



31 JULY 2019

ASX ANNOUNCEMENT

JUNE 2019 QUARTERLY REPORT

Epanko Debt Financing Advancing with KfW IPEX-Bank Preparing for German Government submission

EcoGrafi Study delivers robust economics for Kwinana development to produce battery graphite

Kibaran Resources Limited (“Kibaran” or “the Company”) (ASX:KNL) is pleased to release its activities and cash flow report for the three months ended 30 June 2019. The Company made significant progress during quarter on all key business areas.

HIGHLIGHTS

- **Positive outcomes from key meetings in Tanzania provide the basis for KfW IPEX-Bank to progress the Untied Loan Guarantee (“UFK”) submission for the German Government Inter-ministerial Committee. Securing approval for the UFK is a critical milestone in the Epanko financing process.**
- **EcoGrafi study includes Kwinana location to form part of a multi-hub battery graphite production base**
 - ✓ Capital cost of US\$22.8 million for an initial 5,000tpa, followed by a further US\$49.2 million to expand production to 20,000tpa of battery-grade graphite.
 - ✓ Pre-tax net present value₁₀ of US\$141m, generates an internal rate of return of 36.6 per cent and annual EBITDA of US\$35m.
 - ✓ Proposed Kwinana plant to manufacture battery graphite worth US\$72m a year for export to lithium-ion battery manufacturers.
- **Research & Development approval following AusIndustry internal review**
 - ✓ AusIndustry completes Internal Review and confirms eligibility of all Australian and Overseas research and development (“R&D”) programs.
 - ✓ Positive Advance and Overseas Finding Certificates received from AusIndustry for all planned R&D programs through to 30 June 2020 comprising planned expenditures of approximately \$8m to support Australian industry.
 - ✓ Company receives 2018 R&D refund of \$277k.

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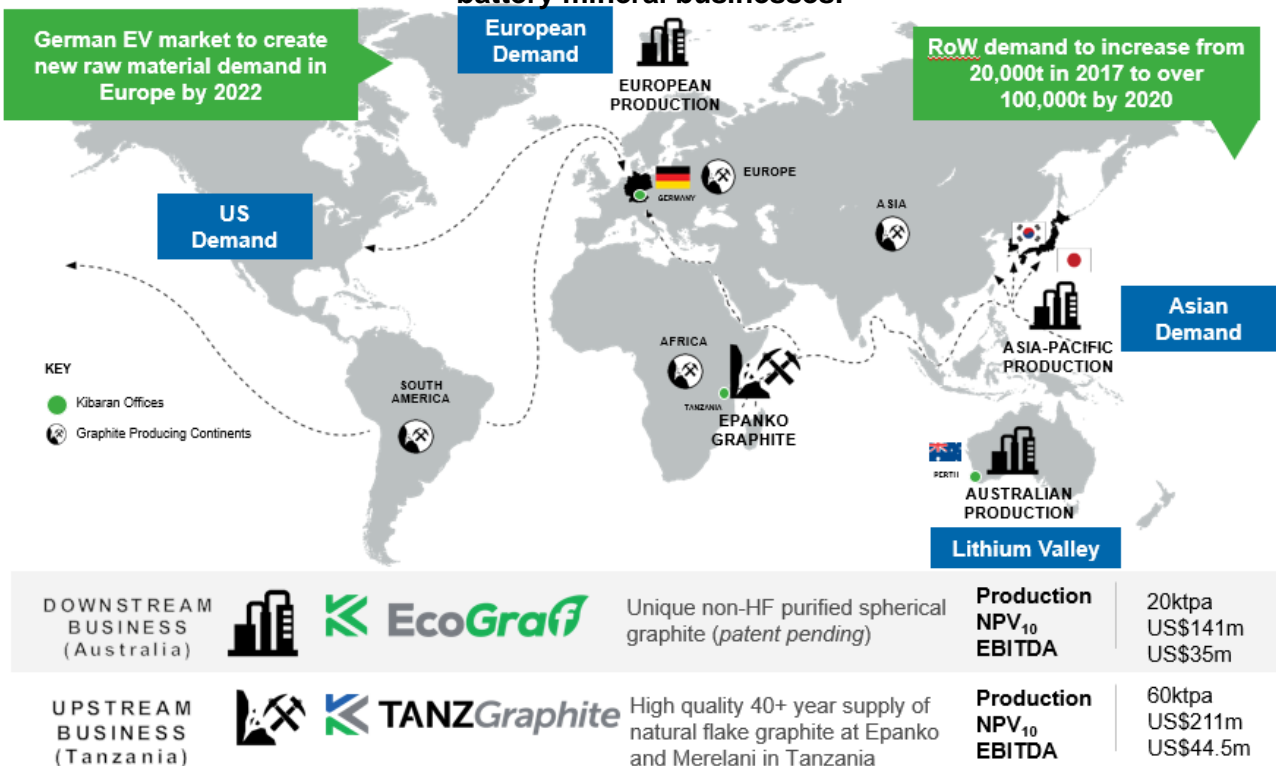
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BUSINESS STRATEGY

Kibaran’s aim is to be a preferred partner for the long-term supply of eco-friendly natural flake and battery (spherical) graphite products to customers in both established (refractory, recarburiser, 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 Tanzanian natural flake graphite products through **TANZGraphite** to established markets in Asia and Europe, together with **EcoGrafi** which is a multi-hub downstream development that provides a global new supply of environmentally responsible battery graphite for lithium-ion batteries.

