ASX ANNOUNCEMENT

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DIRECTORS

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ORDINARY SHARES
145,878,436

UNLISTED OPTIONS
27,800,019

PROJECTS
Lindi Jumbo Graphite Project
Tanzania (70%)

Takatokwane Coal Project
Botswana (60%)

Tantalite Valley Lithium Project
Namibia (100%)

DFS Update: Lindi Jumbo still highly robust

A Definitive Feasibility Study (DFS) by emerging African graphite developer Walkabout Resources Ltd (ASX:WKT) for a proposed open pit mine and graphite processing plant at its Lindi Jumbo Graphite Project in south eastern Tanzania was released to the ASX 07 February 2017. Following the subsequent Tanzanian legislative changes and further metallurgical testwork , WKT is pleased to release an UPDATE to the DFS, dated 18 August 2017 along with a Project progress report.

The Updated DFS has been modelled employing only the Ore Reserve published to the ASX 03 April 2017. This reserve contains Proven and Probable Ore Reserves of 5 million tonnes @16.13% TGC for 809 kilo-tonnes of graphite concentrate and comprises 42% of the measured and indicated resources only.

Highlights

- The DFS has been simultaneously updated in several areas;
    - Tanzanian legislative effects and 16% ownership modelled,
    - Revised capital estimate following Jinpeng initial estimates,
    - Revised concentrate ratios following BGRIMM testwork,
    - Adjustment of schedule allowing for delays due to legislation.
- Project start-up capital has **now been reduced** from US$38.7 to **US$29.6m**, a saving of **US$9.1m,** lowest capital intensity amongst peer group.
- Pre Tax NPV^{10} of **US$302m** against previous of US$320m and Pre Tax IRR now at **108%** from previous of 96%.
- Post Tax NPV^{10} of **US$180m** against previous of US$230m and Post Tax IRR adjusted to **88%** against previous 86%.
- Weighted average (Base Case) basket price of product is reduced to **US$1,564** per tonne from US$1,687 per tonne as a result of modified metallurgical product mix.
- Pre Tax NPV^{10} of US$146m when pricing 2017 graphite prices sourced from UBS report and actuals.
- Gross financial effect of Tanzanian 16% free carry (if it eventuates) and 1% clearing fee is US$101m over life of mine or 8.4% of total revenue.
- Modelling and design now using updated concentrate ratios based on large scale, closed circuit metallurgical test results from BGRIMM provides a higher level of certainty to study results.

Definitive Feasibility Study

(This section to be read in conjunction with ASX Announcement of 7 February 2017.)

1. General Discussion

The DFS has been updated with all available new information to date. In general, this is in four key areas;

- The effects of the Tanzanian amendments to the Mining Act 2010,
- An updated capital estimate provided by Jinpeng Mining and Material Co. Ltd as part of the contractual submissions for developing EPCM & F documentation.
- Updated and more reliable metallurgical results produced and modelled from the BGRIMM test work in China,
- A minor adjustment to the modelling payback schedule as per the updated funding plan.

Working costs, production rates, reserve grades were not affected. In order to “stress-test” the financial robustness of the Project, the Company has also modelled returns using actual and forecast graphite prices for 2017 provided by a UBS report on the Lithium and Graphite market as well as information acquired on actual graphite sale prices in China and Europe over the first half of 2017.

Table 1: Project financial indicators as per Updated Definitive Feasibility Study V2.8 2017_08_18

Financial Reporting	Annual Avg (Steady State)	LOM Total	Unit
Pricing - All grades at 95% TGC		Base Case	
Super Jumbo (+500µm) Sales Price		$ 3,500	USD/t FOB
Jumbo (+300µm / -500µm) Sales Price		$ 1,750	USD/t FOB
Large (+180µm / -300 µm) Sales Price		$ 1,000	USD/t FOB
Blended (-180µm) Sales Price		$ 750	USD/t FOB
Average Basket Sales Price		$ 1,534	USD/t FOB
DFS Outcomes		Base Case	
Revenue	62.0	1,188	USD m
Operating Cost	14.0	267.5	USD m
Capital Cost	-	29.7	USD m
Ongoing Capital Cost	0.23	5.8	USD m
EBITDA	46.2	885.7	USD m
WKT Free Cash Flow	28.0	494.4	USD m
Pre-Tax NPV (10%)	N/A	302.5	USD m
Pre-Tax IRR	N/A	108.0	%
Post-Tax NPV (10%)	N/A	180.2	USD
Post-Tax IRR	N/A	87.7	%
Payback Period	N/A	19	months
Peak Funding Requirement	N/A	- 31.2	USD m
On-Mine Unit Operating Cost (FOB Mtwara)	349	349	USD / t conc
Operating Margin (before Royalties)	77.4%	77.5	%
Royalty Paid	1.8	34.2	USD
Tax Paid	12.6	255.1	USD
TZ Government Dividend	5.3	100.8	USD
Total Sovereign Payments	19.7	390.1	USD

While there is a reduction in project returns from a Post Tax NPV10 of US$230m to US$ 180m, the IRR remains robust as a result of reduced initial capital requirements. Financial modelling of the DFS has been carried out on a 100% basis because the Company will move to acquire the remaining 30% upon project development.

