

**December 2019 Quarterly Activities Report**

# Further progress towards securing funding for Montepuez graphite project

Potential financiers now visiting site and conducting due diligence

**HIGHLIGHTS**

- Further progress made in strategy to secure funding for the Montepuez graphite project in Mozambique
- Financiers conducting site visits and undertaking market and project due diligence
- Montepuez capex and opex further optimized following extensive studies
- Cash on hand of \$4.1M at 31 December 2019, with monthly cash spend further reduced in the quarter from the first three quarters of 2019
- In October 2019, the Company received final proceeds of US\$250,000 for the sale of a non-core tenement in 2017

Battery Minerals Limited (ASX: BAT) (“Battery Minerals” or “the Company”) is pleased to report on progress it made during the December 2019 Quarter towards its goal of becoming a significant graphite supplier to the traditional graphite and lithium ion battery industries.

**Funding Progress**

The Company and its specialist financial advisor Thirdway Africa continued to advance the strategy for funding Montepuez. This plan involves a potential finance package including a combination of senior secured debt, subordinated debt and equity.

Thirdway Africa has secured interest from potential financiers, of which a number have visited site and are currently at varying stages of project and market due diligence.

At the same time, the Company remains focused on further reducing overheads.

**Montepuez CAPEX and OPEX**

Battery Minerals continues to optimise the capex and opex for Montepuez as part of the project finance process. As a result of this process, the Company has updated its CAPEX and OPEX estimates as set out below.

The total estimated remaining pre-production establishment capital cost for the Montepuez Graphite Project is US\$44.7M, including contingency and escalation, as summarised in the table below:

Montepuez Graphite Project CAPEX Area	Remaining Capex USD\$M
Process Plant and Power	27.4
Mining Equipment and Light Vehicles	4.0
Earthworks, Tailings Storage Facility and Water Storage Buildings, offices and workshops	0.7
Owners costs	2.6
Pre-production Costs	3.7
Freight	4.5
<b>Total</b>	<b>44.7</b>

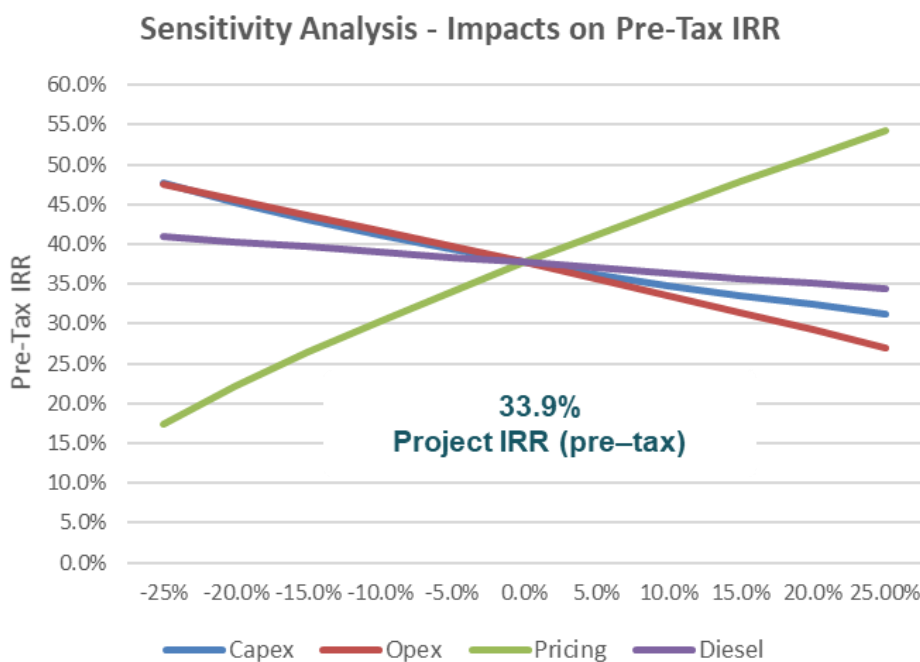
Note: Capex excludes other costs associated with debt: equity financing, including fees and advisory cost, DSRA and debt security requirements, VAT and overheads ~US\$19.8M

The average operating cost summary (average blended ore) for the Montepuez Graphite Project for the first 10 years is detailed below FOB Pemba:

Montepuez Graphite Project OPEX OPEX for years 1 to 10	USD\$/t conc
Mining	100
Processing	114
General and Administrative	47
Logistics	62
Maintenance	33
<b>Total C1 cost/t conc</b>	<b>356</b>

