

ASX Announcement

13 June 2018

## Montepuez Project Funding Update

Battery Minerals Limited (Battery Minerals, ASX: BAT) advises that its US\$30 million debt and equity funding agreement with Resource Capital Funds (RCF) (see ASX release dated May 3, 2018) has been terminated.

RCF has advised Battery Minerals that despite first-phase due diligence being completed successfully, the graphite market no longer meets its investment criteria and therefore it will not seek the approval of its Investment Committee for investment in Battery Minerals. In light of this advice, Battery Minerals and RCF have mutually agreed that it was in the best interests of both parties to terminate the arrangement immediately.

Battery Minerals Managing Director David Flanagan said while he respects RCF's decision, the latest graphite market intelligence available to the company and the broader market clearly demonstrates that the outlook for graphite prices and demand remains highly attractive.

"Our view is that the graphite market outlook continues to strengthen, driven by the impending surge in demand for graphite from lithium battery manufacturers as well as refractory products and the rapidly growing expandable graphite market."

"In the absence of any further increase in graphite prices and based on costs derived from detailed definitive feasibility and value engineering studies, the company would generate strong operating margins of ~US\$500 a tonne at its Montepuez Project."

"Our stage one project delivers 50,000 tonnes of graphite concentrate a year, this would deliver operating cashflow of ~US\$20 to \$25 million a year. It's a very strong project, and that's just the start."

"With improving graphite market conditions, a quality project, strong balance sheet, experienced team and excellent offtake partners we are very confident of accessing a funding solution on improved terms for the benefit of shareholders."

### Alternative Financing To Be Progressed

The termination of the RCF arrangement leaves Battery Minerals able to pursue alternative financing options for its Montepuez Graphite Project.

Battery Minerals will recommence discussions with other potential debt and other financiers immediately. Depending on the timetable for these discussions, the first shipment of graphite concentrate from Montepuez is likely to be deferred from June 2019 for at least 3 months, but in any case approximately 12 months after project financing is completed.

Battery Minerals remains committed to completing the initial and subsequent share placements and securities purchase plan to raise up to approximately \$25 million (**Capital Raising**) as announced on 17 May 2018, subject to receipt of all requisite shareholder approvals at the general meeting on Wednesday, 27 June 2018.

Battery Minerals currently has cash on hand of \$14.8 million and expects to receive a further \$9 million to \$14 million in proceeds post the general meeting. Collectively this ensures the company has sufficient funds to progress other financing arrangements and to continue to steadily progress its Montepuez Graphite Project, where Stage 1 earthworks are nearing completion.

Funds raised via the Capital Raising will primarily be applied to advance development of Battery Minerals' Montepuez Graphite Project in the Cabo Delgado Province of Mozambique. The Board of Battery Minerals' will regard the indicative use of funds table detailed in the notice of meeting dated 18 May 2018 as a proposed budget (subject to any variations considered prudent by the Board of Battery Minerals' and to prevailing operational and development activities, additional financing arrangements, regulatory developments, market and general economic conditions and environmental factors (among other things)) for the development of the Montepuez Graphite Project and will apply the funds raised from the Capital Raising in accordance with the prevailing needs of Battery Minerals.

### **Background Information on Battery Minerals**

Battery Minerals Limited ("Battery Minerals") is an ASX listed Australian company with two world-class graphite deposits in Mozambique, being Montepuez and Balama Central. Battery Minerals has produced high quality graphite flake concentrate at multiple laboratories. Subject to completing project financing, Battery Minerals intends to commence graphite flake concentrate production from its Montepuez Graphite Project at rates of 45,000 to 50,000tpa at an average flake concentrate grade of 96.7% TGC.

In December 2017 and January 2018, Battery Minerals signed four binding offtake agreements for up to 41,000tpa of graphite concentrate, representing over 80% of Montepuez's forecast annual production. The Mozambican Government has granted Battery Minerals a Mining Licence and accepted the Company's EIA for the Montepuez Graphite Project.

As Battery Minerals executes subsequent expansions, it expects production to grow to over 100,000 tonnes per annum graphite flake concentrate from its Montepuez Graphite Project.

Battery Minerals has also announced a scoping study on its Balama Central project, which comprises a Stage 1 production rate of 55,000tpa (B1) and Stage 2 rate of an additional ~55,000tpa (B2) for an aggregate of 110,000tpa from Balama. A final feasibility study is underway on Balama Central.

Combined with Montepuez and subject to continued positive economic, social and technical investigations, Balama Central provides scope for self-funded growth from a ~50,000tpa production-rate to more than 200,000tpa. (See ASX announcements dated 1st March 2018 and 29 March 2018 for full details, Scoping Study Cautionary Statement and Competent Persons statement on the Balama Central Graphite Project Scoping Study and Balama Central Resource Upgrade. All material assumptions underpinning the production target (as disclosed in these previous announcements) continue to apply and have not materially changed).

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**Forward Looking Statements**

Statements and material contained in this document, particularly those regarding possible or assumed future performance, resources or potential growth of Battery Minerals Limited, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Such forecasts and information are not a guarantee of future performance and involve unknown risk and uncertainties, as well as other factors, many of which are beyond the control of Battery Minerals Limited. Information in this presentation has already been reported to the ASX.

All references to future production and production & shipping targets and port access made in relation to Battery Minerals are subject to the completion of all necessary feasibility studies, permit applications, construction, financing arrangements, port access and execution of infrastructure-related agreements. Where such a reference is made, it should be read subject to this paragraph and in conjunction with further information about the Mineral Resources and Ore Reserves, as well as the relevant competent persons' statements.