# QUARTERLY ACTIVITES REPORT TO 30 JUNE 2017

## HIGHLIGHTS

- **Revised strategic plan implemented with Stage 1 production capacity nominally set at 20,000 tonnes per annum on stream by mid-2018**
- **Stage 2 production will result in capacity expanding in tandem with demand, while the enlarged facility is slated for completion by 2020**
- **Productive marketing trip to China resulting in three agreements:**
    - **Cooperation agreement with Aoyu Graphite Group to produce samples, utilise its excess spheroidisation capacity and possible offtake deal**
    - **Cooperation agreement with CNBMGM to test suitability of Namangale products to make expandable graphite, potential offtake and development funding**
    - **Offtake term sheet signed for 5,000 tonnes per annum of Namangale concentrate with Guangxing Electrical Materials**

## INTRODUCTION

Volt Resources Limited (**ASX: VRC**), ("**Volt**" or, the "**Company**") is pleased to provide shareholders with an update on activities for the three-month period ended 30 June 2017. The highlights of the quarter include the development of a new strategic plan to commence production in mid-2018 and a highly successful China trip that resulted in two cooperation agreements and a detailed off-take term sheet for 5,000 tonnes per annum of flake graphite product.

Key events and progress follow:

## REVISED STRATEGIC PLAN: COMMENCE PRODUCTION BY MID-2018

On 18 May 2017, Volt announced a major strategic restructuring designed to expedite its transition to producer status by mid-2018. The new initiative will result in the Namangale project being developed in two phases, summarised as follows:

- **Stage 1:**Tthe initial focus was on developing a 10,000 to 20,000 tonnes per annum graphite product processing facility to meet demand from US and Chinese customers from mid-2018 onwards. Following the successful China product marketing trip the decision was subsequently made to proceed with the 20,000 tonnes per annum graphite product processing facility.

- **Stage 2:** Expand the processing plant's production capacity, in line with product demand from customers, with completion planned for 2020.

For the Stage 2 expansion the Board expects significant increases in demand for large flake graphite in the expandable market and smaller flake size products for battery anode material.

As a result of this revised strategy, management are now working on the following key objectives:

- Preparing a Stage 1 Feasibility Study based on producing 20,000 tonnes per annum of graphite concentrate from mid-2018. This will leverage work already done whilst preparing the Pre-Feasibility Study (PFS), the results of which were released in December 2016.

- Determine an interim processing solution to produce graphite product to deliver to Nano Graphene Inc for its requirements.

- Completion of sufficient binding offtake agreements, securing necessary regulatory approvals, ensuring mining licence(s) are granted, arranging project finance, EPC contracts and other key conditions for developing Stage 1, to enable construction to start by Q4 2017.

- The completion of the Stage 2 feasibility study, based on the scalable development of the Namangale project, by end Q1 2018.

## PRODUCT MARKETING

During the quarter, management concluded a highly successful trip to China, which resulted in several agreements being executed which are sumarised as follows:

### 22 May 2017: Cooperation Agreement with Aoyu Graphite Group

Volt has entered into a non-binding Cooperation Agreement with Aoyu Graphite Group (Aoyu), which is a leading integrated operator within the global graphite industry.

The first phase of this agreement involves Volt transporting to Aoyu up to 1,000 tonnes of Namangale ore during Q3 2017 which will be processed into graphite concentrate. Approximately 40 tonnes of final product will be produced, split equally between expandable and spherical graphite. In addition, Aoyu can produce a roll of graphite foil using some of the expandable graphite. Other than Aoyu performing tests on both products, Volt has the ability to send industrial size samples to prospective clients in China, Europe and USA to further progress product offtake discussions

As part of the same agreement, Volt now has a framework in place to discuss:

- utilising Aoyu's excess spheroidisation capacity to produce up to 20,000 tonnes per annum of spheroinised product for product sales to the battery anode market; and

- secure an off-take agreement with Aoyu for 10,000 to 20,000 tonnes per annum of graphite concentrate.

The ability to utilise Aoyu's downstream processing capacity and to deliver product to Aoyu under an offtake agreement will depend on Volt completing the Stage 1 Feasibility Study, securing project approvals, construction contracts, project finance and other development conditions so it can commence building a 20,000 tonne per annum graphite product processing facility at Namangale from Q4 2017.

This represents the first phase of Volt's strategy to fast track production and revenue generation, with the plan to be in production by mid-2018. Management is currently in discussions/negotiations with a number of investors and financial institutions in relation to development funding and will update shareholders in due course.

