Battery Minerals signs MoU with leading US group for graphite processing JV in Mozambique

Plus, initial work shows cost of Montepuez graphite project could be cut by US$6m by using contractors rather than owner-operator model

Battery Minerals Limited (ASX:BAT) is pleased to announce that it has signed a Memorandum of Understanding with US graphite processing specialist Urbix with the aim of establishing a joint venture in Mozambique.

The MoU with Urbix, which has been a long-time technology partner of Battery Minerals, lays the foundation for establishing a Joint Venture (JV) which would develop an environmentally friendly graphite purification facility in Mozambique.

It is envisaged that the facility would source graphite concentrate from Battery Minerals’ Montepuez graphite project as well as potentially toll-treat graphite from other mines in Mozambique and utilise the proprietary Urbix purification method.

Urbix specialises in the refinement and purification of natural graphite and advanced graphite derivatives. Since December 2017, Urbix and Battery Minerals have been working together to establish a strategy combining Urbix technologies with Battery Minerals’ graphite concentrates to generate graphite products for the refractory, composites, lithium-ion, and nuclear markets.

Battery Minerals and Urbix will work together to complete all necessary feasibility study work for the proposed JV purification facility in Mozambique.

Contractor operating model

As part of the Company’s funding strategy, Battery Minerals has been investigating options to further reduce capital expenditure and therefore reduce the funding requirement.

This has included a review of the owner-operator model currently assumed for Montepuez, and in particular an assessment of the potential benefits that may come from utilising contractors for the mining activity and provision of electrical power generation.

In addition to the reduced capital cost that results from contractors providing their own equipment, the Company is also testing the potential for key contractors to participate in funding for the project. Based on preliminary discussions with potential contractors, there is interest in this collaborative approach. Requests for quotes and tenders have been issued to the market, as required by Mozambican law.

Battery Minerals believes a switch to a contracting model could reduce the current Montepuez project funding requirement of US$55 million (excludes financing costs, includes Direct Site costs of Process and Non-Process Infrastructure and Commissioning (US$39m), VAT (US$5.4m), Pit Development and Operational Readiness Costs (US$3.7m), Working Capital (US$0.0m), and Contingency (US$2.0m)) by up to US$6 million. As stated above this potential reduction relates to the capital associated with mining and mobile fleet (US$3.9m) and power generation (US$2.1m) which would result from the outsourcing of the mining activity and electrical power generation.

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The reduction in funding requirement that comes from a reduction in capital (up to US$6 million), combined with the participation of contractors in the funding solution, will need to be weighed up against possible increases in operating costs which may result from this shift toward a contractor model.

This strategy also has the potential to improve operational readiness for the project and reduce the training requirements of the operation by ensuring qualified contractors and skills are on site from the outset.

Battery Minerals Managing Director Jeremy Sinclair said: “There is overwhelming evidence that the demand for graphite is going to soar as the take-up of lithium batteries gains speed.”

“The proposed processing JV with Urbix is aimed at ensuring we are well positioned to capitalise on the demand for not only graphite concentrate but also the higher-margin processed product which is essential to the battery manufacturers.”

“At the same time, we believe there is excellent potential to reduce the cost of developing Montepuez through a partnership approach with contractors”.

“The strong outlook for the project is also reflected in the fact that some contractors have expressed an interest in being part of the project funding package.”

**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 a rate of 50,000tpa at an average flake concentrate grade of 96% 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. In 2018, the Mozambican Government granted Battery Minerals a Mining Licence and its Environmental License for the Montepuez Graphite Project.

As Battery Minerals executes subsequent expansions, subject to the completion of all necessary studies, permits, construction, financing arrangements, and infrastructure access, it expects production to grow to over 100,000 tonnes per annum of graphite flake concentrate from its Montepuez Graphite Project.

Battery Minerals has also announced a feasibility study on its Balama Central project, which comprises a Stage 1 production rate of 58,000tpa (B1). Battery Minerals lodged its Mining License application for Balama Central in June 2019. Combined with Montepuez and subject to continued positive economic, social and technical investigations, Balama Central provides the Company with the scope to self-fund growth from a single project 50,000tpa production rate to a multi-project combined production rate in excess of 150,000tpa.
NOTE
Battery Minerals confirms that all the material assumptions underpinning the production targets for its Montepuez and Balama Central graphite projects and any of the forecast financial information derived from these production targets, in the 4 and 12 December 2018 ASX announcements, on these projects continue to apply at the date of release of this presentation and have not materially changed. Battery Minerals confirms that it is not aware of any new information or data that all material assumptions and technical parameters underpinning the estimates in the 4 and 12 December 2018 announcements continue to apply and have not materially changed.

Competent Persons Statements
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.

Any references to Exploration Results, Ore Reserve and Mineral Resource estimations should be read in conjunction with the competent person statements included in the ASX announcements referenced in this presentation as well as Battery Minerals’ other periodic and continuous disclosure announcements lodged with the ASX, which are available on the Battery Minerals’ website.

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