

30 April 2019

ASX Announcement

MARCH 2019 QUARTERLY REPORT

Epanko debt-funding resumes with KfW IPEX-Bank

EcoGrafi Study Delivers Downstream Development Eco-friendly Supply of Battery Graphite for Lithium-ion Market

Kibaran Resources Limited (Kibaran or the Company) (ASX: KNL) is pleased to release its activities and cash flow report for the three months ended 31 March 2019.

HIGHLIGHTS

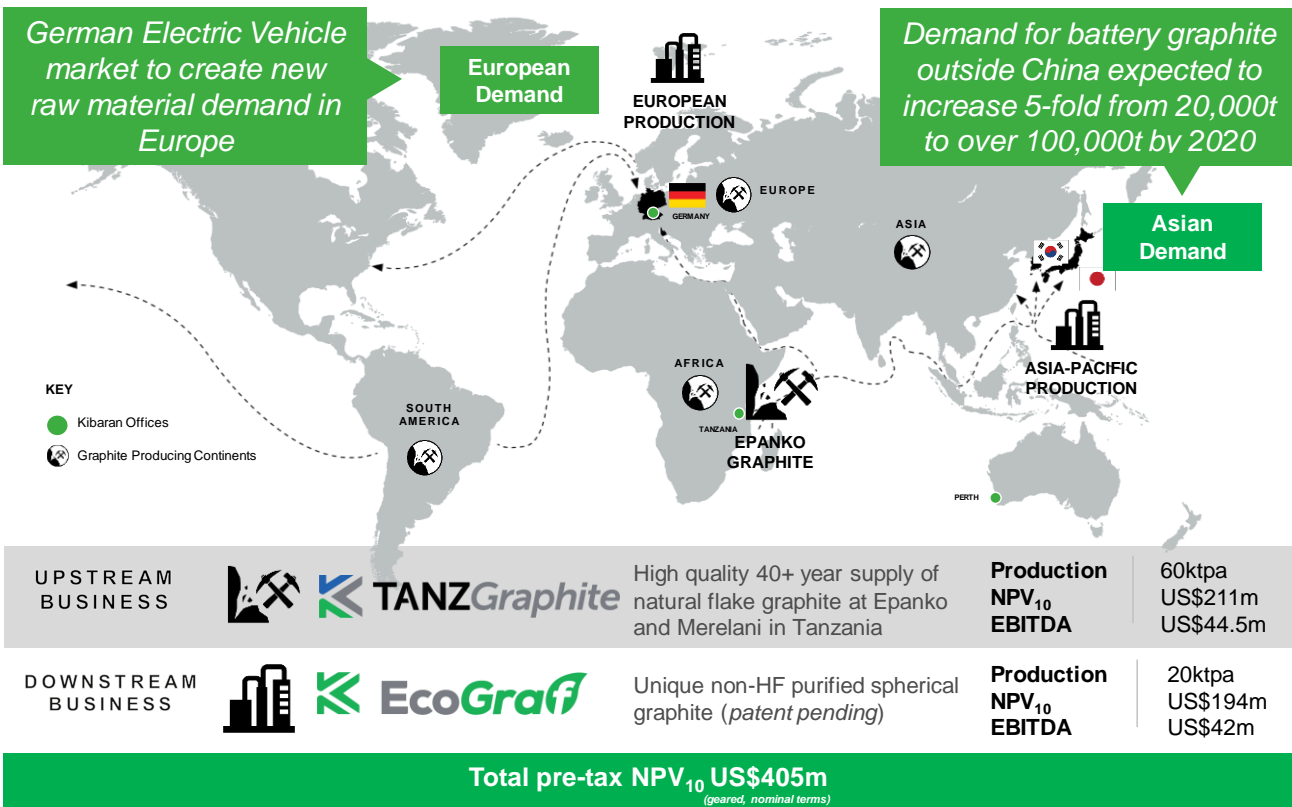
- **KfW IPEX-Bank mandated for Epanko debt funding**
- **EcoGrafi purification process engineering study completed with plans underway to fast-track commercialisation. Key highlights include**
 - ✓ Highly competitive **EcoGrafi** operating costs vs existing global supply
 - ✓ Robust financial metrics for 20,000tpa production plant:
 - Initial investment of US\$64m
 - Pre-tax NPV₁₀ of US\$194m (\$268m) and IRR of 49.8%
 - Annual EBITDA of US\$42m (\$58m)
 - ✓ Environmentally sustainable chemical purification process provides a clear alternative to existing supplies produced with toxic hydrofluoric (“HF”) acid
 - ✓ Exceptional results from European customer **EcoGrafi** product qualification program
 - ✓ **EcoGrafi** consistently delivers high purity battery (spherical) graphite products that achieve stringent customer chemical and physical quality specifications
 - ✓ Development de-risked through extensive customer product qualification program and staged expansion to 20,000tpa
 - ✓ Increasing focus by electric vehicle and energy storage manufacturers on ensuring ethical raw material supply chain
 - ✓ Demand from Europe for ethical source of raw materials supports multi-hub development and creates a global graphite supply chain for lithium-ion battery market
- **Successful completion of Share Placement**
- **Share Purchase Plan fully subscribed**
- **Research & Development advanced finding certificates received for the 3 years ending 30 June 2020**
- **Combined pre-tax net present value of the Company’s planned mining and downstream graphite businesses is US\$405m (\$559m)**