US\$25 million invested over 6 years to create development ready upstream and downstream battery mineral businesses.



Refer notes page 9

QUARTERLY ACTIVITY UPDATE

EPANKO GRAPHITE PROJECT

The Epanko Graphite Project (“Epanko” or “the Project”) is a development ready Tanzanian 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;
- Letter of Intent with GR Engineering for early works program and EPC construction contract; and
- KfW IPEX-Bank mandated for Epanko debt financing.

KfW IPEX-Bank Debt Financing

During the quarter the Company obtained favourable support from the Tanzanian Government for its proposed Epanko debt financing arrangements, enabling KfW IPEX-Bank to progress the Untied Loan Guarantee submission for the German Government Inter-ministerial Committee. Subject to satisfactory completion of due diligence processes by KfW IPEX-Bank, the submission is expected to be made to the German Government by KfW IPEX-Bank during the current quarter. Securing approval for the Untied Loan Guarantee is a critical milestone in the Epanko financing process.

The positive feedback received from the Ministry of Minerals and the Bank of Tanzania followed the Company and KfW IPEX-Bank jointly presenting the Epanko debt financing structuring solutions for recent legislative changes to key Government stakeholders.



Photo: Company representatives meeting Ministry of Minerals (left) and Bank of Tanzania (right) with KfW IPEX-Bank.

The presentations included proposed arrangements relating to the Government's 16% non-dilutable free-carried interest, local content requirements, use of Tanzanian and international banks and bank accounts, logistics and warehousing protocols and compliance reporting.

Subject to securing approval for the Untied Loan Guarantee, KfW IPEX Bank is prepared to extend senior debt finance for the development of Epanko for an amount of up to approximately US\$40 million.

In addition to KfW IPEX-Bank, the Company is also currently working with a second lender to secure an additional US\$20 million in senior debt funding on similar terms and conditions. The second lender credit approval process is being conducted in conjunction with the KfW IPEX-Bank due diligence program and a financing progress update will be provided to the ASX in due course.

Government and Corporate Social Responsibility

The Company continued its engagement with community stakeholders, to actively work on building and fostering constructive relations, including;

- Meeting chaired by the District Commissioner Hon. Ngollo Malenya and Ulanga District Executive with Epanko community;
- Participating in the Minerals Exhibition in Dodoma organized by the Tanzanian Ministry of Minerals;
- Meeting with District Medical Officer to discuss a temporary medical clinic until construction of a new clinic in the relocation area can be undertaken; and
- Initiating logistics activities for the planned construction of new housing and landholder resettlement program.

During the quarter the company representatives met with a number of Government officials at Epanko which includes Professor Kakuma, the Chairman of the Tanzania Minerals Commission,



Photo: Company representatives Mr Bernard Mihayo and Ms Sauda Simba meeting Government officials at the Minerals Exhibition in Dodoma in May, Tanzania and being presented with a certificate of appreciation.

Minister for Minerals Hon. Doto Biteko (MP), District Commissioner for Ulanga and the newly appointed District Executive Director. Contribution to community activities included:

- Financial support for the Epanko primary school;
- Contributed steel grill doors for the Ministry's newly established the Mahenge Minerals Market;
- Donated educational and sanitary materials to Advanced Level Secondary schools in Ulanga to enable them to complete their national examinations.
- Sponsored a number of students for short courses at Vocational Education Training Authority (VETA) in Mikumi.
- Donated desks for Nawenge primary school.



Photo: VETA students sponsored by TanzGraphite(T) Ltd

EcoGrafi BATTERY (SPHERICAL) GRAPHITE

The planned **EcoGrafi** manufacturing operations will form a standalone business to the Epanko graphite mine and will provide a global new supply of cost competitive, high quality and environmentally sustainable purified spherical graphite for use in lithium-ion batteries.

Kibaran plans to commercialise its proprietary battery (spherical) graphite purification technology by constructing multiple **EcoGrafi** production facilities to support demand for battery materials in Asia, Europe and North America.

Studies by GR Engineering Services Limited (“GR Engineering”) have identified various suitable locations to establish the **EcoGrafi** facilities and the Company is advancing development plans for each region in parallel.