**16 June 2017: Cooperation agreement with China National Building Materials General Machinery (CNBMGM)**

Volt has signed a broad non-binding Cooperation Agreement with CNBMGM which sets out a framework for it to become integrally involved with the development of Volt's Namangale project. The Cooperation Agreement intends that CNBMGM become a potential graphite product customer, as well as providing project engineering/construction support and facilitate the provision of project finance and credit insurance for Stage 1 and Stage 2 of the Namangale project.

Volt is following a two-pronged product distribution objective, delivering products suitable for making expandable and spherical graphite. Management's recent trip to visit prospective customers in China and South Korea revealed the expandable graphite market is experiencing rapidly growing demand and creating significant opportunities.

During the China visit, feedback from prospective customers in the battery anode sector confirmed a specific requirement for spheroinised graphite, not concentrate. The main reason is that very few groups, if any, in the battery sector in China or elsewhere in the world are backward integrated to convert graphite concentrate into spheroinised graphite.

Hence, the recent Cooperation Agreement with Aoyu, which potentially enables Volt to utilise excess capacity to produce up to 20,000 tonnes per annum of spheroinised graphite, provides an excellent platform to directly supply to the battery anode sector from mid-2018 onwards.

**Update on expandable graphite market**

As Volt's strategy is to supply concentrate to make expandable and spherical graphite (covered under the Aoyu Cooperation Agreement), it makes sense to form a strong long-term relationship with CNBMGM, given it is the largest building and construction materials producer in China.

Recent regulatory changes to laws in China require that flammable retardant building materials, which use expandable graphite, must be used in insulation and finishing to exterior walls. Furthermore, from 2018, only environmentally friendly products will be allowed, which is clearly beneficial for increasing expandable graphite demand. As the expandable graphite content of flammable retardant building materials where used is circa 10%, the potential size of the China market alone is significant.

Japan and Korea are moving in the same direction as China, while Europe has now banned the use of toxic bromides in flammable retardant building materials. The developments bode favourably for the expandable graphite market moving forward. Moreover, incremental applications for expandable graphite, such as graphite foil and in electronics, continue to grow steadily.

**Cooperation Agreement**

Under the first phase of the Cooperation Agreement, which is planned to be completed within three months, Volt will provide CNBMGM the following:

- As soon as practical, Volt will deliver up to one tonne of Namangale graphite concentrate to CNBMGM to enable product trial tests to be conducted; and
- Open a data room for CNBMGM to access the PFS, Stage 1 Feasibility Study and other relevant information.

If the product trials are successful, then CNBMGM and Volt will commence discussions to enter into an offtake agreement for 10,000 to 15,000 tonnes per annum of graphite product from Stage 1 production. To support the Stage 2 Feasibility Study, there is a provision in the Cooperation Agreement to agree indicative long term offtake tonnage from Stage 2 production.

Volt and CNBMGM will also jointly prepare the required documentation for project finance and credit insurance through Sinosure within the first three month period following the signing of the agreement.

**16 June 2017: Offtake agreement with major graphite distributor Guangxing Electrical Materials (GEM)**

Volt signed a detailed Offtake Term Sheet with GEM, which processes and distributes value added graphite products to a range of end-user markets across China and for export, for flake graphite concentrate from Stage 1 production. The key terms of the non-binding agreement are:

- Both parties agree to complete a binding offtake agreement by 30 September 2017;
- The initial contract term is five years with an option to extend by mutual agreement for a further five years;
- Annual quantity is for 5,000 tonnes of flake graphite concentrate from Stage 1 production commencing from mid-2018;
- Pricing will be set six-monthly based on prevailing rates for expandable and spherical products, flake size distribution and grade; and
- Payment terms, packaging and shipping arrangements included.

This is the third agreement that Volt has signed with a China-based group since mid May, which is a direct consequence of management's recent visit there to meet prospective graphite customers. The Board believes it is critical to have a strong presence in China, given it is the largest graphite market globally. However, rather than be overly reliant on a few large clients, the Board believes it is prudent to diversify product markets across a larger customer base in

China that have varying product requirements. Discussions with potential customers in North America, Europe, South Korea and Japan continue.