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, carburiser, 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 East African natural flake graphite products through **TANZGraphite** to established markets in Asia and Europe, together with **EcoGraf** which is a multi-hub downstream development that provides a global new supply of environmentally responsible battery graphite for the lithium-ion battery.

USD25 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 East African 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.

The remaining milestone is to finalise debt and equity funding arrangements to enable construction to proceed in 2019.

KfW IPEX-Bank Mandated for Debt Financing

During the quarter Kibaran mandated KfW IPEX-Bank to arrange senior debt funding for the Epanko Graphite Project in Tanzania. After a hiatus of 18 months, this agreement is a result of positive discussions held with the Tanzanian Ministry of Minerals, Mining Commission and the Bank of Tanzania concerning the regulatory changes introduced in July 2017 that have impacted on mineral project debt financings in the country, and is a reflection of the improved investment outlook in Tanzania.

KfW IPEX-Bank and Kibaran will now proceed to complete lender credit review processes and prepare the application for the German Government Untied Loan Guarantee scheme through Euler Hermes AG that supports the proposed senior debt funding package for Epanko.

Tanzania and Germany to Forge Closer Economic Relationship

The Directorate of Presidential Communications of the State House in Dar es Salaam issued a statement during the quarter noting that German Chancellor Angela Merkel and Tanzanian President His Excellency Dr John Magufuli held talks on increasing the economic cooperation between their respective countries.

A key outcome of the discussions is a mutual commitment to create a trade and investment climate that's conducive to fostering a greater bi-lateral relationship to support the potential for Germany to contribute to the industrialisation of Tanzania.

Government and Corporate Social Responsibility

The Government of Tanzania released the Mining (Mineral Value Addition) Guidelines and the Mining (Local Content) (Amendments) Regulations during the quarter to provide clarity for mining companies on aspects of Tanzania's recent mineral law changes and Kibaran continues to engage positively at all levels of Government to ensure the Epanko development complies with all legislative requirements.

The Company also continued its engagement with community stakeholders and presented a project brief to the Ulanga District Security committee on the revised Resettlement Action Plan ("RAP") implementation arrangements. Meetings were held with the District Commissioner and District Land Office and a housing construction company visited the resettlement area to prepare cost estimates for the two RAP demonstration houses.

Minister for Minerals Hon. Doto Biteko also visited Epanko as part of a tour of the region and the new District Commissioner Hon. Ngollo Malenya conducted her first meeting at Epanko village.



Photo: RAP implementation plan community meeting and project briefing with new Ulanga District Commissioner Hon. Ngollo Malenya

The Company's wholly-owned subsidiary TanzGraphite (TZ) Limited contributed to a number of community activities, including the construction of a classroom at Nawenge Secondary School, a funding campaign for construction of secondary school in Ulanga launched by Regional Commissioner Hon. Dr Kebwe Steven Kebwe and establishment of a temporary office at Kitonga to assist the RAP implementation. The Company also met with Mikumi Vocational Education Training Authority (VETA) to discuss the next intake of students from the surrounding communities sponsored by TanzGraphite (TZ) Limited and scheduled for enrolment in May 2019. Letters of recognition were received by the Company from the District Commissioner Hon. Ngollo Malenya and the Nawenge ward Executive Officer for these contributions to community activities.

EcoGraf BATTERY (SPHERICAL) GRAPHITE

GR Engineering successfully completed engineering studies to update the 2017 downstream processing study to incorporate the optimised graphite purification flowsheet. The Company plans to fast-track the commercialisation of its proprietary battery (spherical) graphite purification technology. (Refer ASX announcement EcoGraf Study Delivers Downstream Development on 17 April 2019).