2. Fiscal effects of Tanzanian amendments to the Mining Act 2010

Early July 2017 saw the Tanzanian Government unilaterally amend the Mining Act of 2010 in a number of areas. Most of these were designed to return control of the National Mineral Product to the State and increase the collection of mineral revenues.

Many of the amendments have little real effect to the viability and operational plan of the Lindi Jumbo Graphite Project. Some of the amendments may result in minor cost increases or operational delays but these are impossible to model at this time.

A moratorium on the award of new Mining Licences while the Government organises its capacity around the new changes and the associated mining regulations are finalised, is of some concern to the Company. The amendment with the greatest effect to Project viability is a free carried 16% interest in the Project. In the absence of any clarity on how this will be manifested, the Company has chosen to model it as a post-tax dividend to the Government payable once all debt, interest, depreciation, amortisation and capital have been satisfied. The gross value of this dividend over the life of mine is US$100.7m which equates to some 8.4% of gross modelled revenue.

The amount of total gross income in taxes, royalties, fees and dividends for the Tanzanian people is modelled at US$390.1m against total free cash available for Walkabout shareholders of US$494m. The previous gross take for the Tanzanian people was modelled at around US$310m.

3. Updated Capital Estimate

Project detailed engineering and planning has progressed very well over the past 6 weeks and continues in Yantai in China. Provisional approval for partial stage funding has been granted by the Project funding partners, CNBM General Machinery Co. Ltd and this allows Jinpeng Mining and Materials Co. Ltd to proceed with engineering design and project management. Follow on applications for further funding tranches under the Silk Road Project and underwritten by Sinosure, continue to be assessed.

Final equipment selection has taken place following the completion of the optimisation test work at Beijing General Research Institute for Mining and Metallurgy (BGRIMM) in Beijing.

As part of the detailed engineering and preparation of contract documents, a revised estimate of Plant procurement and construction costs has been prepared. This has resulted in a reduction of initial capital of US$9.1m to US$29.7m. Other areas of capital estimate have not been modified but some scope exists to pursue these during design and planning.

Table 2: Capital estimate for the Updated DFS.

Capital Cost	LOM Total [USD'million]
Total	$ 35.42
Start Up Capex	$ 29.66
Ongoing Capex	$ 5.76

4. Metallurgical Adjustments

A large scale closed circuit test-work campaign was undertaken by the minerals processing laboratory BGRIMM. This is one of China's key research facilities and has world leading expertise in graphite extraction. BGRIMM also has a manufacturing division that is the main supplier of attrition milling and froth flotation equipment to the Chinese Graphite Industry. Consequently, BGRIMM has unrivalled experience in laboratory testing and the specification of flowsheets & equipment for industrial scale graphite production.

The sample selected for the BGRIMM testwork was high-grade surface ore (32% TGC), from the area where mining is planned to commence. This sample was very similar to the Surface Composite Sample tested at Nagrom Laboratories in Perth in July 2016. After due allowance for fines recovery differences, the BGRIMM and Nagrom results were very similar.

However, the Company decided to moderate the Life of Mine ratios for Super Jumbo, Jumbo and Large flake sizes in order to mitigate potential process risk. The yield of +500um flakes is still the highest in the peer group. It is notable that the fresh material makes up more than 80% of the Mining Reserve.

Table 3: Adjustment of size ratios used in updated DFS

Size Fraction	DFS 7 Feb 17	DFS Update
Surface Material (weathered)		
Super Jumbo (+500µm) Size Fraction	15%	12%
Jumbo (+300µm / -500µm) Size Fraction	35%	28%
Large (+180µm / -300 µm) Size Fraction	32%	25%
Blended (-180µm) Size Fraction	18%	35%
Underground Material (fresh)		
Super Jumbo (+500µm) Size Fraction	20%	15%
Jumbo (+300µm / -500µm) Size Fraction	35%	35%
Large (+180µm / -300 µm) Size Fraction	18%	25%
Blended (-180µm) Size Fraction	27%	25%

5. Schedule Update

In addition to the DFS update amendments listed above, the Company has considered the effect of schedule delays on the valuation. Currently, the payback schedule for the loan portion of the funding commences 3 months after the project is cash flow positive. The Company is optimistic that the delays introduced by the moratorium on Mining Licence by the Government of Tanzania will be resolved within 3 months. However there is no certainty associated with this projection.

