama site with the recently acquired diamond drill rig. Experienced drillers has(have) been engaged by the Company to be drill masters and provide training to a group of Sri Lankan drillers. Through this training program, MRL will have its own in-house group of drillers and equipment which will greatly accelerate and provide flexibility to the exploration program. The Company geological department has identified an initial 12 drill targets within its existing portfolio. As further geological mapping and land access agreements are completed further drill targets will be added to the portfolio.

By commencing at Dedigama, MRL will be able to quickly determine the prospectivity of this area and may start the process for conversion from an exploration to an Industrial Mining Licence.

High Graphene Yields

Following on from the ASX release of 13 May 2015, in which the Company disclosed it had achieved outstanding graphene recoveries from MRL's high-grade graphite ore, the Company announced further test work had indicated the Sri Lankan graphite provided a very high graphene yield.

With an exfoliation process time of only 10 minutes, 50% of graphite was exfoliated and gave a graphene yield of >90%. This yield calculation of electrochemically exfoliated graphene from MRL's graphite was in a non-optimised and conducted with low voltage and amperage.

While MRL is of the view that its high grade graphite ore has a ready market at premium prices, the graphene results suggest that MRL should also be positioning itself as a significant, low cost supplier of graphene. The very high yields being experienced - much higher than any other company has achieved - place MRL in a very favourable competitive position.



MRL XT400THD Drilling Rig at Dedigama

Corporate

During the quarter, the Company conducted a Share Purchase Plan which raised \$551,791.

Subsequent to the quarter's end, MRL advised it has received commitments for a placement of shares at 5.5¢ with attaching options on a 1 for 2 ratio, raising \$4 million. The placement is to be settled in two tranches with the second tranche due after shareholder approval at the AGM, on or about 23 November 2015.

Far East Capital Limited, the Lead Manager, advised that the placement was strongly bid by strategic investors and high net worth individuals.

The proceeds will be used to progress development of MRL's high-grade graphite projects in Sri Lanka and to fund the next round of tests aimed at establishing the optimised scaling process of MRL's graphite for producing commercial quantities of premium-priced graphene.

MRL Managing Director Craig McGuckin said it had been a significant quarter for the Company as it marched towards production.

"We are now well on the path to production and cash flow from graphite production," Mr McGuckin said. "We also have strong potential to enjoy substantial sales growth from graphene and we look forward to pursuing this significant opportunity."

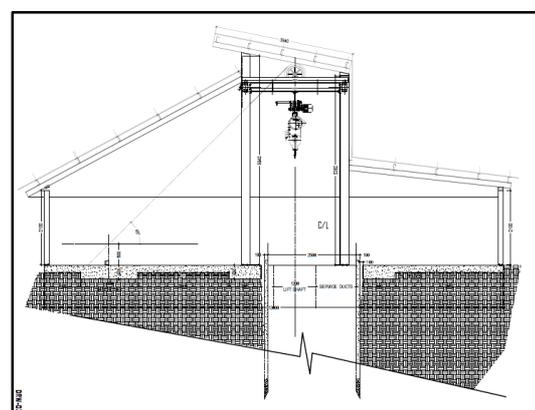
The December Quarter

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

- Drilling at the Dedigama prospect area.
- Commencing construction of civil works on first two shafts and construction of headframes for the Aluketiya project area.
- Commencing optimisation of scalable graphene following successful first pass test work at the University of Adelaide.
- Continue land access agreements to provide the future exploration path in the MRL priority areas.
- Complete electrical installation and hoist load testing at Pandeniya and commence running in initial shaft liners.



Completed Pandeniya MCC and Head Frame



Final Headframe design for Aluketiya

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.

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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Managing Director

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 4m 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 HQ Triple Tube (HQTT) 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"> Initial drill locations are positioned using hand-held Garmin GPS systems. MRL completes full topographical surveys of each drill location. All drill collars will be geo-referenced to the Sri Lankan Transverse Mercator Projection. All final drill locations are set out by surveyor. |
| 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. |

| <i>Criteria</i> | <i>Explanation</i> |
|-------------------|--|
| 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

| <i>Criteria</i> | <i>Explanation</i> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-------------|------------------|--------|------------------|--------|------|---------|---------|--------|------|---------|---------|--------|------|---------|---------------|--------|------|---------|---------|--------|------|---------|------------|--------|------|---------|---------|--------|------|---------|------------|--------|------|---------|---------|---------------|------|---------|---------|
| 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" data-bbox="550 660 1380 963"> <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> <table border="1" data-bbox="550 996 1380 1030"> <tbody> <tr> <td>IML/C/HO/8416</td> <td>100%</td> <td>Granted</td> <td>Western</td> </tr> </tbody> </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 |
| 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 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Exploration done by other parties | <ul style="list-style-type: none"> Initial Exploration and Review of the Warakapola / Bopitiya / Pandeniya / Dedigama 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 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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|--|--|
| Geology | <ul style="list-style-type: none"> • Warakapola / Bopitiya / Pandeniya / Aluketiya / Dedigama • 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> <ul style="list-style-type: none"> • MRL is undertaking exploration drilling presently at its Dedigama location and will report on commercial intersections when they occur. • 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. |
| 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. |