The GR Engineering capital cost estimate for 2019 is based on construction of a new **EcoGraf** production facility in the Asia-Pacific region, using existing sea and land transport infrastructure, water and power supplies. Equipment quotations were obtained from suppliers in Asia, Europe and Australia.

The studies resulted in a faster ramp-up phase to meet the growing demand requirements of battery anode manufacturers, which also enabled the Company to increase the capital efficiency of the new **EcoGraf** development. The total estimated cost to construct a 20,000tpa facility (including a 10% contingency) is US\$64m compared to the 2017 estimate of US\$66m (refer ASX announcement Battery Graphite Pilot Plant on 5 December 2017).

Completion of the study is an important milestone in Kibaran's vertically integrated growth and diversification strategy.

Capital Cost Estimate Based on the Staged Expansion to 20,000tpa

CAPITAL	5Ktpa PLANT	15Ktpa EXPANSION
Direct Costs	\$14,836,881	\$34,040,558
EPC	\$2,767,848	\$5,544,230
Commissioning	\$213,126	\$554,750
Other	\$1,513,921	\$2,580,078
Owner's Costs	\$654,341	\$1,650,000
Total	US\$19,986,117	US\$44,369,616

Operating Cost Estimate

OPERATING	20Ktpa PLANT
Production Nominal (tph)	5.5
Days	365
Availability (%)	91.3
Total Cost per purified SPG tonne	US\$1,998

Financial Summary

The results of the engineering study have been used to update the **EcoGrafi** financial model, demonstrating a highly attractive return on investment.

Key metrics, assuming a 60% gearing rate, 20,000tpa battery graphite production facility and 20 year operation are as follows:

Battery Graphite	Battery Graphite Pricing ₁	Capital Cost	Pre-tax NPV ₁₀	IRR	Annual EBITDA
20,000tpa	US\$3,575/t	US\$64m	US\$194m	49.8%	US\$42m

¹2019 terms net of CIF costs

The investment has a pay-back period of less than 4 years and capital and operating costs adopted in the engineering study were prepared on the basis of independent quotations submitted by equipment vendors and service providers. Major operating expenditures are power and reagents, with the potential for future savings from the use of renewable energy supplies and processing refinements to optimise chemical usage efficiency.

The updated study has resulted in NPV and annual EBITDA increasing by 34% and 38% respectively compared to the 2017 estimate.

Kibaran has developed a multi-hub strategy for establishing **EcoGrafi** manufacturing facilities to satisfy increasing demand and diversification in supply sought from South Korean, Japanese and European battery manufacturers.

In conjunction with the evaluation of Asia-Pacific plant locations, Kibaran is also considering how it could support Australia's ambitions to become a regional lithium-ion battery manufacturing centre. Preliminary discussions have been held with Australia's largest energy companies, Federal and State Governments on the benefits of the unique **EcoGrafi** high purity battery graphite products.

The combined pre-tax net present value of Kibaran's planned upstream and downstream businesses is US\$405m (\$559m) (refer ASX announcements *Battery Graphite Pilot Plant* on 5 December 2017 and *EcoGrafi Study Delivers Downstream Development* on 17 April 2019).

Current Battery Graphite Supply

China is the only producer of commercial quantities of natural flake battery (spherical) graphite, which requires 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, with approximately 250kg of HF acid required for every tonne of battery graphite in order to remove the high levels of silica (SiO₂) impurities of up to 40% contained within natural graphite ores mined in China.

The HF acid contributes significantly to the cost of producing such products due to its high input cost (which has doubled in the last 12 months) and the costs associated with HF acid safety and environmental management. It is estimated that HF acid accounts for approximately 60% of the total production cost of these graphite products.

New Investment in Battery Manufacturing Capacity

Feedback from lithium-ion battery anode manufacturers indicates that demand from e-mobility and energy storage markets will continue to grow strongly.

By 2021 almost half of global battery graphite material is expected to be sourced from new suppliers in Asia and Europe, reducing the existing dependency on toxic HF purification. Currently all battery (spherical) graphite is produced in China using HF acid.

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 **EcoGrafi** products.

Forecast Demand

The long-term battery (spherical) graphite demand remains positive with Benchmark reporting EV penetration rates increasing from 2% in 2018 to 25% by 2025, requiring approximately 600,000 tonnes of battery (spherical) graphite, more than six times the volume currently produced.

