

25 January 2018

ASX Announcement

DECEMBER 2017 QUARTERLY REPORT

Kibaran Resources Limited (Kibaran or the Company) (ASX: KNL), is pleased to release its activities and cash flow report for the three months ended 31 December 2017.

HIGHLIGHTS

- **Positive high-level meetings with Tanzanian Government to align development plans for the Epanko Graphite Project with the new legislation.**
- **Approval of Compensation Schedules for the Epanko Resettlement Action Plan by the Government Chief Valuer, Regional Commissioner and District Commissioner.**
- **Downstream processing feasibility study demonstrates attractive business case for the production of 20,000tpa of purified spherical graphite:**
 - **Initial investment** US\$66m
 - **Pre-tax NPV₁₀** US\$145m
 - **Internal rate of return** 34.3%
 - **Annual EBITDA** US\$30.5m
- **Proprietary eco-friendly non-hydrofluoric acid spherical graphite purification process developed.**
- **Board approves spherical graphite pilot plant program in Germany.**
- **Cash on hand at 31 December 2017 of \$2.2m.**

EPANKO GRAPHITE PROJECT

New Mining Legislation

During the quarter, the Company engaged with the Tanzanian Government to progress the Epanko development plan (refer to *ASX announcement 28 November 2017*).

In mid-November, Kibaran and one of its proposed financiers met with Tanzania's High Commissioner to Japan, Australia and South Korea, His Excellency Mathias Chikawe. The Company briefed the High Commissioner on the Epanko Graphite Project and also highlighted aspects of the new legislation that present challenges to the financing of the Project. The High Commissioner confirmed the Government's support to pave the way forward for the Project and acknowledged its potential positive economic and social impacts for the Ulunga District and Morogoro Region.

Subsequently, the Company and a representative of KfW IPEX-Bank, was provided with an opportunity to meet with the recently appointed Minister for Minerals, Honourable Angellah Kairuki (MP) in Tanzania, to present the Project to the Minister and to highlight aspects of the new legislation that require clarity in relation to international banking requirements for the debt financing of mineral projects. The Minister provided guidance for resolving the various issues.

Regulations supporting the new mining laws were issued by the Tanzanian Government on 10 January 2018 and are intended to enable greater local participation in the development of the country's mineral resources. Kibaran is currently reviewing the Regulations and will meet with the Minerals Commission to discuss any material matters that the Regulations are silent on, once the Commission is officially operational.

The Company believes it is well positioned to comply with the new Act and Regulations, having completed an Equator Principles compliant bankable feasibility study that satisfies the stringent International Finance Corporation Performance Standards and World Bank Group Environmental, Health and Safety Guidelines.

An update of the Epanko development plan has commenced to incorporate aspects of the new Regulations and the Company remains focussed on expeditiously finalising the remaining regulatory and debt funding arrangements.

Resettlement Action Plan

A key regulatory milestone was achieved during the quarter with approval of the Resettlement Action Plan (RAP) compensation schedules by the Government Chief Valuer from the Ministry of Lands, Housing and Human Settlements Development (MLHSD), the Regional Commissioner for Morogoro and the District Commissioner for Ulanga (refer to *ASX announcement 28 November 2017*).

The RAP compensation schedules cover all areas impacted by the Project, including the access road, mine site, associated infrastructure and the resettlement area, detailing compensation rates applicable to the land, crops and trees, together with the amounts payable to affected persons.

The RAP was provided to proposed Project lenders, MLHSD, Government Chief Valuer, Ministry of Minerals, National Environment Management Council and Regional and District Government authorities. It was also published for a period on the Company's website as part of public disclosure and community feedback procedures, with no complaints, objections or adverse comments received.

SPHERICAL GRAPHITE PILOT PLANT

The feasibility study into the downstream processing of graphite was completed in December (refer to *ASX announcement 5 December 2017*), showing the proposed downstream processing plant will be low-cost and environmentally friendly, while generating strong financial returns and enhancing the Company's proposed graphite operations through vertical integration.

Led by GR Engineering, the feasibility study involved extensive process and product testing undertaken by ProGraphite GmbH, an international study of new industry developments and the participation of leading laboratories and potential customers in Asia. The outcomes exceeded expectations, with the Company identifying a new eco-friendly non-hydrofluoric purification technology capable of producing high quality spherical graphite at a cost competitive with less environmentally acceptable production techniques adopted by the majority of existing anode material manufacturers.

During the feasibility study two types of spherical graphite, SPG14.5 and SPG20, were produced for analysis under commercial production plant conditions, using -195micron Epanko natural flake graphite. These products were evaluated by a number of leading battery anode manufacturers in Asia, who confirmed that the Company's battery graphite satisfied their specification and performance requirements for potential future supply arrangements. The results and feedback provided by these organisations was universally positive, with particular interest in Kibaran's new proprietary non-hydrofluoric acid purification process.