In discussions with the Ministry of Energy and Minerals officials, they are aware of the seriousness of the delay and are working towards a short term resolution.

6. Stress Testing of Graphite Prices

The Company has had detailed discussions with potential customers, investors and graphite industry participants across Europe and China

The Company believes the prices provide a realistic measure of possible graphite market forecast demand tension and are still well below the price levels seen in 2012.

However, in order to further “stress-test” the Project design and financial robustness, the Company modelled the DFS using forecast and actual prices for 2017 as supplied by UBS in a published Graphite report as well as information provided to the company on actual graphite sale prices in China and Europe over the first half of 2017.

While the results of the modelling are considered the "Worst Case" scenario, the modelling still yields highly attractive returns for the Project, further supporting the board's decision not to stall or delay the engineering design work underway in China. The results provide evidence of the quality of the Mining Reserve underpinning the technical design and planned operation at the Lindi Jumbo Graphite Project.

Table 4: Comparison of DFS financial results using Base Case pricing and 2017 prices.

Financial Reporting	LOM Total	Unit	LOM Total
Pricing - All grades at 95% TGC	Base Case		2017 Prices
Super Jumbo (+500µm) Sales Price	$ 3,500	USD/t FOB	$ 1,750
Jumbo (+300µm / -500µm) Sales Price	$ 1,750	USD/t FOB	$ 1,150
Large (+180µm / -300 µm) Sales Price	$ 1,000	USD/t FOB	$ 790
Blended (-180µm) Sales Price	$ 750	USD/t FOB	$ 590
Average Basket Sales Price	$ 1,534	USD/t FOB	$ 991
DFS Outcomes	Base Case		2017 Prices
Revenue	1,188	USD m	762.7
Operating Cost	267.5	USD m	267.5
Capital Cost	29.7	USD m	29.7
Ongoing Capital Cost	5.8	USD m	5.8
EBITDA	885.7	USD m	473.7
WKT Free Cash Flow	494.4	USD m	255.3
Pre-Tax NPV (10%)	302.5	USD m	145.5
Pre-Tax IRR	108.0	%	61.3
Post-Tax NPV (10%)	180.2	USD	86
Post-Tax IRR	87.7	%	50.6
Payback Period	19	months	20
Peak Funding Requirement	- 31.2	USD m	- 31.2
On-Mine Unit Operating Cost (FOB Mtwara)	349	USD / t conc	349
Operating Margin (before Royalties)	77.5	%	64.9
Royalty Paid	34.2	USD	21.5
Tax Paid	255.1	USD	131.5
TZ Government Dividend	100.8	USD	51.5
Total Sovereign Payments	390.1	USD	204.5

7. Funding Options

The Company previously announced to the ASX its funding strategy for the Project on 28 June 2017.

The current status for this activity is that initial approval for stages 1 and 2 of the Project, the Engineering and Procurement stages, has been received from the Company's funding partner, CNBM General Machinery Co. Ltd. This approval is undergoing insurance assessment with Sinosure, the Chinese Government Export Insurer. The Company is in negotiations regarding the next phase of funding requirements.

For and on behalf on the WKT Board,

Trevor Benson
Chairman
About WKT

Walkabout is fast tracking the development of the Lindi Jumbo Project to take advantage of forecast market conditions for Flake Graphite deposits with high ratios of Large and Jumbo flakes. The Company has demonstrated it can produce a premium graphite concentrate that should allow higher than average revenues to be achieved. The Company currently holds 70% of four licences at Lindi Jumbo with an option to acquire the remaining 30% share.

Details of Walkabout Resources' other projects are available at the Company's website, www.wkt.com.au

ENDS

Competent Person's Statement

Metallurgy

The information in this document that relates to interpretation of metallurgical test-work and process plant design for a scoping study level assessment is based on information compiled or reviewed by Evan Kirby who is a Member of the Australian Institute of Mining and Metallurgy (AUSIMM). Evan Kirby is a consultant to Walkabout Resources Ltd. Evan Kirby consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

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Material Assumptions and Clarifications

Material assumptions used in the estimation of the production target and associated financial information are set out in the following table:

Criteria	Commentary
Mineral Resource estimate underpinning the production target	The Mineral Reserve declared on 4 April 2017 underpins the production target. This estimate was prepared by a Competent Person in accordance with JORC Code 2012. The production target is 260,000 tonnes of ore @ 16% TGC for a total of 40,000 tonnes of graphite in concentrate. Approximately 55% of the total production target is in the Measured and 45% in the Indicated Resource categories within the Mineral reserve Statement. None of the production target is in the Inferred Resource category. A cut off of 8% TGC has been used.
Study Status	The production target and financial information in this release are based on a Definitive Feasibility Study. The DFS study referred to in this announcement is based on technical and economic assessments and is sufficient to support the estimation of Ore Reserves. The Ore reserve statement was released to the ASX on 4 April 2017..
Metallurgical factors or assumptions	A mill and flotation recovery of 90% has been used. Extensive metallurgical testwork has been carried out of the material in a Perth based independent laboratory. A further test-work campaign was undertaken by the minerals processing laboratory of the Beijing General Research Institute for Mining and Metallurgy (BGRIMM). The sample selected for the BGRIMM testwork was high-grade surface ore, from the area where mining is planned to commence. This sample was very similar to the Surface Composite Sample tested at Nagrom Laboratories in Perth in July 2016. After due allowance for fines recovery differences, the BGRIMM and Nagrom results were very similar. Following extensive metallurgical testwork of existing and new flowsheet applications for graphite, the Company has adopted a process flowsheet very similar to that used successfully in a previous graphite mining operation in Africa. Further attritioning optimisation of this flowsheet in order to preserve natural flake sizes has been proven in test work by the Company. The combined use of the proven flowsheet application and the optimised attritioning regime have resulted in highly successful flake size retention. Walkabout considers this combined process as Proprietary and the technical details of this process is commercially sensitive and cannot be disclosed to the market.
Capital Costs	Capital estimates have been developed using a combination of enquiry to suppliers, benchmark projects and consultant databases. Capital costs are the cost of the shared services infrastructure, which includes all services, infrastructure and facilities used for the operation of the mine and process plant. • The cost of the processing plant has been assessed by the EPCM Partner, Jinpeng Mining and Machinery Co. Ltd in the preparation of PCM contract documents and in the process of detailed design parameters. Supplier tenders have been used for the cost of mine support infrastructure, including infrastructure required for explosives, in pit power and pumping. • The cost for the mobilisation of the mining contractor. • Indirect project costs, such as engineering costs, freight and contingency. • The cost for the purchase of 30% of the licence PL9222/2014 from the vendor. The capital costs do not make provision for the following: • Head office costs. • Mine closure costs. The costs presented are real costs and are exclusive of escalation.
Revenue factors	Revenue is a function of graphite prices. The Company has established the characteristics of the expected final product through extensive test work programs in Perth, China and Europe. Price forecasts have been assumed from an examination of other studies, discussion with end users and market forecasts. The split of product ranges from test work is between;

Product Split	Product Split used in Basket Price	Price Assumed for Modelling
+500um material at +95% TGC	14.8%	USD3,500/t FOB
+300um material at +95% TGC	34.5%	USD1,750/t FOB
+180um at +95% TGC	25.0%	USD1,000/t FOB
Material smaller than 180um	25.7%	USD750/t FOB
Weighted Average Basket Price		USD1,564/t FOB

	The Company has previously laid out its basis for adopting product pricing. A Consensus Forecast is derived from discussions with industry end users, analysts and traders related to the latest supply and demand forecasts considering the potential future growth of the battery and expandable products market in the medium term. Risks associated with these assumptions are that the product split is not achieved and/or that the price assumptions are not met by the prevailing graphite market. The Company has based these assumptions on publicly available market forecasts by expert industry analysts and has taken a conservative position on both sets of assumptions. The assumed basket price used is more conservative than other more advanced projects. The Company has also modelled forecast and actual prices for 2017 provided in an industry report by banking group UBS.
Market Assessment	The international graphite market is expected to expand significantly over the next 5 years. Much market attention has been dedicated to this matter. The Company has tested its product with several end-user and trading house participants and has been informed that the product is marketable and within specification. The Company has assumed, at this time, that the product will be sold.
Funding	The Company has signed a HOA with a Chinese SOE for the provision of deferred project funding on the basis that Chinese equipment and a Chinese EPCM contractor is employed. Initial approval, subject to further assessments, has been granted. The Company is progressing this source of funding.
Economic	A discount rate of 10% has been used for financial modelling. This number was selected as a generic cost of capital and considered a prudent and suitable discount rate for project funding and economic forecasts in Africa. The model has been terminated at 20 years even though many years of resource still remain.
Audit or reviews	The mining and processing and infrastructure components of the DFS study were independently reviewed by Walkabout specialist consultants. The DFS update has been compiled by independent consultant BARA International, based in BVI. No material issues were identified by the reviewers.