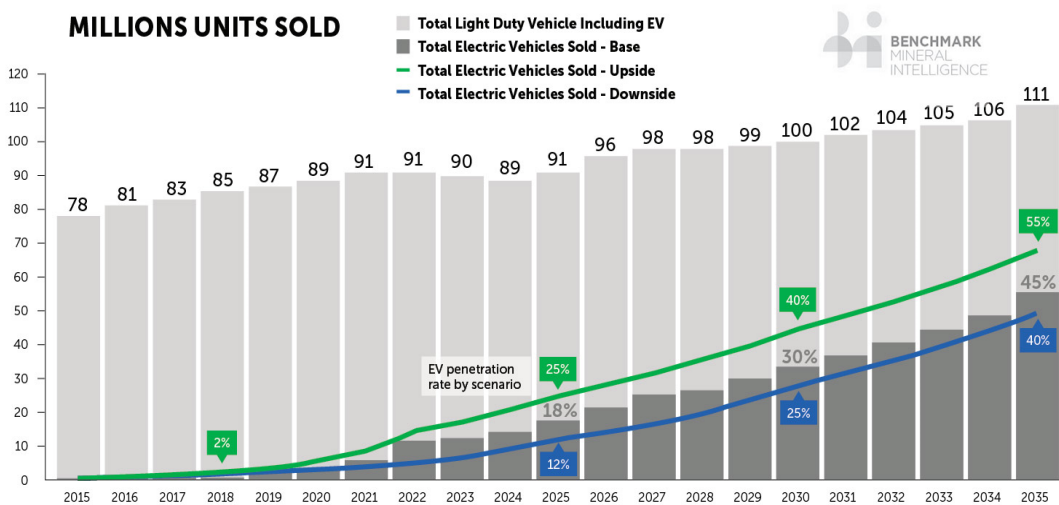


Figure: Light vehicle sales with forecast EV penetration rates (Source: Benchmark Mineral Intelligence)

In addition to EV market demand, energy storage is expected to drive new demand and Bloomberg New Energy Finance (“BNEF”) reports that battery storage costs have fallen by more than one third over the last 12 months, primarily due to a 35% reduction in the cost of lithium-ion battery storage.

BNEF stated that batteries co-located with solar and/or wind projects are starting to compete in many markets and without subsidy, with coal and gas-fired generation for the provision of ‘dispatchable power’ that can be delivered on demand to the electricity grid.

Forecast Pricing

Benchmark reports current pricing for purified battery (spherical) graphite ranges between US\$3,100 and US\$4,400, with the market comprised of three standard product categories, based on particle size distribution.

Prices for battery (spherical) graphite products increased during 2018, with pricing for standard grade rising from US\$3,000/tonne to US\$3,600/tonne.

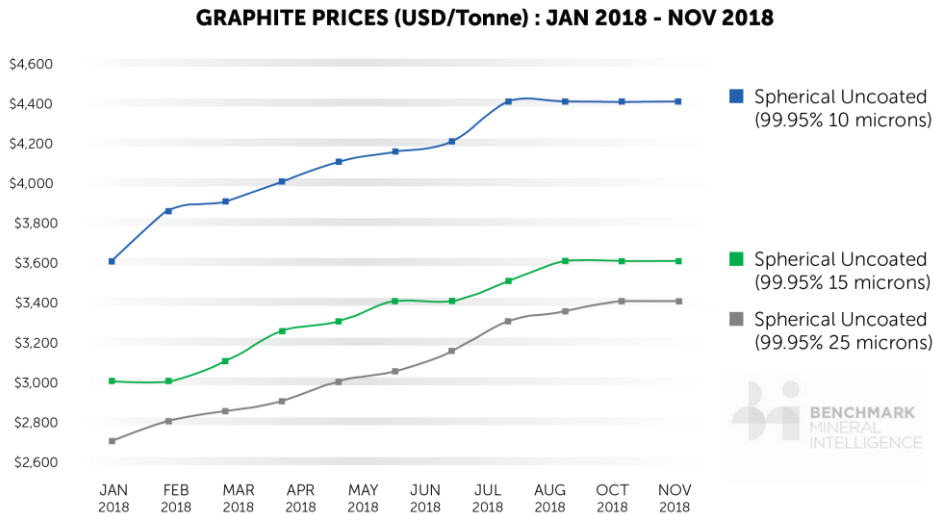


Figure: 12-month US\$ price history of standard battery (spherical) graphite products (Source: Benchmark Mineral Intelligence)

- Future prices are expected to be supported by a number of key developments: A restriction in supply, due to increasing environmental pressure on both natural flake and synthetic battery graphite producers in China;
- Limited availability of high-quality battery grade graphite to satisfy customer requirements for increasingly stringent product specifications; and
- Increased pressure to reduce the use of existing HF acid purification processes due to both Government and customer environmental concerns as more provinces within China adopt bans on the use of this widely used, but toxic acid in current graphite purification processes.

