

Access to Japan-Korea Battery Market and other key Markets with Sojitz Corporation

Emerging Australian-based graphite and battery market supplier, Kibaran Resources Limited (ASX: **KNL** or “**Kibaran**”) is pleased to announce the signing of a landmark non-binding Memorandum of Understanding (“MOU”) with Japanese commodities trader, Sojitz Corporation (“**Sojitz**”), one of Japan’s largest trading companies and one of that country’s largest flake graphite trader.

The signing is Kibaran’s second expansion into international graphite markets, following its binding 10-year 30,000 tonnes per year offtake deals last year with European customers including the German global industrial conglomerate, ThyssenKrupp Metallurgical Products GmbH.

Key highlights of the Sojitz MOU comprise:

The MOU sets out an in-principle understanding for Sojitz and Kibaran to enter into commercial negotiations concerning the following:

- Sojitz to source graphite in Tanzania exclusively from Kibaran’s high grade and wholly-owned Epanko project
- Exclusive sales and marketing by Sojitz, for a range of key applications, in Japan, Korea, Taiwan, China and the United States for Epanko’s high purity natural flake graphite grades
- Entry via Sojitz to the lucrative supply-chain for the fast growing lithium ion (Li-Ion batteries or LIB) battery market
- Unique long-term sales into Japanese and Korean battery anode manufacturers

Given Sojitz’s market leadership as one of the largest Japanese graphite traders, the MOU is a milestone for Kibaran in light of the growing demand in the global hi-tech battery market for energy storage systems (‘ESS’) and electric vehicles (‘EV’).

The MOU centres around the trader’s sales and marketing of Kibaran’s high purity natural flake graphite concentrate from Epanko – one of three graphite projects Kibaran is developing in Tanzania as a globally focused graphite mining and processing hub.

The MOU lays the groundwork for further commercial negotiations, but does not compel either party to enter into further commercial arrangements. An in-principal agreement has been reached in the MOU that if a binding agreement is negotiated Sojitz will only source graphite in Tanzania from Kibaran and will be the sole purchaser and distributor of graphite concentrate originating from the Epanko project for the following markets and territories:

1. Lithium ion battery anode producers in Japan, Korea, Taiwan, China and the United States;
2. Refractory grade graphite in Japan and Taiwan; and
3. The lubricant and building materials chain in Japan, Korea and Taiwan.

The MOU follows detailed due diligence by Sojitz and the completion by Kibaran in August-2015 of a specific and favourable scoping study into establishing a battery grade spherical graphite manufacturing plant in Tanzania within 12-18 months of the Company commencing graphite production at Epanko (refer ASX announcement dated 4 August 2015). The MOU sets out that Sojitz will undertake further testing.

Sojitz Assistant General Manager, Mr Togo Teruhiko commented

“We are delighted to partner Kibaran, given our testwork has shown Epanko’s graphite to have superior qualities to its peers and at a time market demand is looking for a new supply of natural graphite outside of existing supply chains.”

The battery plant study was in addition to Kibaran’s then just completed robust Bankable Feasibility Study (BFS) for Epanko.

Kibaran said the results of the battery plant scoping study, had since attracted interest from several potential international stakeholders with testwork confirming Epanko's graphite mineralisation to be of ultra-high quality and exceptionally well suited for the production of spherical graphite for the battery market.

(Spherical graphite, produced from turning flat natural flake graphite into spherical shapes, purifying and coating it, is emerging as a major anode component of new era lithium ion batteries.)

Kibaran notes that the independent research group, Roskill, expects significant future growth in the sector as ESSs and EVs are adopted worldwide. Sojitz has a strong and long history of graphite sales and has established long-term relationships within the Japanese and Korean markets.

JAPAN – KOREAN LITHIUM ION BATTERY ANODE AND MARKET (BACKGROUND)

Panasonic (Japan) and LG Chem (Korea) are developing the world's largest gigafactories for the growing EV battery market (refer Figure 1) and combined, will provide 75% of the world's lithium ion batteries to the EV market outside of China.

Tesla Motors ('Tesla') battery partner, Panasonic, recently stated that Tesla will be capable of producing 500,000 EVs in 2020. LG Chem also has ties with Tesla and recently announced being the battery supplier for the upcoming Chevrolet Bolt EV in the United States.

Lux Research¹ notes that, while Panasonic still has its partnership with Tesla Motors, LG Chem has recently signed deals with many top manufacturers, such as Volkswagen, GM, Ford, and Daimler.

Source 1: <http://cleantechnica.com/2015/08/23/new-report-ev-battery-market-details-potential-path-lg-chem-supplant-panasonic>

Both companies are investing heavily in new production facilities for Li-Ion batteries, and consequently the amount of graphite needed for the anode material is expected to rise sharply.

	Panasonic	35GWh	\$5bn	Nevada, USA	Lithium-ion	2016
	LG Chem	7GWh* 1.6 GWh	\$500m* \$300m	Nanjing, China Michigan, US	Lithium-ion Lithium-ion	2016 Expansion
FOXCONN		15GWh*	\$810m*	Anhui, China	Lithium-ion	2016
		20GWh		various, China	Lithium-ion	2020
		10GWh		various, China	Lithium-ion	2020
		1.5 GWh (combined)		Ulsan, South Korea Xi'an, China	Lithium-ion Lithium-ion	Expansion Expansion

Source: Benchmark Mineral Intelligence

Kibaran Managing Director, Mr Andrew Spinks commented

“This is a major entry into the battery supply chain given Panasonic is the major partner for Tesla’s gigafactory and importantly, LG Chem recently announced a supply deal with the world’s largest energy storage supply company.

The Sojitz MoU is a major milestone for the Company, providing Kibaran with additional independent endorsement of the quality and commercial appeal of our Epanko natural flake graphite.

This MOU not only supports the development of Epanko but also advances Kibaran’s plans to manufacture spherical graphite, expandable graphite and other value added products for a broad range of industrial applications with forecast significant growth rates.

Recent news of Tesla talking with the German Government over a European gigafactory is very positive for us as we are perfectly positioned to access the ESS market in Europe given our existing strategic alliances in Germany.

It is not yet fully understood by equities markets but lithium ion battery innovation is being led by Japan, Korea, China and Germany, hence our emerging positioning of Kibaran as a major supply chain and alternative supply to mainland China.”

Initial Epanko production is foreseen at a level of 40,000tpa and Kibaran has signed a total of 30,000tpa offtake agreements for 10 years with Germany’s ThyssenKrupp (20,000tpa) and a further 10,000tpa binding offtake agreement with a sophisticated European graphite market trader. The Sojitz MOU is expected to consume a large portion of the remaining initial 10,000tpa of production.

Kibaran is the only listed graphite entity globally with a binding offtake agreement with a partner outside of China and is expecting to formalise further strategic alliances to tie down the major supply chains.

Both Kibaran and Sojitz intend to use their best endeavours to finalise a formal binding marketing agreement by 30 June 2016 and the Company will also continue to progress further strategic partnerships in developing its battery manufacturing facility.

About Sojitz Corporation 

Sojitz is one of Japan’s leading trading companies with net sales of US\$3.4billion, net assets of US\$1.9billion and a market capitalisation of US\$1.4 billion. With over 80 worldwide offices and over 15,000 group employees worldwide, Sojitz has a substantial global presence.

Sojitz is listed on the Tokyo Stock Exchange and ranked 1211 largest corporation in the world by Forbes.

Further information can be found at <https://www.sojitz.com/en/business/service/>

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