

31 January 2019

ASX Announcement

DECEMBER 2018 QUARTERLY REPORT

Positive Meetings with Tanzanian Government on Epanko

Demand for spherical graphite for use in lithium-ion batteries supports development of stand-alone **EcoGrafi** business case

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 2018.

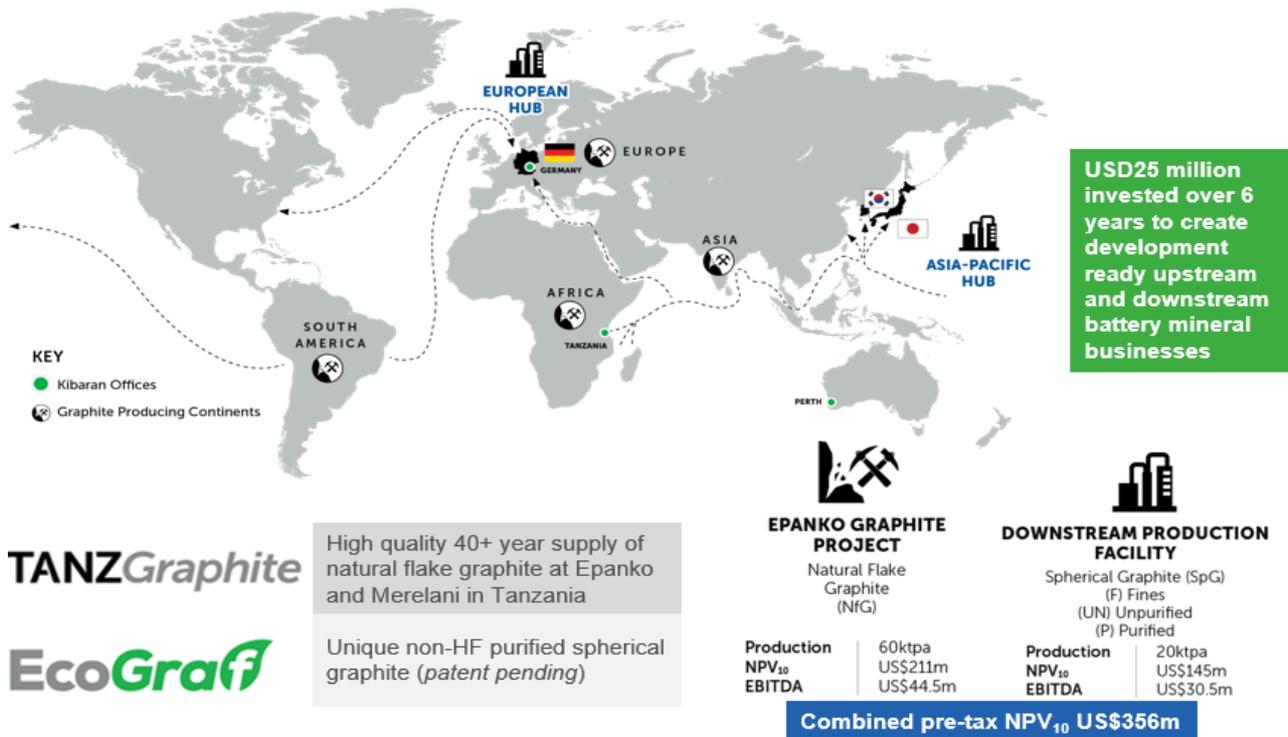
HIGHLIGHTS

- Positive discussions held with the Tanzanian Government to advance the Epanko financing
- New Minister for Minerals appointed and leads Government initiatives to encourage mining investment in Tanzania
- Epanko financing submission being prepared for the Tanzanian Government
- Successful completion of battery graphite optimisation program confirms advantages of **EcoGrafi** purification process
- International patent filed over optimised purification process flowsheet
- GR Engineering updating 2017 downstream processing study with results expected this quarter
- Product qualification program attracting significant interest and discussions in progress with several groups about collaboration and partnership on **EcoGrafi** business
- Benchmark Mineral Intelligence reports battery graphite demand increased 40% in China during 2018 with pricing increasing 20%

BUSINESS STRATEGY

Kibaran's aim is to be a preferred partner for the long-term supply of eco-friendly natural flake and spherical graphite products to customers in both established (refractory, carburiser, lubricant) and emerging (lithium-ion battery) global markets. It holds 100% interests in a combination of attractive upstream and downstream graphite businesses that are poised for development, highly profitable and scalable.

