



VOLT

RESOURCES

QUARTERLY ACTIVITIES REPORT TO 31 DECEMBER 2017

HIGHLIGHTS

- **Decision to proceed with US\$40 million Tanzanian Bond Issue in partnership with highly experienced Exotix Capital**
- **Proceeds of proposed Bond issue to complete Stage 1 development of Bunyu Graphite Project targeting production of 20,000tpa of graphite products**
- **Testwork confirms premium graphite product at Bunyu North which will be the main source for Stage 1 mine and Stage 2 expansion development**
- **Excellent testwork results from Bunyu North include C content of 99.6% and O content of 0.08% with no impurities found – high quality, defect-free material**
- **Offtake agreements further advanced with North American offtake partner Nano Graphene Inc. increasing graphene production and confirming premium quality of Bunyu Graphite Product**
- **Volt further strengthens financial position with completion of \$2.3 million SPP, \$0.9 million top-up placement and exercise of listed options raising \$4.7 million during the quarter and early January**
- **Environmental and Social Impact Statement for Bunyu Graphite Project lodged post quarter end – key step towards Stage 1 development and production**

Volt Resources Limited (ASX: VRC) (“Volt” or, the “Company”) is pleased to provide shareholders with an update on activities for the period ended 31 December 2017.

Management Commentary

“The December quarter was a highly productive period for the business with a number of key corporate and operational milestones achieved in line with our strategy to complete the Stage 1 development of the Bunyu Graphite Project within the next 12 months.

“Further, the Company is extremely encouraged by the robust level of support it received during the quarter from both new and existing investors – culminating in the securing of approximately \$7.9 million in additional capital - a significant outcome for the business.

“Our priority focus is now on progressing the Stage 1 development of Bunyu over the coming months which we expect will be further underpinned by the securing of additional development capital via the Company’s Tanzanian bond issue arranged with Exotix Capital.

“Volt is entering an exciting phase in its evolution as a world-class graphite business and we look forward to providing further updates at both a corporate and operational level in due course.”

December Quarter Activities Review

Strategic Cooperation and Offtake Agreements

During the December 2017 quarter, testwork confirmed the purified graphite and graphene produced from Bunyu product samples by Volt’s North American offtake customer NanoGraphene Inc. (“NGI”) is of excellent quality and high purity.

Previous testwork completed by NGI had confirmed the high quality nature of product samples from Volt’s Bunyu South deposit – with the most recent testwork conducted using product samples from the Bunyu North deposit, which will be the focus of the planned Stage 1 near-term development.

