

ASX Announcement

6 July 2017

TANZANIA SPECIAL SUPPLEMENT BILLS

The Parliament of Tanzania has passed three Supplemental Bills amending the Mining Act 2010 (Act). The Regulations in support of the amended Act still need to be promulgated and it is not clear how long this process may take.

Walkabout Resources Ltd (Walkabout) has, in conjunction with local and international legal teams, assessed these Bills and provides an overview of the key issues which may have a material effect on the Company's ability to develop its Lindi Jumbo Project (Project) in Tanzania or generally on the value of the assets of the Company.

The amendments and the 2010 Mining Act of Tanzania are located on the company's website:

<http://www.wkt.com.au/investor-information/report/tanzania-legislation>

Summary Conclusions

The amendments are contrary to encouraging mining investment and of serious concern to all foreign investment in mining related activities in Tanzania.

However, following a thorough review of the amendments and their potential impact on the Company's Project, and after considering local and international legal opinion, the Board considers that none of the amendments as they currently stand, would cause the Company to halt or suspend its investment in the Project or from working in Tanzania. The Project Definitive Feasibility Study (DFS) economics are such that continued development and the realisation of value for the Company, remains a priority.

Discussion

There are six issues that the Board considers may be of material concern to Walkabout investors.

1. Protection of Permanent Sovereignty
 - a. The amendment denies the seeking of relief regarding any natural wealth and resources matter in a foreign court or tribunal. All legal matters that are the subject of mining projects and may be in dispute will need to be adjudicated by judicial bodies from and in accordance with the laws of Tanzania.

The Company will seek advice regarding the possible impacts to insurance and funding requirements for the Project.

2. Assumption of at least a 16% free carried right by the Government of Tanzania.
 - a. If enacted directly as per the amendment, this will potentially have a significant financial impact on the performance of the Project and the Tanzanian subsidiary Company that holds the assets.

Walkabout is evaluating the DFS and the Project NPV in the context of the amended Act. The current DFS valuation indicates a highly profitable Project and it is considered that a 16% free carried interest, whilst having an adverse impact on the economics, would not result in the Company not proceeding with the Project.

The amendments 10.2 and 10.3 [in the Fourth Supplemental Bill] discuss the Government's ability to acquire up to 50% of the Mining Company for a valuation commensurate with the total tax expenditures incurred by the Government in favour of the mining company. It appears that the

intent is that Government would effectively pay for this interest based on the tax incentives granted to the relevant project. As the Company has not received any tax incentives at this stage the Board does not believe this amendment would apply.

3. The requirement to beneficiate all mined minerals within Tanzania.

- a. The intended grade of graphite concentrate to be produced from the Company's Project in Tanzania will be around 96% Total Graphitic Carbon (TGC). This is already an extremely high level of beneficiation. Furthermore, the product is to be sold to specific end users for the purposes of direct manufacturing of final products.

The Company does not believe this issue is relevant to the graphite industry as it appears to be targeted at mining operations for metals, precious metals, metal concentrate and gemstones.

4. Local Content

- a. Mineral rights holders must give preference to local suppliers when procuring goods and services. Where such good or services cannot be supplied locally, the foreign supplier must form a JV with a local supplier in which the local supplier has at least 25% of the JV.

The planned structure for the Project includes many services and goods supplied by Tanzanian companies. Accordingly, this is not viewed as an issue which could introduce delays or seriously impact the Project.

5. Return of Income into Tanzania

- a. This clause insists that earnings and payments for minerals derived in Tanzania need to be received and accounted for in Tanzania.

This is an accounting issue and as yet no restraint is placed on the ability of the Company to thereafter repatriate dividends and expenses internationally.

6. Stabilisation Clauses

Contracts are now prevented from using stabilisation arrangements that allow the freezing of laws or contracting out the sovereignty of Tanzania. Several amendments govern the use of contractual protection provisions between international companies and Governments.

Given the modest scale and capital requirement of the Lindi Jumbo Project [and the fact that the Company had not proposed entering into any agreement with the Government that included stabilisation provisions], the Board does not consider this point imposes a significant risk for the Company.

There are also some minor clauses which relate to the commercialisation and storage of raw (unprocessed) minerals and valuation of mineral concentrates. These are currently thought to have little material impact on the valuation of the Project and in general relate to operational compliance and performance.

Walkabout has previously announced that it is not subject, in Tanzania, to any material Agreements that may be defined as having "Unconscionable Terms" and views little impact in this regard. The Company will during the course of next month apply the relevant measurable operational and expense impacts to the DFS and provide a report to investors.

Finally, the Board is of the view that the impacts of the amendments upon the Project, while undesirable and in some cases onerous, are still workable and that the Project should proceed during the phase of legislative clarification which will now occur. The Company will continue to engage with the Government of Tanzania on the matters at hand.

T. Benson
Executive Chairman