Once established, Kibaran will operate a diversified graphite portfolio, supplying high quality East African natural flake graphite products through **TANZGraphite** to established markets in Asia and Europe, together with eco-friendly purified spherical graphite products from **EcoGrafi** manufacturing facilities in each of those regions.



QUARTERLY ACTIVITY UPDATE

EPANKO GRAPHITE PROJECT

Epanko is a development ready East African natural flake graphite project. Key milestones achieved to date include:

- Bankable Feasibility Study (BFS) completed by GR Engineering;
- Bank appointed Independent Engineer’s Review completed by SRK Consulting (UK), confirming that the BFS adequately addresses all technical aspects of the proposed development and that the social and environmental planning aspects satisfy IFC Performance Standards and World Bank Group Environmental, Health and Safety Guidelines;
- Offtake commitments for the planned production secured in Asia (Sojitz Corporation) and Europe (Thyssen Krupp and European Trader);
- Resettlement Action Plan approved by the Tanzanian Government;
- Granted Mining Licence; and
- Letter of Intent with GR Engineering for early works program and EPC construction contract.

The remaining milestone is to finalise debt and equity funding arrangements to enable construction to proceed in 2019 and during to the quarter the Company met with the Tanzanian Ministry of Minerals, Mining Commission and Bank of Tanzania in Dodoma and Dar es Salaam to discuss the key regulatory issues that need to be confirmed to enable finalisation of the proposed debt financing. The discussions focussed on the use of international banks and banking arrangements, Government equity participation, contract governing law and mine to port warehousing, assaying and logistics protocols.

During the meetings, the Government advised that international financing arrangements continue to be acceptable under the new mining legislation and that a Parliamentary committee, comprised of representatives from relevant ministries, has been established to accelerate the resolution of legislative impediments to new investment in the mineral sector.

The meetings indicate a positive shift in the administration of Tanzanian mineral policy, with an increased urgency to encourage the development of new mines and as a result, Kibaran and its proposed financiers are currently preparing an Epanko project financing submission for Government approval.

On 8 January President Magufuli announced a number of ministerial changes, including the appointment of the Hon. Dotto Biteko as Minister for Minerals, having previously held the role of Deputy Minister over the last year. Minister Biteko has previously visited the Epanko Graphite Project to discuss community developments and in making the ministerial changes, the Government indicated its wish to encourage investment in new mining projects in 2019.

On 22-23 January, under Minister Biteko, the Ministry for Minerals held the Tanzanian Annual Mining Conference in Dar es Salaam at which the President was guest of honour, to discuss issues affecting the sector and support additional development. The Government reiterated the importance of the mining industry to the Tanzanian economy and that it is focussed on removing obstacles to investment.



Hon. Dotto Biteko (far right) ministerial appointment ceremony



President Magufuli addresses the Tanzanian Mining Conference

BATTERY (SPHERICAL) GRAPHITE

In December, the Company completed the **EcoGraf** optimisation study in Germany, which confirmed the successful application of its non-hydrofluoric acid purification process to a range of existing natural flake graphite supplies sourced from Africa, Asia, Europe and the Americas.

The results of the program were included in an updated international patent application that was submitted in December to protect the intellectual property rights associated with Kibaran's unique processing technology.