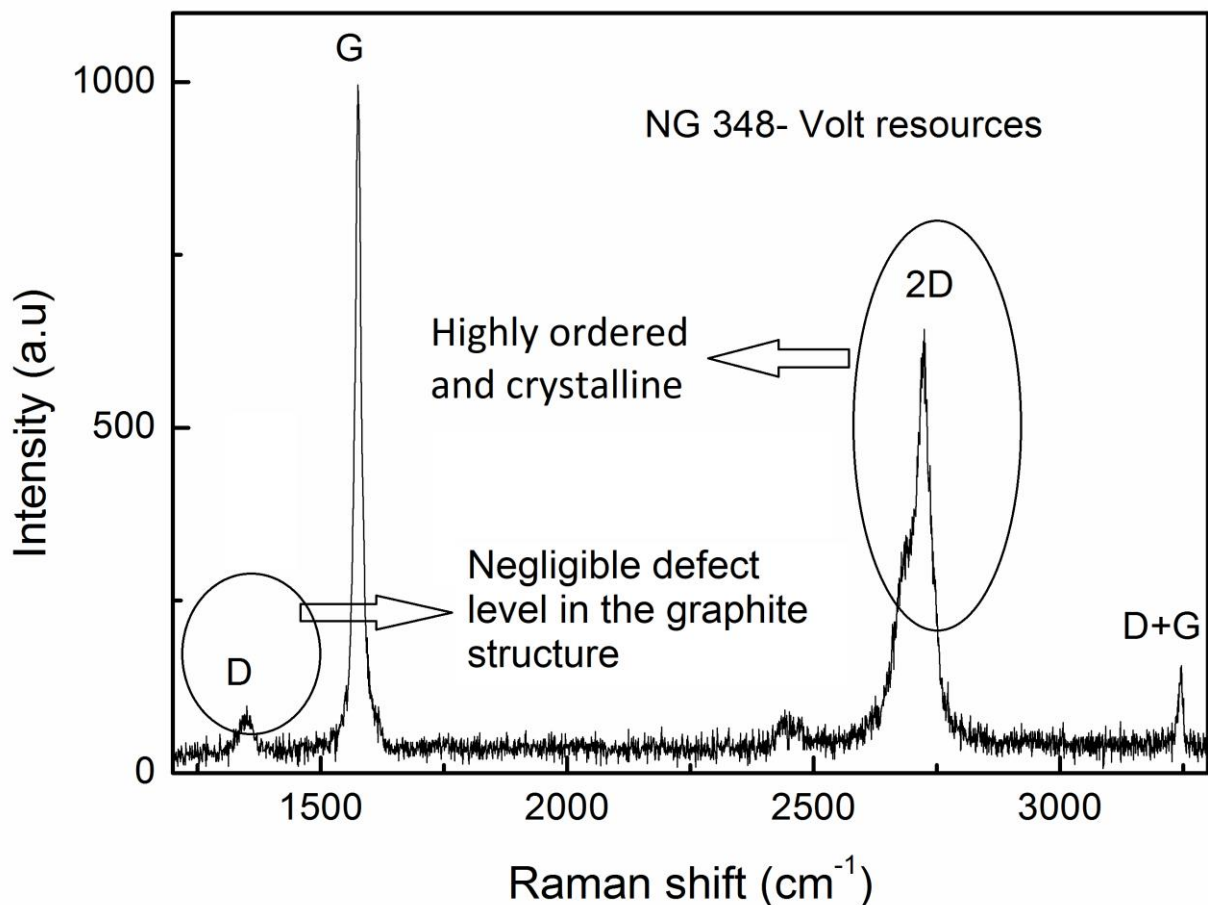


Figure 1: Raman Spectra results outlining the quality of graphene from Bunyu North product samples.

NGI Head of Research and Development Dr Jay Mondal, who is a highly-credentialed expert in the graphene sector, confirmed after elemental analysis was conducted on the samples using ultra high vacuum XRF, the samples returned C content 99.6% and O content 0.08%, with no impurity found. In addition, the properties exhibited by Bunyu graphite were excellent (see Figure 1 above).

The results confirmed the product quality at Bunyu and follows the positive feedback received from Chinese partner China National Building Materials General Machinery (“CNBMGM”) in October (ASX Announcement 5 October 2017).

Further product marketing samples and testwork have been on hold until the completion of funding activities and the recent drilling program to provide material for the production of graphite samples.

Key Approvals / Government and Community Relations

The Company is pleased to report that initial discussions with the recently appointed Tanzania Minister for Minerals, Ms Angellah Kairuki, were very positive and focused on the near-term development of the Bunyu Graphite Project, as well as the Company’s Mining Licence Application (“MLA”). Importantly, Ms Kairuki expressed her support for the project development. Ms Kairuki outlined important information in relation to the MLA and the recent legislation changes in Tanzania.

The meeting has provided a pathway for Volt to obtain the Mining Licence and commence the process of meeting other regulatory requirements for the project development, as well as the operation of the Bunyu Project.

Extensive meetings were held with community representatives from the Bunyu North villages of Utimbala, Namangale, the Bunyu South villages of Chidya and Chiwata. Representatives from the District Council, including the District Executive Director, attended to assist with the discussions on relocation compensation and other matters raised by the representatives at the meeting.

A key takeaway from the meetings completed this week is that the positive benefits of an export-oriented industry are well understood by many within the Tanzanian government and community. The development of Volt’s Bunyu Project will significantly boost regional employment. Volt will provide skills and safety training for local people to participate in the project development and opportunities for local and regional businesses.

Furthermore, Volt’s government and community relations activities, combined with the Company’s contributions to community projects and emergency assistance, is building goodwill within the community and local levels of government.

The Environmental and Social Impact Assessment study continued during the December 2017 quarter with the Company electing to complete further flora and fauna survey work and heritage surveys. This additional work was incorporated in the Environmental and Social Impact Statement recently lodged with the National Environmental Management Council (ASX announcement dated 23 January 2018).

The Resettlement Action Plan (RAP) has been the subject of recent community meetings and Volt is currently working in collaboration with the relevant government authorities, to ensure that the RAP report is compliant and expedites the grant of the mining license.

