

28 JANUARY 2020

ASX: EGR

Government Breakthrough Paves Way for Epanko Financing and Development

Highlights

- **Barrick Gold and Government of Tanzania sign historic landmark agreement**
- **Dispute resolution expected to unlock debt financing hurdles for EcoGraf's Epanko Graphite Project**
- **Positive progress achieved with KfW IPEX-Bank financing in recent weeks**
- **Epanko to be developed under sustainable Equator Principles, transforming the local economy**
- **Epanko forecast to generate annual EBITDA of US\$44.5m, an IRR of 38.9% and pre-tax NPV₁₀ of US\$211m**

EcoGraf Limited ("**EcoGraf**" or the "**Company**") (ASX: **EGR**) is pleased to report that on 24 January 2020 the Tanzanian Government signed a landmark settlement agreement with Barrick Gold Limited. This settlement is described by Barrick President Mark Bristow as "a historic day for Africa" and provides the breakthrough to unlock the financing and development of the Company's 100% owned Epanko Graphite Project ("**Epanko**" or the "**Project**").

At the signing ceremony, the President of the United Republic of Tanzania, Dr John Pombe Magufuli guaranteed Barrick full Government support and ordered respective authorities to release the concentrate containers that have been held at the port of Dar es Salaam since March 2017.

Following the signing, Barrick issued an announcement "*Barrick Back in Business in Tanzania*" and as a sign of its confidence in Tanzania, Barrick also announced an exploration budget of US\$50 million during 2020, seeking opportunities to sustain and expand its operations within the country.

During the deadlock between Barrick and the Government, which has delayed the development of the Epanko Graphite Project for two and a half years, the Company has consistently worked with KfW IPEX-Bank and engaged the Government on resolution of the legislative issues impacting international financing of mineral projects in Tanzania.

Epanko is a highly attractive, long-life Tanzanian natural flake graphite project that has achieved the necessary milestones to enable rapid development, including:

Mining Licence

Mining Licence granted.

BFS

Bankable Feasibility Study ("**BFS**"), led by GR Engineering Services Limited and involving a range of international technical consultants, demonstrating that Epanko will generate annual EBITDA¹ of US\$44.5m, an IRR of 38.9% and pre-tax NPV₁₀ of US\$211m.

Note 1: earnings before interest, tax, depreciation and amortisation.

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Due diligence

Rigorous due diligence by bank appointed Independent Engineer's 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

Securing sales commitments for the planned production with German multinational industrial group thyssenkrupp AG, Japanese multinational Sojitz Group and a large European graphite trading group.

EPC

Preparing target cost EPC construction arrangements with GR Engineering Services Limited.

Financing

Mandating KfW IPEX-Bank for the senior debt financing.

Financing Update

EcoGraf has been working with KfW IPEX-Bank and a second financial institution to progress the senior debt financing of the new Epanko mine. In spite of delays resulting from legislative changes and uncertainty regarding the Barrick settlement, the Company is pleased to report that positive progress has been achieved in recent weeks to revise the proposed financing structure with the aim of simplifying and fast-tracking the entire debt financing.

A US\$60m senior debt funding proposal is currently being prepared under the revised structure and subject to securing the agreement of all parties, completion of necessary approvals and loan agreements is now expected to be accelerated by the recently announced Government settlement with Barrick.

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.

Social and Environmental Sustainability

Epanko is unique in its Equator Principles development model. The Project has been designed to meet the strictest standards for social and environmental sustainability and to be fully compliant with IFC Performance Standards and the Equator Principles. These high standards of sustainability provide assurance to financiers and customers that Epanko products will be responsibly produced for the benefit of all stakeholders. The importance of sustainable development is reflected in the increasing emphasis globally on transparent supply chains and ethically sourced minerals.

Economic Impact

The Project has strong economics and in addition to generating a pre-tax NPV₁₀ of US\$211m for shareholders, will make a long-term, inter-generational contribution to economic, industrial and social development within Tanzania. It is expected to operate for over 40 years, during which time it is forecast to directly contribute over US\$2 billion to Tanzania through local employment, procurement, royalties, taxes and dividends. Over 95% of the 300 permanent staff will be Tanzanian, with an estimated 4,500 indirect jobs to be supported by the operation.