Based on all current and prospective customer agreements (refer Table 1), if the applicable conditions precedent are met then Volt could secure minimum commitments for 26,000 tonnes per annum of flake graphite concentrate by Q4 2017. This would adequately cover Stage 1 production, which is now targeted at a nominal 20,000 tonnes per annum of graphite products and potential downstream products for the battery anode market. Further, these agreements will provide considerable comfort to financial institutions currently reviewing the provision of development funding for the Namangale project.

**Table 1: Actual and indicative offtake agreements**

| Prospective client | Offtake quantity (Tonnes/annum) | Estimated timeline to secure binding offtake |
|---|---|---|
| NanoGraphene Inc (USA)^ | 1,000 | Complete |
| GEM | 5,000 | September 2017 |
| Aoyu Graphite Group^ | 10,000-20,000 | Post product trials – 4Q 2017 |
| China National Building Materials General Machinery^ | 10,000-15,000 | Post sample assessment – 4Q 2017 |

^ Refer to Volt's ASX announcements titled "Binding Off-take Agreement with US Group" dated 3 March 2017; "Cooperation Agreement with Leading Chinese Graphite Group" dated 22 May 2017; "Cooperation Agreement with CNBM" dated 16 June 2017.

## KEY APPROVALS AND MINING LICENCE APPLICATION

As noted in the quarterly activities report to 31 March 2017, key focus areas of securing environmental approvals and the grant of the mining license continued during the quarter. On ground activities associated with the ESIA (Environmental and Social Impact Assessment) and RAP (Resettlement Action Plan) processes concluded with the report to be submitted to the NEMC (National Environment Management Council) being finalised. Recent changes with regards to the Tanzanian legislation associated with mining projects has delayed submittal of the ESIA report to the NEMC whilst we work, in collaboration with the relevant government authorities, to ensure that our submission is compliant and expedites the grant of our mining license.

## PROJECT DEVELOPMENT

Work commenced on obtaining the relevant government approvals to extract and ship the 1,000 tonnes of Namangale ore to secure the Aoyu offtake agreement. An extraction site has been selected with earthmoving and logistic companies engaged to facilitate the transfer of this ore parcel to our partner, Aoyu. Liaison with the relevant government authorities and local community stakeholders is ongoing and expected to be finalised early in the next quarter.

On ground activities to facilitate the execution of the upcoming Stage 1 detailed feasibility study are ongoing with access route options being mapped, accommodation options investigated and collation of Tanzanian service providers to ensure that the Project utilises, as much as possible, local businesses to excute the study and eventually the Project.

## EXPLORATION

Exploration activities were conducted to target value add items highlighted during the pre-feasibility study. Refinements of the geological model ahead of anticipated infil drilling were completed and are ready to be executed. Planned drilling will encompass various facets that not only include resource delineation, but geotechnical – both mine pit and infrastructure, further drill sample to facilitate refining previous metallurgical test work, hydrogeological and sterilisation.

Along with a construction materials investigation across our tenement holdings to ensure that when construction begins, appropriate material is available locally to expedite construction. Clay, sand and aggregate sources have been identified and tested at reputable Tanzanian laboratories to determine their suitability in their use for tailings dam construction for example.

The above activities are to provide the Stage 1 detailed feasibility study the required confidence to ensure implementation plans post DFS can be executed on time and on budget.

## CORPORATE

In early April 2017, Mr Asimwe Kabunga, was appointed as a Non-Executive Director. Through his private company, Kabunga Holdings, Mr Kabunga is Volt Resources' largest shareholder with a circa 15% interest.

In April 2017, CEO Trevor Matthews presented at the Australian Graphite Conference in Perth and in late June 2017 at an ASX sponsored CEO session in Sydney. Rounding out the quarter, Mr Matthews had an interview with Finance News Network to discuss corporate plans and graphite sector outlook.

Following Volt's decision to amend its business strategy (announced on 18 May 2017), the performance rights previously issued to the Board and executive management will be replaced. Consequently, new performance rights with revised vesting conditions tied to the satisfaction of key milestones in achieving the revised strategic objectives will be issued.

Subject to obtaining shareholder approval, where necessary, the Board has agreed to issue the following performance rights (refer Table 2) pursuant to and in accordance with the the plan approved by shareholders on 22 October 2015.