Bunyu Graphite Project – Geology and Mine Planning

As planned, the Bunyu Stage 1 FS drilling programme commenced in November and concluded in late December. Below is a summary table of the drilling completed over the Bunyu 1 Deposit (previously Namangale North):

Drilling Type	No. of Holes	Total Metres
Reverse Circulation	56	1,452
Diamond Core	16	463
Water Bores	2	175
Total	74	2,090

The total amount of drilling completed over the entire Bunyu Project now comprises:

Drilling Type	No. of Holes	Total Metres
Reverse Circulation	232	13,289
Diamond Core	55	3,292
Water Bores	7	521
Total	294	17,102

The drilling completed in the December 2017 quarter was designed to infill the existing drilling at Bunyu 1 to provide the Stage 1 operations with grade control information to allow for appropriate mine scheduling activities and for resource estimation purposes. Furthermore, the drilling was designed to provide further sample for metallurgical test work, pit and mine infrastructure drilling to assist in developing pit wall angles and soil stability analysis. Finally, the water bores were to assist in hydrological modelling for water supply and pit de-watering.

Samples from this drilling programme have been partially dispatched. After the quarter, the diamond core for metallurgical test work was dispatched and received at ALS in Balcatta, Western Australia for Stage 1 FS test work. However, the resource samples for graphite analysis have been held up due to regulatory changes and approvals from the Tanzanian Mines Department. Volt expects these to be resolved in the March quarter and will provide an update accordingly.

Optiro have been engaged to update the mineral resource estimate for Bunyu 1, with Oreology/Optiro forming an alliance to develop the mine plan and suitable supervision of the geotechnical and hydrological aspects of the study. Work commenced on this during the quarter and is expected to be completed in the March 2018 quarter for these facets of the overall Feasibility Study.

Overall, the December 2017 quarter was successful in completing the field work to assist the completion of the Bunyu Stage 1 FS.



Figure 2: Core from the recent diamond drilling programme at Bunyu 1

Bunyu Graphite Project Development Plan

The Stage 1 FS builds on the Pre-Feasibility Study (PFS) reported in December 2016 and internal studies of development options undertaken in 2017, leading to the commencement of the Stage 1 FS for a nominal 20,000tpa of graphite product in November 2017.

Most of the same consulting groups that were involved in the PFS continue to provide services at the FS level with this continuity assisting the project development and retention of project knowledge. Battery Limits are coordinating the FS engineering, ATCWilliams the Tailings Storage Facility engineering design, and geotechnology, hydrology and ARD consultants also providing consulting services for the geology and mine planning scope to ensure a project wide focussed solution.

As advised above the diamond core from the drilling completed in December 2017 has been received at ALS in Balcatta and the metallurgical testwork program will be undertaken in Q1 2018 to finalise the flowsheet layout and equipment selection. This builds on the testwork undertaken in the PFS and the subsequent programs of work including that undertaken at Xinhai engineering laboratories and the product market feedback in 2017.

The engineering and testwork, along with progressing the development approvals, and the associated scopes of miscellaneous works to support the FS, are aimed at enabling a project development decision in Q2 2018.

The scope of Stage 1 will be complementary to the future Stage 2 expansion project with a number of the risks and opportunities better understood and mitigated from the project study and execution of Stage 1 construction and commissioning.

Corporate Activity Overview

On 1 November 2017, Volt announced the Share Purchase Plan (SPP) to existing eligible shareholders closed heavily oversubscribed raising \$2,338,975. Paterson Securities, who underwrote the SPP, facilitated the placement of a further \$900,000 to sophisticated and professional investors with shares from the placement issued on 6 November 2017.

Post the end of the December 2017 quarter, Volt advised the Company had successfully raised gross proceeds of \$4.7 million through the exercise of 235,648,431 listed options at \$0.02 (ASX announcement dated 9 January 2018).

The listed options exercise process was strongly supported, with approximately 90% of Volt optionholders exercising their options. The shortfall of approximately 24 million options was jointly underwritten and taken up by Empire Capital Partners Pty Ltd ("Empire") and Cove Capital Pty Ltd ("Cove").

Importantly, the additional funding from the SPP, placement and option exercise provides Volt with the required financial flexibility to aggressively progress the planned Stage1 development of the Company's flagship Bunyu Graphite Project in Tanzania.