Community Engagement

Maintaining an active approach to community engagement at Epanko during this deadlock period has been an important and essential component of the Epanko development and EcoGraf is pleased to report that over the last 12 months, the Company has undertaken a number of social projects within the Epanko and Mahenge communities.

Construction and handover of two new demonstration houses

The two houses demonstrate of the type to be constructed as part of the US\$7.5m Resettlement Action Plan for persons within the Epanko area. The houses were designed in collaboration with the community Resettlement Working Group and have been constructed using cement blocks and roofed with tin sheets. The houses have a solar panel to provide power for lighting and mobile phone charging, a low energy cooking stove and ventilated latrines.



The new houses were handed over to the community in a ceremony officiated by Ulanga District Commissioner Hon. Ngollo Malenya, pictured left, unveiling the inaugural building.

Construction of additional buildings for the Epanko Primary School



The additional buildings were provided to the Epanko Primary School board, management and students during a ceremony attended by Nawenge Ward Executive Officer Paulina William.

Sponsorship of 52 students to attend educational programs at the Vocation Education Training Authority's Mikumi Centre



Sponsored students and their parents.



Donation of supplies to Ulanga secondary schools in preparation for national examinations



Provision of materials for O-level secondary school student's examination study camp, handed over by Community Liaison Officer Miss Khadija Amir (above left) and by Social Development Manager Bernard Mihayo (above right), to Ulanga District Commissioner Hon. Ngollo Malenya, for the Advanced Secondary School.

Supply of roofing materials for a new classroom at the Nawenge Secondary School



Additional information can be found at ecograf.com.au/business/tanzgraphite/

EcoGraf Integrated Graphite Strategy

Founded on a commitment to innovation and sustainability, EcoGraf is building a vertically integrated business to produce high purity graphite for the lithium-ion battery market.

The 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 the battery graphite production base will be expanded to include additional facilities in Europe and North America to support the global transition to clean, renewable energy in the coming decade.

To complement the battery graphite operations, EcoGraf is also developing the TanzGraphite natural flake graphite business, commencing with the Epanko Graphite Project, which will supply additional feedstock for the spherical graphite processing facilities and provide customers with a long term supply of high quality graphite products for industrial applications such as refractories, recarburisers and lubricants.

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

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Forward looking statements

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.

Production targets and financial information

Information in this announcement relating to the Bankable Feasibility Study conducted on the Epanko Graphite Project, including production targets and forecast financial information derived from the production targets, included in this announcement is extracted from an ASX announcement dated 21 June 2017 “Updated Bankable Feasibility Study” available at www.ecograf.com.au and www.asx.com.au. The Company confirms that all material assumptions underpinning the production targets and forecast financial information derived from the production targets set out in the announcement released on 21 June 2017 continue to apply and have not materially changed.

Information in relation to the feasibility study conducted on the production of battery-grade graphite using the Company's EcoGraf technology, including production targets and forecast financial information derived from the production targets, included in this announcement is extracted from an ASX announcement dated 5 December 2017 “Battery Graphite Pilot Plant”, as updated on 17 April 2019 “EcoGraf Delivers Downstream Development”, available at www.ecograf.com.au and www.asx.com.au. The Company confirms that all material assumptions underpinning the production targets and forecast financial information derived from the production targets set out in the announcement released on 5 December 2017, as updated on 17 April 2019, continue to apply and have not materially changed.

Competent persons

Any information in this document that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Andrew Spinks, who is a Member of the Australasian Institute of Mining and Metallurgy included in a list promulgated by the ASX from time to time. Andrew Spinks is a director of EcoGraf Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Andrew Spinks consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

Information in this document that relates to Mineral Resources is based on information compiled by Mr David Williams, a Competent Person, who is a Member of the Australasian Institute of Mining and Metallurgy. David Williams is employed by CSA Global Pty Ltd, an independent consulting company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. David Williams consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

Information in this document that relates to Ore Reserves has been compiled by Mr Steve O'Grady, who is a Member of the Australasian Institute of Mining and Metallurgy. Steve O'Grady is a full-time employee of Intermine Engineering and produced the Mining Reserve estimate based on data and geological information supplied by Mr Williams. Mr O'Grady has sufficient experience which is relevant to the estimation, assessment, evaluation and economic extraction of the Ore Reserve that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves”. Steve O'Grady consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