The overall optimisation program was modified to incorporate additional test work to support the Company's plan to develop and commercialise **EcoGraf** as a stand-alone downstream business, which has extended the program by several months and included:

- preparation of further product samples for supply to battery manufacturers under collaboration arrangements for product development and potential investment;
- testing of **EcoGraf** purification processes on non-Epanko sources of natural flake graphite; and
- an assessment of the potential application of the **EcoGraf** purification techniques to produce high purity graphite for other carbon technology applications.

In parallel GR Engineering continued work to update the 2017 downstream processing study to incorporate the optimisation results and obtain quotations for the establishment of spherical graphite manufacturing facilities later this year. The GR Engineering activities are ongoing and the Company will provide an update to the ASX once this work is completed.

Following positive feedback from potential battery graphite customers that indicates a significant increase in demand, Kibaran is also evaluating the possibility of accelerating the planned production capacity of its proposed battery graphite plant and is working with GR Engineering to optimise the construction schedule and phased ramp-up plan.



Product Qualification Program

A significant commitment has been made by Kibaran over the last 2 years to provide a range of product samples for battery anode manufacturers and battery market participants. This product testing and accreditation process is a critical precursor to secure offtake commitments and a number of organisations have subsequently expressed interest in potential joint development of **EcoGraf** production facilities. As indicated below, the Company has produced over 80 graphite samples during this program, including both battery graphite and high purity flake products and discussions relating to potential offtake and investment are continuing.

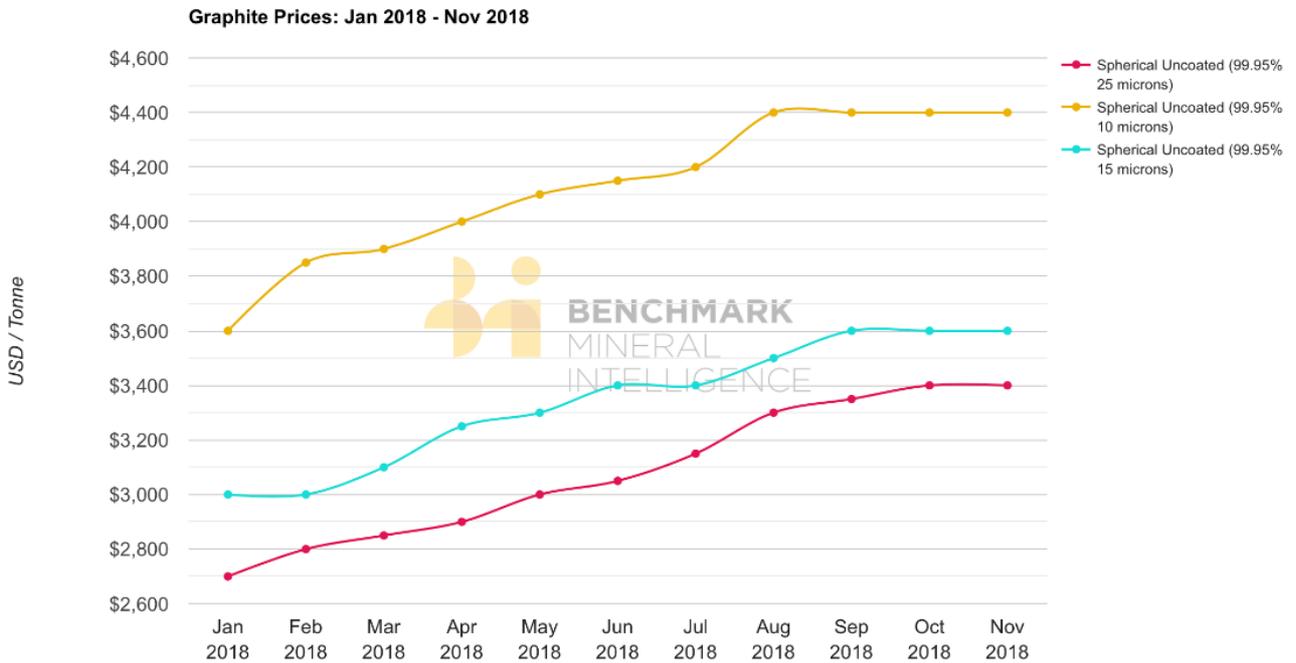
	Ore	Flake Conc	High Purity Conc	SPG fines	SPG14.5	SPG15	SPG20	Coated SpG	EcoGraf Purified SPG
Lithium-ion Battery Anode Manufacturers									
South Korea	✓	✓			✓				
Japan	✓	✓	✓		✓	✓	✓		✓
Japan									
China		✓			✓		✓		
Lithium-ion Battery Market Participants									
Germany		✓	✓		✓		✓	✓	✓
Germany		✓	✓		✓		✓	✓	✓
Germany				✓					
US		✓					✓	✓	
Japan		✓							
Germany					✓	✓			

