

31 October 2017

ASX Announcement

SEPTEMBER 2017 QUARTERLY REPORT

Kibaran Resources Limited (“Kibaran” or the “Company”) (ASX: KNL), is pleased to release its report for the three months ended 30 September 2017.

HIGHLIGHTS

- Graphite prices significantly increased during the quarter, with some grades doubling in price and the outlook remains positive for continued increases in price and demand, driven by the battery market.
- Major breakthrough achieved in the successful development of a new non-toxic, cost-efficient purification process for the production of battery (spherical) grade graphite.
- Advanced discussions and battery (spherical) graphite testing launched with prospective customers in Asia.
- Key documents now finalised for project financing and development following completion of the Epanko Resettlement Action Plan.
- Positive developments in Tanzania with the appointment of a new Minister for Minerals, supportive of foreign investment.
- Mine development discussions commenced with the Tanzanian Government.
- Cash on hand at 30 September 2017 of \$1.47m, with additional research and development expenditure refund of approximately \$1.7m due in the December quarter.

EPANKO GRAPHITE PROJECT

Following the completion of the Epanko Bankable Feasibility Study (“BFS”) in June (*refer ASX Announcement 21 June 2017*) bank appointed Independent Technical Engineer SRK Consulting completed their comprehensive review and report, concluding that all technical areas of the BFS satisfy Project Finance standards and the environmental and social management planning aspects are in accordance with Tanzanian legal requirements, International Finance Corporation Performance Standards and World Bank Group Environmental, Health and Safety Guidelines.

As a result of the conservative approach adopted for the BFS design principles, SRK Consulting have also identified a number of potential value adding opportunities that are expected to enhance the BFS outcomes and which will be pursued as part of the engineering and design program.

The BFS is based on the production of 60,000tpa of premium natural flake graphite over an initial operational period of 18 years, generating annual EBITDA of US\$44.5m, a pre-tax NPV₁₀ of US\$211m and a 38.9% internal rate of return.

In September the Company also finalised the Epanko Resettlement Action Plan (*refer ASX Announcement 6 September 2017*), which is an essential pre-requisite to securing credit approvals under the debt financing process. It involved 12 months of intensive field work, including:

- Identification of all affected persons and completion of detailed socio-economic surveys;
- Surveys of land, assets and roads;
- Preparation of preliminary valuations;
- Evaluation of resettlement areas for housing, associated infrastructure and farm land;
- Continuous consultation and engagement with affected persons and the establishment of a Resettlement Working Group;
- Design of the proposed resettlement village; and
- Finalisation of a comprehensive US\$7.5m community investment package consisting of new and improved housing, upgraded road infrastructure, new school, medical dispensary, church, related community infrastructure and assistance with the establishment of sustainable micro-enterprises among village family groups.

Image: community engagement working group at Epanko



Kibaran has now completed all technical, environmental and social planning requirements for the planned development of the Epanko graphite mining and processing operation and has secured offtake commitments with German and Japanese customers for the sale of products in Europe and Asia.

Discussions have continued with KfW IPEX-Bank, Nedbank CIB and EFIC (Australia's Export Finance & Insurance Corporation) in relation to the proposed debt financing arrangements, focussed on the implications of recent changes to mining legislation passed by the Tanzanian Parliament on 3 and 4 July 2017. The majority of these changes are not expected to adversely impact Kibaran, however further details are being sought on the implementation of certain provisions, such as those relating to in-country banking, lender security arrangements and potential Tanzanian Government participation.

Image: initial product target markets



Meetings to discuss details of the new legislation were held with the Tanzanian Government during the quarter and Kibaran is confident that the long-term economic and social benefits from its Epanko project provide a compelling incentive to ensure that the future regulatory environment is supportive of foreign investment. With a mining licence already granted and environmental approvals issued, the Epanko project is now uniquely positioned to progress to a final investment decision for the benefit of all stakeholders.

The Honourable Angellah Kairuki was appointed Minister for Minerals on 9 October 2017 and the establishment of the Mining Commission and release of detailed regulations should occur shortly. It is expected that the Government will prioritise development-ready projects that satisfy strict environmental and social standards and can demonstrate a capacity to provide significant positive benefits for Tanzania to support the achievement of its National Development Vision 2025.