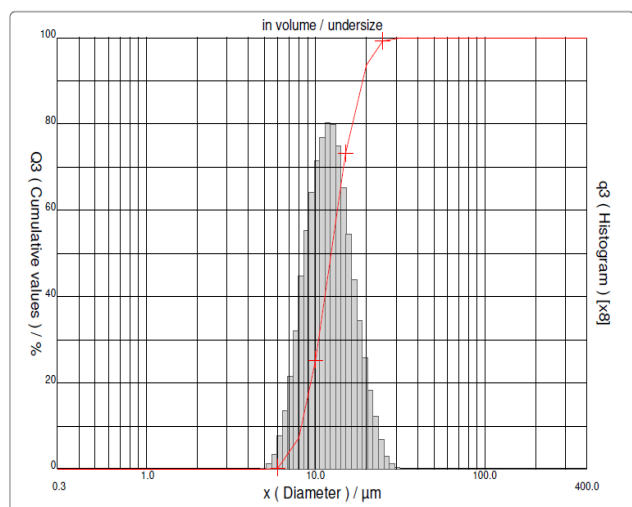
Expansion of German Facility

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

Results to date indicate an average yield of at least 50%, a narrow particle size distribution range (to ensure adequate separation of oversize and undersize material) and a 1 kg/litre tap density that achieves the strict quality requirements for leading carbon product and battery material manufacturers.



Spheronizing unit at the German EcoGrafi facility.



Laser particle sizer chart showing the narrow particle size distribution of EcoGrafi spherical graphite.

CORPORATE

Cash

Cash at 31 March 2019 was \$1.01 million, with a further \$1.069 million received subsequent to the end of the quarter on completion of the Share Purchase Plan and Share Placement. Cash flow details are contained in the attached *ASX Appendix 5B*.

Research & Development Advance Finding Certificates Received

The Company received Advance Finding Certificates from AusIndustry confirming the eligibility of its R&D programs in accordance with s28A and s28C of the Industry Research & Development Act 1986. The Certificates cover Kibaran's Australian and overseas R&D programs that comprise a total anticipated expenditure of \$8.4m and are valid for the 3 years ending 30 June 2020.

Successful Capital Raising

On 27 February 2019 the Company successfully completed a Share Placement to sophisticated, professional and institutional investors at 10c per share to raise \$1.1 million and also announced that it was providing existing eligible shareholders with an opportunity to participate in a Share Purchase Plan at the same price.

The Share Purchase Plan was subsequently fully subscribed for an amount of \$1 million and due to demand, a further \$69,000 was concurrently raised through a Share Placement to existing sophisticated and professional investors, also at 10c per share.

A total of \$2.169 million was raised through the Share Placements and Share Purchase Plan and will be applied towards the Company's key programs in 2019, being:

- securing debt finance to enable construction to proceed at the Epanko Graphite Project in Tanzania; and
- finalising developments to enable construction of the first **EcoGraf** production facility.

Share Capital

As at 31 March 2019, share capital comprised:

Issued fully paid ordinary shares: 270,930,967

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

Unlisted options:

Number	Exercise price	Expiry
1,000,000	22.82 cents	2 June 2019
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	Mahenge, 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:

Investors

Andrew Spinks
 Managing Director
 T: +61 8 6424 9002

Media

Paul Armstrong
 Read Corporate
 T: +61 8 9388 1474

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")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(453)	(1,841)
(b) development	-	-
(c) production	-	-
(d) staff costs	(151)	(462)
(e) administration and corporate costs	(216)	(786)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	-	-
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	(819)	(3,084)

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 \$A'000	Year to date (9 months) \$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	1,125	1,260
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	(52)	(74)
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	1,073	1,186

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	750	2,904
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(819)	(3,084)
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)	1,073	1,186
4.5	Effect of movement in exchange rates on cash held	1	(1)
4.6	Cash and cash equivalents at end of period	1,005	1,005

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	1,005	750
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)	1,005	750

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	305
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.		

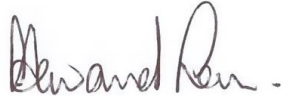
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(425)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(150)
9.5 Administration and corporate costs	(175)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(750)

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: 30 April 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.