Volt has previously advised it has engaged Exotix Capital to undertake a Tanzanian Bond issue to raise the required funding for the development of Stage 1 of the Bunyu project.

Following meetings with targeted investment groups in Tanzania, Uganda and Kenya in late November/early December 2017, Exotix recommended Volt proceed with a formal bond prospectus process and listing of the bonds on the Dar es Salaam Stock Exchange in Tanzania.

Volt and Exotix have sized the debt transaction at US\$40 million which will allow net project development and working capital funding of ~US\$31 million after taking into account funding for a Debt Service Reserve Account (DSRA) and costs of the issue. The facility interest and bond maturity payments can be serviced by projected Stage 1 operating cashflows.

Importantly, the US\$40 million debt sizing allows meaningful participation from Tanzanian and Ugandan Pension Funds combined with other investment groups seeking fixed income investments.

Following the preparation and issue of a prospectus by Volt's Tanzanian subsidiary, Volt Graphite Tanzania Ltd, to accept investment subscriptions, the bonds will be listed on the Dar es Salaam Stock Exchange (DSE) in Tanzania. The estimated timeframe to complete the bond prospectus and DSE listing is 8-12 weeks.

This funding pathway provides for local investment in the largest graphite project in Tanzania and one of the largest in the world. With local job creation and skills acquisition, local business opportunities and significant export revenue for Tanzania, the Bunyu Graphite Project provides Tanzania with the opportunity to become a significant part of the global new energy sector.

For and on behalf of Volt Resources Limited

For further information please contact:

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

Released through Sam Burns, Six Degrees Investor Relations, M: +61 400 164 067



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About Volt Resources Limited

Volt Resources Limited is a graphite exploration company listed on the Australian Stock Exchange under the ASX code: VRC. Volt Resources is focused on the exploration and development of its existing wholly-owned Bunyu Graphite Project in Tanzania. As of December 2016, the Bunyu Project is the largest JORC Mineral Resource deposit in Tanzania with 461Mt @ 4.9% TGC (comprising 20Mt Measured Mineral Resources @ 5.3% TGC, 155Mt Indicated Mineral Resources @ 5% TGC and 286Mt Inferred Mineral Resources @ 4.9% TGC), with 22.6Mt of contained graphite¹. The Bunyu Project is ideally located near to critical infrastructure with sealed roads running through the project area and ready access to the deep-water port of Mtwara 140km away.

¹ Refer to Volt's ASX announcement titled "Pre-feasibility Study Completed" dated 15 December 2016. The Company confirms that it is not aware of any new information or data that materially affects the information included in this document and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

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

28 106 353 253

Quarter ended ("current quarter")

31 December 2017

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	(1,292)	(1,371)
(b) development	-	-
(c) production	-	-
(d) staff costs	(646)	(912)
(e) administration and corporate costs	(769)	(1,124)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	(12)	(12)
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	(2,717)	(3,414)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(3)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(3)	(3)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	6,468	6,498
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	-	-
3.5	Proceeds from borrowings	110	945
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	6,578	7,443
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	270	102
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,717)	(3,414)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,578	7,443
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,128	4,128

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	4,128	270
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)	4,128	270

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000
22
-

Directors' salaries, fees and superannuation

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000
-
-

N/A

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	1,000	506
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	439	439
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.		

The convertible loan facility from sophisticated investors is for 12 months with a 10% coupon payable quarterly in arrears in cash or Volt shares (at lenders election). The lenders can convert the facility into Volt shares at any time prior to maturity at a conversion price of \$0.05 per Volt share. Volt can prepay amounts owing under the facility at any time, provided always that Volt will be liable to pay the balance of any interest which would otherwise have become payable if the facility was repaid on maturity. If the facility is repaid early by Volt, lenders will have a subscription right to acquire Volt shares at the conversion price at any time prior to the agreed maturity date (up to the maximum number of Volt shares which the lender would have been able to acquire if the lender converted amounts owing under the facility).

The Other loan was from Radium Capital which is equal to approximately 80% of the R&D Claim.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation (including feasibility study)	1,646
9.2 Development	0
9.3 Production	0
9.4 Staff costs	405
9.5 Administration and corporate costs (including funding costs)	559
9.6 Other – (net receipts) from 31 Dec 2017 listed options fully underwritten	(981)
9.7 Total estimated cash outflows	1,629

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 January 2018

Print name: Susan Hunter
Company Secretary

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.