BATTERY (SPHERICAL) GRAPHITE

The global transition away from fossil fuels and towards sustainable sources of clean energy provides Kibaran with a unique opportunity to participate in the high growth battery supply chain and progress on the spherical graphite feasibility study during the quarter has exceeded expectations.

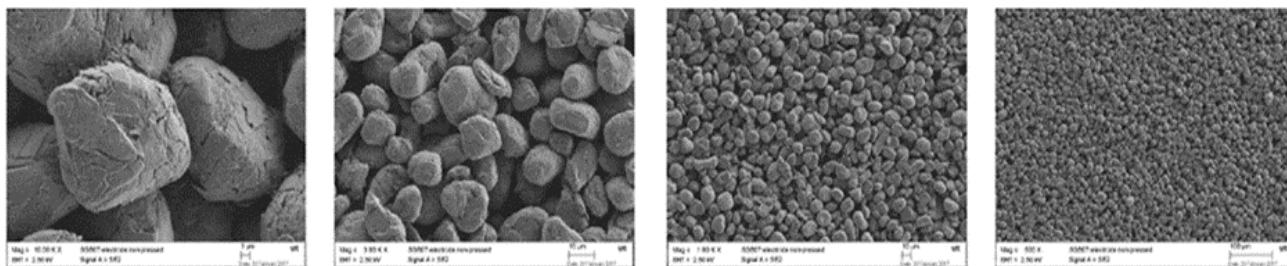
Image: participation across the battery supply chain



The Company has successfully developed a new, non-toxic and cost-efficient process for the manufacture of high purity spherical graphite products.

To date the majority of manufacturers of spherical graphite have adopted a hydrofluoric acid based treatment process that is highly toxic and creates significant environmental impacts across the battery supply chain. Kibaran's unique process supports anode and battery manufacturers' strategic goals for lowering environmental costs and the initial reaction from prospective customers in Japan, Korea and China during a visit in September was overwhelmingly positive.

Image: Epanko spherical graphite at 10k, 3k, 1k and 500x magnification



The advancement of Kibaran's processing technology followed the successful results from an evaluation of Epanko uncoated spherical graphite products in lithium-ion anode cells under commercial performance conditions. This electrochemical testing was conducted in Germany as part of the spherical graphite feasibility study and confirmed the suitability of Epanko graphite for battery applications, which was validated by similar testing completed on Epanko samples in September by a leading North American battery manufacturer.

Additional optimisation of the new Kibaran spherical graphite purification process is being conducted in Germany, while the Company's partner Sojitz Corporation manages a program of sample analysis by a number of leading Asian customers and strategic investors.

The spherical graphite feasibility study has been expanded to incorporate these positive developments.

GRAPHITE MARKET UPDATE

Prices for natural flake graphite and battery (spherical) grade graphite increased significantly during the quarter. Demand growth, combined with supply constraints has resulted in prices for certain grades doubling over the last few months from its lows, such as –194 (less 100 mesh at 94% carbon), due to a range of favourable trends emerging in the key Chinese market, that include:

- Planned doubling of Chinese battery anode manufacturing capacity by 2018;
- Restrictions in supply, due to environmental pressure being placed on graphite producers in China by the Government for both natural flake graphite and synthetic graphite;
- A market shortage of high-quality battery grade graphite to meet stringent customer specifications; and
- Increased pressure on the use of hydrofluoric (HF) graphite, with some provinces in China banning the use of HF, which is the key acid in the current purification method for battery (spherical) grade graphite.

The supply impacts are a result of new regulations under China's 2016 Environmental Protection Tax Law to be implemented from 1 January 2018, that are expected to increase the cost of graphite produced in China, which currently accounts for over 70% of global graphite production.