Kibaran SPG14.5 and SPG20 Product Specifications

Grade	SPG14.5	SPG20
Carbon Content	99.98%	99.98%
Ash	0.02%	0.02%
Moisture	0.10%	0.10%
d10	9.8 micron	12.1 micron
d50	14.8 micron	19.0 micron
d90	22.3 micron	29.2 micron
SSA	7.8 m ² /g	6.5 m ² /g
Tap Density	0.95 g/ml	0.96 g/ml

Financial modelling undertaken as part of the feasibility study sensitivity analysis, demonstrated a highly attractive return on investment, with key metrics, assuming a 60% gearing rate and 20-year operation as follows:

Battery Graphite	Battery Graphite Pricing ₁	Pre-production Capital	Pre-tax NPV ₁₀	IRR	Annual EBITDA
20,000tpa	US\$3,250/t	US\$66m	US\$145m	34.3%	US\$30.5m

1. 2018 terms.

Following the completion of the feasibility study, Kibaran submitted patent applications to secure the intellectual property assets developed as part of the new purification processing technology and also committed to a pilot plant program in Germany with carbon products specialists ProGraphite GmbH as part of a phased spherical graphite production strategy:

➤ Phase 1

Establishment of a German pilot plant to optimise the new spherical graphite purification process for Epanko feedstock, assess the suitability of other graphite feedstocks for use in the Kibaran process and complete customer pre-qualification processes for product sales.

Subsequent expansion of the pilot plant to produce up to 600tpa of unpurified spherical graphite for sale to customers.

➤ Phase 2

Construction of a full commercial scale operation in 2019, commencing with the production and sale of up to 5,000tpa and ramping-up over several years to reach a spherical graphite production rate of 20,000tpa. It's expected that the expansion of the pilot plant and the commencement of construction of full scale facilities will be undertaken in parallel to meet the forecast demand growth from customers in Asia and Europe.

CORPORATE

Cash

Cash on hand at 31 December 2017 was \$2.2m and additional cash flow details are contained in the attached ASX Appendix 5B.

Share capital

Issued fully paid ordinary shares: 244,202,394

Unlisted options:

Number	Exercise price	Expiry
1,000,000	30 cents	31 December 2018
1,000,000	22.82 cents	2 June 2019
1,050,000	23 cents	6 March 2020

Annual General Meeting

The Annual General Meeting of shareholders was held on Thursday, 9 November, with all resolutions passed (refer *ASX announcement 9 November 2017, Results of 2017 Annual General Meeting*).

SCHEDULE OF TENEMENTS

Licence	Ownership interest	Acquired/disposed during the quarter	Area (km ²)	Location
ML 548/2015	100%	No change	9.62	Mahenge, Tanzania
PL 7906/2012	100%	No change	59.24	Merelani-Arusha, Tanzania
PL 7907/2012	100%	No change	26.42	Merelani-Arusha, Tanzania
PL 7915/2012	100%	No change	41.47	Merelani-Arusha, Tanzania
PL 9306/2013	100%	No change	35.31	Mahenge, Tanzania
PL 9331/2013	100%	No change	2.76	Mahenge, Tanzania
PL 9537/2014	100%	No change	84.00	Tanga, Tanzania
PL 10090/2014	100%	No change	44.88	Merelani-Arusha, Tanzania
PL 10091/2014	100%	No change	114.22	Merelani-Arusha, Tanzania
PL 10092/2014	100%	No change	23.23	Merelani-Arusha, Tanzania
PL 10388/2014	100%	No change	2.57	Mahenge, Tanzania
PL 10390/2014	100%	No change	2.81	Mahenge, Tanzania
PL 10394/2014	100%	No change	9.74	Mahenge, Tanzania
PL 10752/2016	100%	No change	23.45	Mahenge, Tanzania
PL 10868/2016	100%	No change	72.82	Merelani-Arusha, Tanzania
PL 10869/2016	100%	No change	29.95	Merelani-Arusha, Tanzania
PL 10872/2016	100%	No change	2.60	Merelani-Arusha, Tanzania
PL 10972/2016	100%	No change	3.83	Mahenge, Tanzania
PL 11081/2017	100%	No change	2.08	Merelani-Arusha, Tanzania
PL 11082/2017	100%	No change	20.77	Merelani-Arusha, Tanzania
PL 11083/2017	100%	No change	50.73	Merelani-Arusha, Tanzania

For further information, please contact:

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Various statements in this document constitute statements relating to intentions, future acts and events. Such statements are generally classified as “forward-looking statements” and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ materially from what is presented or implicitly portrayed herein. The Company gives no assurances that the anticipated results, performance or achievements expressed or implied in these forward-looking statements will be achieved.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Kibaran Resources Limited

ABN

15 117 330 757

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(530)	(1,182)
(b) development	-	-
(c) production	-	-
(d) staff costs	(232)	(579)
(e) administration and corporate costs	(337)	(910)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	9
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	1,859	2,819
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	764	157

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,467	2,079
4.2 Net cash from / (used in) operating activities (item 1.9 above)	764	157
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	5	-
4.6 Cash and cash equivalents at end of period	2,236	2,236

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,157	1,339
5.2 Call deposits	79	128
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,236	1,467

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
157
-

Directors' remuneration and consulting fees.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(482)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(332)
9.5 Administration and corporate costs	(202)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(1,016)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Company secretary)

Date: 25 January 2018

Print name: Nicholas Katris

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.