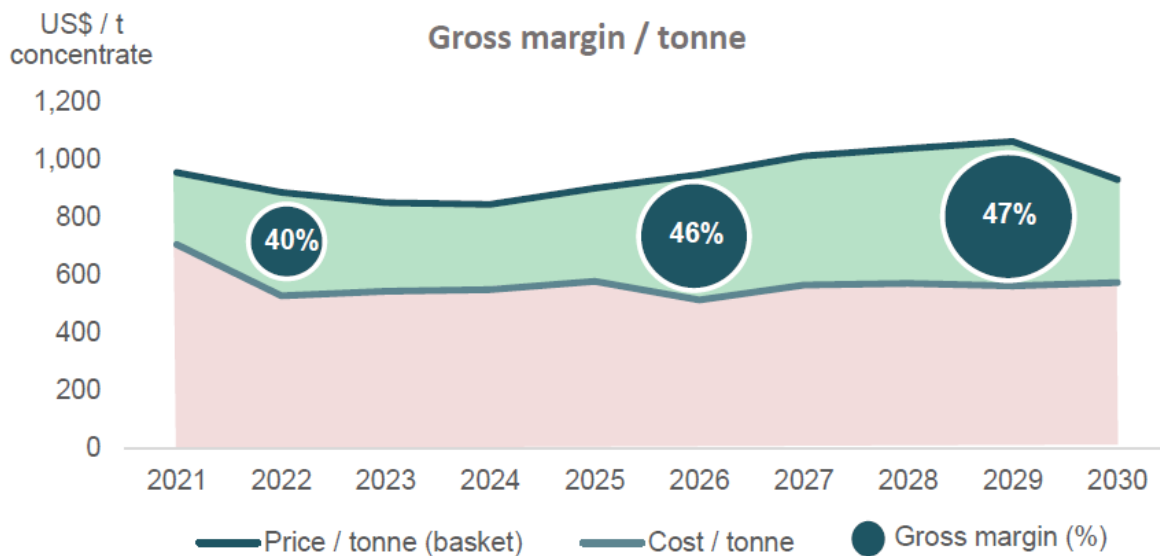
Notes: 1) Above table excludes Government Royalties and shipping.  
 2) Above table based on average blended ore with a production rate of 50,000 tpa at a grade of 96%TGC and ~1.4Mtpa mined and process run of mine (ROM) ore at an average rate of ~500,000tpa at 12% TGC  
 3) C1 costs exclude Mozambique corporate and stockpile costs

### Sensitivity Analysis



### Gross Margin Analysis

Based on Years 1 – 10 Basket Price of US\$ 923/t flake (using pricing based on BMI October 2019 Pricing Forecast and including consideration of shipping costs), the following graphic analysis of the gross margin has been estimated for the first 10 years of operation.



### Cost Reduction Strategy

In parallel with the appointment of ThirdWay Africa as project finance advisor in H2 FY2019, Battery Minerals has continued to implement a cost reduction strategy aimed at ensuring it remains funded throughout the current project financing process. The cost reduction exercise, which commenced in May 2019, has significantly reduced ongoing overheads without impacting the Company's ability to complete project funding or maintain the tenure of the assets. Until the Montepuez Graphite Project is funded, the Company will only incur development and exploration/evaluation expenditure where necessary. The Company has cut its average monthly expenditure by ~40% from the first half of 2019.

### Urbix MoU

In October 2019, Battery Minerals announced that it had signed a Memorandum of Understanding with US graphite technology 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 will source graphite concentrate from Battery Minerals' Montepuez Graphite Project as well as potentially toll-treat graphite from other mines in Mozambique and utilise the environmentally friendly, proprietary Urbix purification method to produce high purity, +99.95%TGC graphite products.

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.

## **MONTEPUEZ GRAPHITE PROJECT**

### **Mining Agreement**

In March 2018, Battery Minerals secured a Mining Licence for its Montepuez Graphite Project. Combined with the successful fund raising completed in early July 2018, this paved the way for significant development activity during the second half of calendar 2018. In addition to the grant of the Mining Licence, the Company has the option to negotiate a Mining Agreement.

While the grant of a Mining Agreement is not a condition precedent to production, exports and cashflows, the execution of a Mining Agreement provides the Company with additional rights that enable investing companies like Battery Minerals to obtain absolute clarity around the application of the legal framework to the project. The Mining Agreement also formalises a project's fiscal stability rights into a contractually binding document and provides an agreed dispute resolution process.

During the December 2019 Quarter, Battery Minerals continued to progress government engagement in relation to the Mining Agreement. As previously advised, the Company does not expect a material variation in project economics to result from the Mining Agreement.

### **Community Investment**

As previously advised, the Company works closely with local Government and community leaders on specific community initiatives including local employment and training, supporting medical and educational facilities and services such as schooling and clinic infrastructures and increasing access to safe water. Once the Company achieves project finance and commences development and then production, the Company will further expand its planned long term locally supported and government endorsed community initiatives.

## **BALAMA CENTRAL GRAPHITE PROJECT - Mining Licence Submitted**

As previously reported, Battery Minerals' mining concession application for its Balama Central graphite project was submitted to Government in late June 2019 for its review and consideration. The application reduced the footprint of the exploration license to minimise the impact on local communities. The license reclassified as 10031C (formerly 4118L) is 1543 Ha. Approval is expected in mid-2020.