The company is pursuing Kwinana, Western Australia as a priority location, however is in discussion with a number of groups regarding its Asian and European locations.

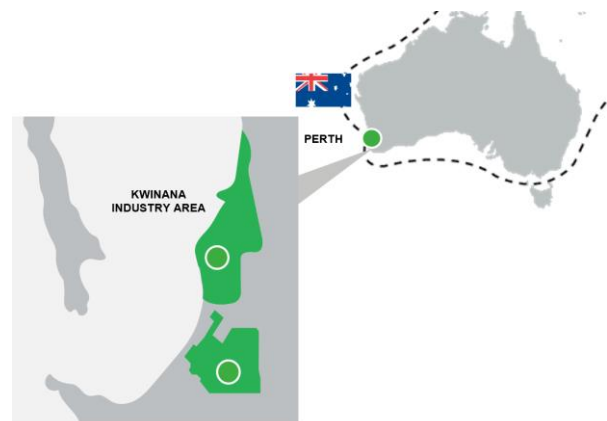


Figure : Kwinana Industrial Area – Aerial View and Location

Kwinana Development

During the quarter GR Engineering successfully completed the engineering study based on locating a production facility within the Kwinana Industrial Area of Western Australia.

The plant has a forecast up-front capital cost of US\$22.8 million for an initial 5,000tpa, followed by a further US\$49.2 million to expand production to 20,000tpa of battery-grade graphite.

Graphite will be procured and processed at the Kwinana facility from a range of suppliers and will be exported to lithium-ion battery customers in Asia, Europe and the North America.

The engineering study estimates that the Kwinana plant would have a pre-tax net present value₁₀ of US\$141m, generate an internal rate of return of 36.6 per cent and deliver annual EBITDA of US\$35m.

LandCorp, the Western Australian Government's land development agency has confirmed that a 4ha site will be made available for the new plant within the Kwinana Industrial Area and the Company is currently working through the process to finalise a site and related construction and operations permits.

A potential **EcoGrafi** development in Kwinana provides a number of key advantages:

- Australia's reputation as a reliable supplier of high-quality industrial products;
- Ethical transparency in the raw material production supply chain; and
- Protection of intellectual property rights for additional downstream processing activities.

Discussions were held with the Australian Federal and State Governments on the benefits of the unique **EcoGrafi** process and pursuing mechanisms that have been created by the Government to incentivise Australian industry to develop lithium-ion battery capabilities.

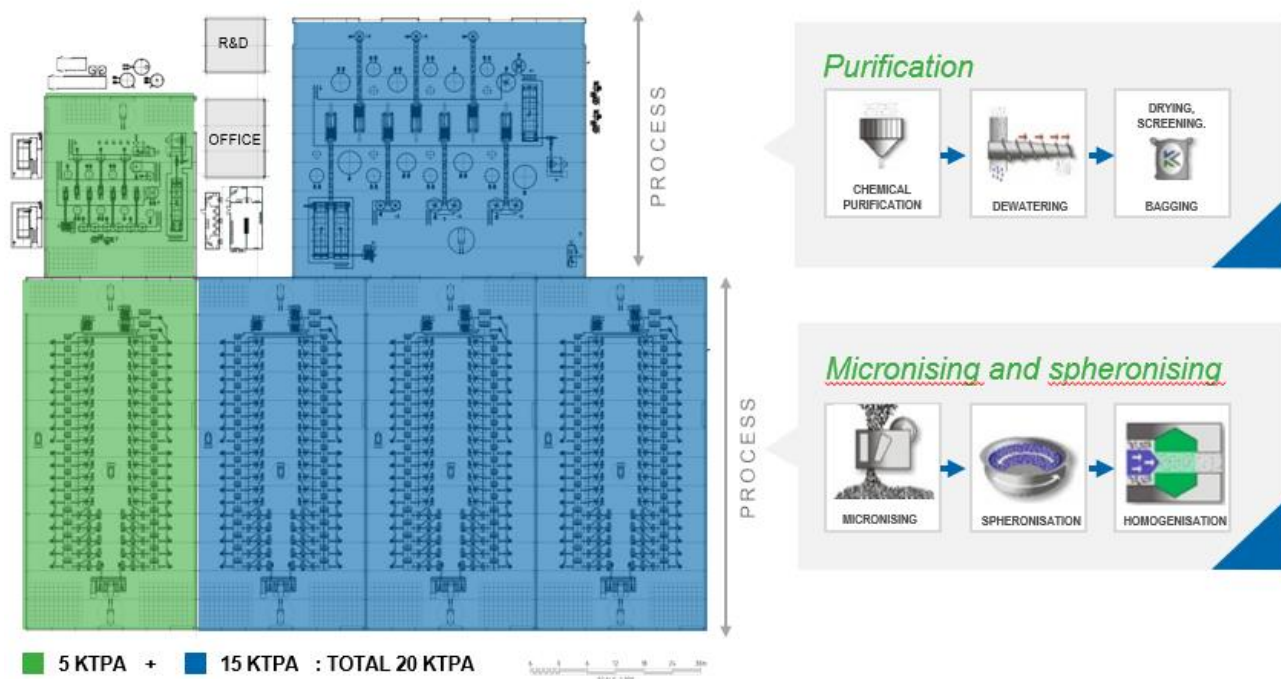


Figure : Staged Plant Layout

In parallel with advancing financing and potential partnership arrangements, the next steps for **EcoGraf** pre-development activities are:

- Working with local agencies on local permitting, environmental and associated approvals;
- Undertaking an equipment testing campaign, including independent flow sheet sign-off; and
- Designing the R&D plant within the **EcoGraf** facility.

Future Batteries Industry Cooperative Research Centre (FBICRC)

FBICRC is an industry focussed research partnership supporting efforts to secure Australia an expanded place in the rapidly transforming global battery value chain.

The Kwinana location is also supported by the FBICRC, of which the Company is a member, that is based at Curtin University in Perth and recently received \$25 million of Australian Federal Government funding to further its initiatives.

Kibaran is working with the FBICRC to develop work programmes that will benefit Kibaran on a both collaborative and bespoke arrangement.

German Laboratory Facility

The new spheronising batch plant in Germany is now producing high quality spherical graphite to support prospective customer and partner testing programs.

During the quarter a number of purified spherical graphite product samples were produced from various graphite feedstocks.

EcoGraf International Patent

During the quarter an international patent application was filed based on the optimised **EcoGraf** flow sheet and is currently progressing through the examination process which is expected to take 12-18 months.

Product Marketing

Subsequent to the end of the quarter, the Company conducted a marketing campaign in Europe, which included:

- Meetings with potential partners and the German Government aligned with the Government's recently announced three battery alliances;
- Discussions on sales and offtake for **EcoGrafi** high purity graphite and related battery products; and
- Feedback on product qualification progress for the Company's high purity graphite products.

BATTERY GRAPHITE MARKET

China is the only producer of commercial quantities of natural flake battery (spherical) graphite, which requires hydrofluoric ("HF") acid to achieve 99.95% carbon grade. Hubei and Shandong provinces are the largest producing areas and there is increasing pressure on producers due to environmental and occupational health & safety regulations.

HF acid is critical for the production of high purity flake and battery graphite in China.

As global demand for battery graphite expands, there is an increasing customer requirement for new, more geographically diversified and environmentally sustainable sources of high-quality supply. Feedback from lithium-ion battery anode manufacturers indicates that demand from e-mobility and energy storage markets will continue to grow strongly.

The focus on ensuring responsible and sustainable supply chains which is already evident in cobalt markets, is expected to support the adoption of cost competitive and environmentally friendly products.

CORPORATE

Cash

Cash at 30 June 2019 was \$1.45 million. Cash flow details are contained in the attached ASX Appendix 5B.

Research & Development

The Company has resolved all queries raised by the Australian Taxation Office ("ATO") in connection with its research and development claims for the 2 years ended 30 June 2017.

Following an Internal Review process conducted by AusIndustry in recent months, AusIndustry has issued Advance Finding Certificates confirming the eligibility of all R&D programs in question and the ATO has advised that it will take no further action over the matter (refer ASX Announcement *Kibaran Receives Major R&D Approval* on 1 July 2019).

The successful outcome re-affirms the Company's cutting-edge graphite processing technology experimentation that has led to the break-through non-hydrofluoric acid purification process over which a global patent application has been lodged.

Kibaran received a 2018 R&D refund of \$277k.

Share Capital

As at 30 June 2019, share capital comprised:

Issued fully paid ordinary shares: 281,620,967

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

Unlisted options:

Number	Exercise price	Expiry
1,050,000	23 cents	6 March 2020



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	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	Merelani-Arusha, 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, 5 December 2017 and 17 April 2019. 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")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(510)	(2,351)
(b) development	-	-
(c) production	-	-
(d) staff costs	(173)	(635)
(e) administration and corporate costs	(135)	(921)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	277	277
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(540)	(3,624)

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	Year to date (12 months)
		\$A'000	\$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	1,044	2,304
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	(57)	(131)
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	987	2,173

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,005	2,904
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(540)	(3,624)
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)	987	2,173
4.5	Effect of movement in exchange rates on cash held	1	-
4.6	Cash and cash equivalents at end of period	1,453	1,453

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	1,453	1,005
5.2 Call deposits	-	-
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)	1,453	1,005

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	262
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	(450)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(170)
9.5 Administration and corporate costs	(150)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(770)

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 July 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.