

3 APRIL 2020

ASX ANNOUNCEMENT

ASX: EGR

Business and Financing Update

EcoGraf (Australia) Limited (EcoGraf or the Company) (ASX: EGR) is pleased to provide the following update.

In recognition of the impact on our shareholders and broader stakeholders of the on-going COVID-19 containment measures around the world, the Directors and Management are implementing a number of actions to preserve shareholder funds, whilst maintaining the positive business progress that has been achieved in recent months.

Effective immediately, Non-Executive Directors have agreed to waive their fees. The Managing Director, Executive Director and Management salaries are reducing their salaries by 50% with salary payments currently suspended. The Executive Director salary reduction is in addition to the 50% reduction made last year to reduce costs in Tanzania.

Additionally, since the commencement of the year, the Company has reduced all non-essential project development expenditure in Tanzania as it focusses on progressing the US\$60m KfW-IPEX Bank debt financing proposal.

The measures we're taking reflect our commitment to aligning our interests with our long-term shareholders and stakeholders and our determination to build a successful graphite business to become a major, long-term supplier of responsibly produced graphite products.

In recent weeks, Company personnel have transitioned to remote working arrangements in accordance with Government requirements and continue to operate on a 'business as usual' basis, using video and teleconferencing facilities to progress project development programs and discussions with potential customers, debt financiers and external consultants. A status update on key activities is provided below.

Kwinana Battery Graphite Facility

Interest in the Company's planned battery graphite production facility in Kwinana, Western Australia has increased significantly this year as electric vehicle and lithium-ion battery manufacturers look to diversify their supply chains for the global transition to renewable energy over the next decade.

The Company's key focus is to finalise funding arrangements for the new Kwinana development and Australian Government Agency Export Finance Australia has confirmed, subject to completing a detailed assessment of the project, it will consider the provision of debt finance for the new US\$72 million development.

EcoGraf is currently assisting Export Finance Australia to complete the necessary commercial and technical due diligence processes for the potential debt financing arrangements, while also engaging with potential customers to secure offtake arrangements, finalising construction arrangements and completing permitting for the 6.7ha industrial site.

Epanko Financing

On 20 March the Company submitted a US\$60 million financing proposal to the Government of Tanzania for the construction of the new Epanko Graphite Mine. The proposal was developed in conjunction with KfW IPEX-Bank with the aim of simplifying and fast-tracking the entire debt financing process in Tanzania (refer ASX Announcement *Government Breakthrough Paves Way for Epanko Financing and Development* 28 January 2020).

The financing proposal accommodates the Government's requirements under the new mineral sector legislation and provides an opportunity for Tanzania to develop a world class graphite mine in the Ulanga District, Morogoro Region that will operate under globally leading Equator Principles for social and environmental planning, including International Finance Corporation Performance Standards and World Bank Group Environmental, Health and Safety Guidelines.

With an operating life of more than 40 years, the Epanko Graphite Mine is forecast to provide inter-generational benefits for the regional community and will directly contribute over US\$2 billion to Tanzania through local procurement of goods and services, employment, royalties, taxes, dividends and inspection fees.

Subject to reaching agreement with the Government of Tanzania, the Company and KfW IPEX-Bank are ready to proceed to prepare formal loan documentation that will enable the proposed financing arrangements to be implemented.

The on-going support the Company has received from KfW IPEX-Bank and offtake customers in Germany and Asia, has been critical to this process and EcoGraf remains committed to establishing Epanko as a new supplier of responsibly produced, high-quality natural flake graphite products.

This announcement is authorised for release by Andrew Spinks, Managing Director.

For further information, please contact:

INVESTORS

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About EcoGraf

Founded on a commitment to innovation and sustainability, **EcoGraf** Limited (ASX: EGR) is building a vertically integrated business to produce high purity graphite for the lithium-ion battery market.

Our new state-of-the-art processing facility in Western Australia will manufacture spherical graphite products for export to Asia, Europe and North America using a superior, environmentally responsible purification technology to provide customers with sustainably produced, high performance battery anode graphite. In time we plan to expand our battery graphite production base to include additional facilities in Europe and North America to support the global transition to renewable energy in the coming decade.

To complement and strengthen our battery graphite operations, we are also developing a multi-project TanzGraphite natural flake graphite business, led by the construction-ready Epanko Graphite Project, which will provide customers with a long term supply of high quality graphite products for industrial applications such as refractories, recarburisers and lubricants.

Combined, the EcoGraf battery and natural flake graphite businesses present a compelling opportunity for us to partner customers and stakeholders across a range of graphite markets through a relentless focus on engineered innovation, performance and sustainability.