The environmental impact assessment (EIA) for 10031C has been completed and no significant environmental or social threats have been indicated. The application for the environmental license was submitted in December 2019.

The outcomes of the environmental and social impact study can be summarised as follows:

- No significant environmental threats. Government recommendations during final site visit were within the projects plans and budgets
- Economic opportunities, with both direct and indirect opportunities created
- Employment benefits resulting in an increase in the skills base in the area
- Improved Infrastructure with upgraded roads improving access to markets and access to educational and medical infrastructure
- Social development benefits with initiatives outlined such as supporting food security, outreach health services, and improved educational facilities and training, all of which will improve the quality of life of communities in the impact zone

## CORPORATE

As at 31 December 2019, the Company had cash and liquid assets of \$4.1M. The Company continues to reduce cash spend wherever possible to help ensure it maximises its ability to secure project finance for its Montepuez graphite project over the coming months.

In October 2019, US\$250,000 was received for the sale of its equity interest in Tenement 5572 in Mozambique after approval of the transfer was received by the Mozambican Government (refer March 2017 Quarterly Report, “Ruby Project”).

### 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.

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#### Investor Enquiries:

**David Flanagan**

Chairman, Battery Minerals Limited  
Tel: +61 8 6148 1000  
Email: [info@batteryminerals.com](mailto:info@batteryminerals.com)

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#### Media Enquiries:

**Paul Armstrong**

Read Corporate  
Tel: +61 8 9388 1474  
Email: [paul@readcorporate.com.au](mailto:paul@readcorporate.com.au)

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**Tony Walsh**

Company Secretary, Battery Minerals Limited  
Tel: +61 408 289 476

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#### Contact Details (Australian Office):

Ground Floor, 10 Ord Street  
West Perth, WA 6005  
Australia  
Tel: +61 408 289 476

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**Competent Person's Statement**

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.

Any references to Ore Reserve and Mineral Resource estimates should be read in conjunction with the competent person statements included in the ASX announcements referenced in this report as well as Battery Minerals' other periodic and continuous disclosure announcements lodged with the ASX, which are available on the Battery Minerals' website. For Mineral Resources - See announcement dated 16<sup>th</sup> July and 18th October 2018 for full details and Competent Persons sign-off. For Ore Reserves - See announcements dated 4 and 12 December 2018 for full details and Competent Persons sign-off. The information in this report that relates to Battery Minerals' Mineral Resources or Ore Reserves is a compilation of previously published data for which Competent Persons consents were obtained. Their consents remain in place for subsequent releases by Battery Minerals of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent.

The information in this Report that relates to Montepuez Mineral Resources is extracted from the ASX Announcement titled 'Group Resource Update' dated 18 October 2018, where the Statement of Estimates of Mineral Resources was compiled by Mr. Shaun Searle who is a Member of the AIG. Mr. Searle has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code (2012). Mr Searle consented to the inclusion in that report of the matters based on his information in the form and context in which it appears.

**Important Notice**

This ASX Announcement does not constitute an offer to acquire or sell or a solicitation of an offer to sell or purchase any securities in any jurisdiction. In particular, this ASX Announcement does not constitute an offer, solicitation or sale to any U.S. person or in the United States or any state or jurisdiction in which such an offer, tender offer, solicitation or sale would be unlawful. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and neither such securities nor any interest or participation therein may not be offered, or sold, pledged or otherwise transferred, directly or indirectly, in the United States or to any U.S. person absent registration or an available exemption from, or a transaction not subject to, registration under the United States Securities Act of 1933.

**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.

## Appendix 1: Tenement Summary - 31 December 2019 <sup>1</sup>

1. TENEMENTS HELD				
Tenement Reference	Location	Nature of interest	Interest at beginning of Quarter	Interest at end of Quarter
8770C	Mozambique	Mining Licence Granted	100%	100%
10031C	Mozambique	Mining Concession in Application	100%	100%
8555	Mozambique	Exploration License Granted	100%	100%
8609	Mozambique	Exploration License Granted	100%	100%

Note 1: The Balama Central graphite project mining concession application was lodged with government in late June 2019. The application process is expected to conclude in 2020.

Note 3: With respect to tenement's 8555 & 8609, an agreement was reached in December 2018 to dispose of these tenements. The agreement reached between BAT, its subsidiaries and Nedeel LLC, was for \$50,000 in cash and a 1% royalty (which may be sold for US\$1m up to the date of 730 days after the grant of a Mining Concession on either or both of the tenements). The change of ownership of these tenements is currently subject to the approval of the Mozambican Government.

**2. MINING TENEMENTS  
DISPOSED: 5572 transfer  
approved by Government  
and completed**

**3. BENEFICIAL PERCENTAGE INTERESTS HELD IN FARM-IN OR FARM-OUT  
AGREEMENTS: Nil**

**4. BENEFICIAL PERCENTAGE INTERESTS HELD IN FARM-IN OR FARM-OUT AGREEMENTS  
ACQUIRED OR DISPOSED: Nil**