**Table 2: Revised performance rights subject to milestones being achieved**

| Milestone | Expiry Date | Trevor Matthews | Stephen Hunt | Alwyn Vorster | Matt Bull | Asimwe Kabunga | Total |
|---|---|---|---|---|---|---|---|
| Commence Stage 1 construction of the Namangale project | Within 3 years of grant | 10,000,000 | 4,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 23,000,000 |
| Completion of the DFS for the Namangale project | 31March 2018 | 2,000,000 | | | | | 2,000,000 |
| Achieving a VRC VWAP of 20c/share | Within 3 years of grant | 5,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 9,000,000 |
| Total | | 17,000,000 | 5,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | 34,000,000 |

* This milestone will be satisfied if the Board approves the commencement of Stage 1 construction of the Namangale project with all necessary conditions precedent for mobilisation having been met.

On 18 May 2017, Volt announced it was cancelling 22,500,000 unlisted options (with varying exercises prices) that were issued pursuant to a corporate advisory agreement on 13 September 2016. This follows Volt and the corporate advisor mutally agreeing to terminate the agreement, which included cancelling the unlisted options.

During the period, management continued to progress discussions with Middle East financial institutions and commenced discussions with CNBMGM for funding commitments to develop Stage 1 production of the Namangale project.

Subsequent to the period, Volt closed a 12-month convertible loan facility for $1 million which will fund working capital requirements while development funding discussions continue. The interest rate is 10% per annum and conversion price $0.05, which is at a substantial premium to the 30 June 2017 closing price of $0.028. This was a solid result for Volt, considering the degree of uncertainty created by the Tanzanian government's decision to legislate changes to the mining laws post the June 2017 quarter end.

For and on behalf of Volt Resources Limited

**Trevor Matthews**
**Chief Executive Officer**

For further information please contact:

**Trevor Matthews - Chief Executive Officer**
**Tel: +61 8 9486 7788**

**Peter Nesveda - Corporate Affairs, Australian and International Investor Relations Consultant**
**Tel: +61 3 9504 8420**

*+Rule 5.5*

# 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**

Volt Resources Limited

| **ABN** | **Quarter ended ("current quarter")** |
|---|---|
| 28 106 353 253 | 30 June 2017 |

| **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 | (731) | (6,267) |
| | (b) | development | - | - |
| | (c) | production | - | - |
| | (d) | staff costs | (381) | (955) |
| | (e) | administration and corporate costs | (169) | (1,361) |
| 1.3 | Dividends received (see note 3) | | - | - |
| 1.4 | Interest received | | 2 | 52 |
| 1.5 | Interest and other costs of finance paid | | - | - |
| 1.6 | Income taxes paid | | - | - |
| 1.7 | Research and development refunds | | 229 | 229 |
| 1.8 | Other (provide details if material) | | - | - |
| **1.9** | **Net cash from / (used in) operating activities** | | **(1,050)** | **(8,302)** |

| | | | | |
|---|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | | |
| 2.1 | Payments to acquire: | | | |
| | (a) | property, plant and equipment | (107) | (138) |
| | (b) | tenements (see item 10) | - | - |
| | (c) | investments | - | - |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (12 months) $A'000** |
|---|---|---|---|
| | (d) other non-current assets | - | - |
| 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** | **(107)** | **(138)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of shares | - | 798 |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | 363 |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | (173) |
| 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 (payments for term deposits) | - | (58) |
| **3.10** | **Net cash from / (used in) financing activities** | **-** | **930** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,253 | 7,618 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,050) | (8,302) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (107) | (138) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | 930 |
| 4.5 | Effect of movement in exchange rates on cash held | 6 | (6) |
| **4.6** | **Cash and cash equivalents at end of period** | **102** | **102** |

| 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 | 102 | 1,253 |
| 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)** | **102** | **1,253** |

| 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 | 55 |
| 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' salaries, fees and superannuation

| 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

N/A

| **8.** | **Financing facilities available** *Add notes as necessary for an understanding of the position* | **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.

Subsequent to the June 2017 quarter end the Company completed a $1m convertible loan facility with sophisticated investors.

| **9.** | **Estimated cash outflows for next quarter** | **$A'000** |
|---|---|---|
| 9.1 | Exploration and evaluation | 143 |
| 9.2 | Development | 0 |
| 9.3 | Production | 0 |
| 9.4 | Staff costs | 386 |
| 9.5 | Administration and corporate costs | 271 |
| 9.6 | Other | 0 |
| **9.7** | **Total estimated cash outflows** | **800** |

| **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 | N/A | N/A | N/A | N/A |
| 10.2 | Interests in mining tenements and petroleum tenements acquired or increased | N/A | N/A | N/A | N/A |

## 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: ............................................ Date: 31 July 2017

Company Secretary

Print name: Stephen Brockhurst

**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.