New Investment in Battery Manufacturing Capacity

Physical demand for battery graphite is growing strongly with a 40% increase in China which has resulted in prices for the main grades of battery graphite increasing 20% (refer figure overpage) during the last 12 months. The outlook for further pricing increases is supported by growing demand, combined with continuing environmental controls on existing supplies produced using hydrofluoric acid purification processes. The demand for new, more eco-friendly sources of battery graphite supply underpin the Company's plans to develop a stand-alone **EcoGraf** business during 2019.

Bloomberg New Energy Finance reported during the quarter that battery investment growth is exceeding previous expectations and the global energy-storage market is now expected to surge approximately 200 times its current size to reach over 900 Gigawatts by 2040, requiring approximately US\$620 billion in new investment.

This coincides with recent announcements by the EU Battery Alliance of battery manufacturer commitments for the construction of new European battery facilities in Germany, Finland, Hungary and Poland to support the growth of the European electric vehicle industry.



(source: Benchmark Minerals)

CORPORATE

Cash

Cash at 31 December 2018 was A\$0.75m and cash flow details are contained in the attached *ASX Appendix 5B*.

Share Capital

Issued fully paid ordinary shares: 264,180,967

Issued fully paid ordinary shares subject to escrow: 11,500,000

Unlisted options:

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

1,000,000 options with an exercise price of 30 cents expired during the quarter.

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	17.53	Mahenge, Tanzania
PL 9331/2013	100%	No change	2.76	Mahenge, Tanzania
PL 9537/2014	100%	No change	42.00	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
PL 11143/2017	100%	No change	2.62	Merelani-Arusha, Tanzania
PL 11511/2016	100%	No change	46.72	Merelani-Arusha, Tanzania
PL 11254/2016	100%	No change	6.73	Merelani-Arusha, Tanzania

For further information, please contact:

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The production targets and forecast financial information referred to in this ASX announcement were originally reported to the ASX by the Company on 21 June 2017 and on 5 December 2017. All material assumptions underpinning the production targets and forecast financial information reported in those ASX announcements continue to apply and have not materially changed.

Various statements in this announcement 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 2018

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	(784)	(1,388)
(b) development	-	-
(c) production	-	-
(d) staff costs	(159)	(311)
(e) administration and corporate costs	(163)	(570)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,104)	(2,265)
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	-	135
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	-	(22)
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	-	113

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,857	2,904
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,104)	(2,265)
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)	-	113
4.5	Effect of movement in exchange rates on cash held	(3)	(2)
4.6	Cash and cash equivalents at end of period	750	750

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	750	1,778
5.2 Call deposits	-	79
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)	750	1,857

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	385
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	

Directors' remuneration and consulting fees.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

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.		

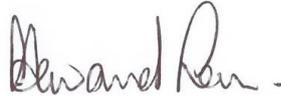
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(400)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(150)
9.5 Administration and corporate costs	(175)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(725)

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: 31 January 2019

Print name: Howard Rae

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.