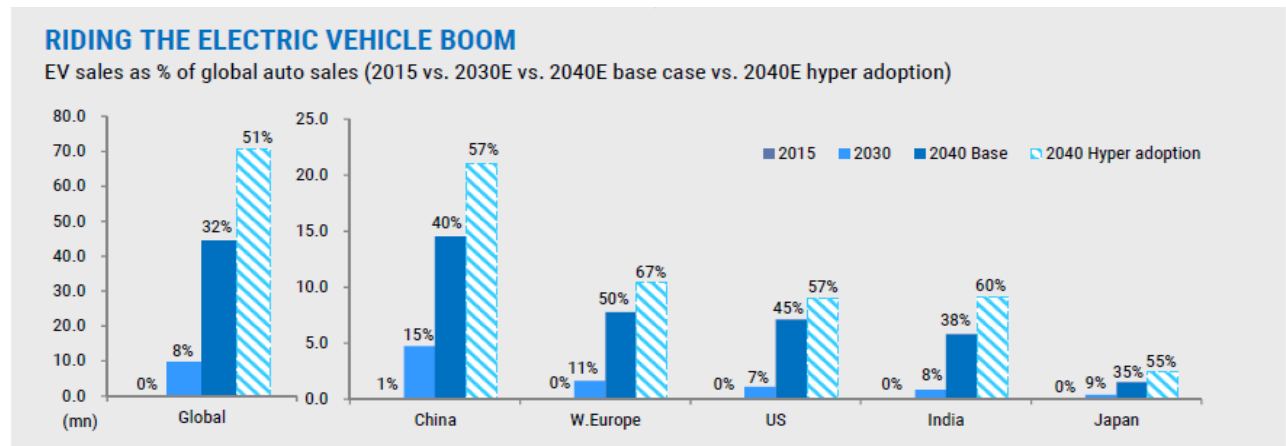
The Company will update its financial models for the price increases as more market data becomes available and is also currently reviewing the forecast ramp-up rate for its staged production growth plan.

Based on direct feedback from Asian customers, demand for graphite is now expected to increase by between 300% and 400% by the end of 2020. The graphite market outlook is increasingly positive, driven by encouraging global developments in the electric vehicle sector during the quarter:

- Volvo's announcement to move to 100% electric vehicle production from 2019 and to sell at least 1 million new electric vehicles by 2025;
- New Government bans to be implemented in the United Kingdom and France on the future sale of all petrol and diesel vehicles;
- Chinese Government decision to undertake a full transition to electric vehicles by 2030; and

- Agreement between the State of South Australia and Tesla to install the world's largest lithium-ion battery facility by the end of 2017 to provide 100MW of power storage capacity.

It is expected that the increasing momentum of climate change policy and energy efficiency initiatives will continue to drive a transformational acceleration in the demand for batteries and graphite based anode products.



Source: IHS, METI, JAMA, Avicenne, Goldman Sachs Global Investment Research

CORPORATE

Cash

Cash on hand at 30 September 2017 was \$1.47m with an additional amount of approximately \$1.7m due in the December quarter, which relates to the refund of research and development expenditures incurred for the year ended 30 June 2017. This provides the Company with cash funding of over \$3m to complete the Epanko project commercialisation program and spherical graphite downstream processing studies during 2018.

Kibaran has also implemented a range of operating changes to conserve shareholder funds and ensure that it retains sufficient cash reserves to complete these activities, while accommodating the Epanko project development delay caused by the introduction of Tanzania's new mining laws.

Share capital

Issued fully paid ordinary shares: 244,202,394

Unlisted options:

Number	Exercise price	Expiry
1,000,000	30 cents	31 December 2018
1,000,000	22.82 cents	2 June 2019
1,050,000	23 cents	6 March 2020

Annual General Meeting

The Annual General Meeting of shareholders will be held at 11am (WST) on Thursday, 9 November at the Celtic Club, 48 Ord Street, West Perth, Western Australia (refer ASX announcement 6 October 2017).

SCHEDULE OF TENEMENTS

Licence	Ownership interest	Acquired/disposed during the quarter	Area (km²)	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	35.31	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

Further information, please contact:

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Various statements in this document 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")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(652)	(652)
(b) development	-	-
(c) production	-	-
(d) staff costs	(347)	(347)
(e) administration and corporate costs	(573)	(573)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	960	960
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(607)	(607)

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	Year to date (3 months)
		\$A'000	\$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 issue of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issue of shares, convertible notes or options	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,079	2,079
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(607)	(607)
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)	-	-
4.5	Effect of movement in exchange rates on cash held	(5)	(5)
4.6	Cash and cash equivalents at end of period	1,467	1,467

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	1,339	1,951
5.2	Call deposits	128	128
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)	1,467	2,079

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	236
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	

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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	350
9.2 Development	-
9.3 Production	-
9.4 Staff costs	380
9.5 Administration and corporate costs	150
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	880

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: 31 October 2017

Print name: ..Nicholas Katris.....

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.