



ACN 074 976 828
Suite 32, Level 18, 101 Collins Street
MELBOURNE VIC 3000

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ASX Announcement March 2017 Quarterly Activities Report

Lanka Graphite Limited (ASX: LGR, “Lanka”, “the Company”) is pleased to report on activities on its Sri Lankan graphite exploration projects for the period to 31 March 2017.

Highlights

- **LGR acquires high-grade tenement package in Sri Lanka**
- **LGR now controls largest vein graphite land holding in Sri Lanka**
- **LGR signs Heads of Agreement with world’s largest Graphene supplier**
- **Global Graphene Group is a leading producer of graphene-enhanced products**
- **Joint Venture will develop a range of commercial graphene projects**
- **Heads of Agreement to advance toward a Joint Venture entity within six months**

Acquisition of Miniran Pty Ltd

Post quarter-end, Lanka Graphite announced it had successfully concluded the acquisition of Miniran Pty Ltd (Miniran), an Australian incorporated company that holds a portfolio of highly prospective graphite tenements in Sri Lanka, for a total consideration of \$1.98 million via a Share Sale Agreement.

The exploration tenements held by Miniran include 196 Grid Units across several Sri Lankan districts and cover several abandoned historical mines and graphite production operations.

Under the terms of the Agreement, consideration for the acquisition of Miniran will consist of a new issue of 10,560,000 fully paid ordinary shares (Sale Shares) valued at \$1.32 million, as well as a cash payment of \$660,000. The Deemed Issue Price of the Sale Shares equates to \$0.125 per share and the shares will be issued immediately on the completion of the Share Sales Agreement while payment of the cash component will be deferred 12 months from the completion of the agreement.

The Miniran portfolio represents the last large remaining graphite ground tenement package available in Sri Lanka, making this a significant acquisition for Lanka Graphite. The portfolio is made up of five tenements which consist of varying “Grid Units” in districts and divisions in the south and southwest of Sri Lanka where all historical graphite production has taken place. The tenements cover abandoned mines and production locations that Lanka’s team on the ground in Sri Lanka has explored, examined and sampled, and is satisfied of the high prospectivity of the package.

With the successful completion of the acquisition of Miniran tenements, Lanka Graphite will control the largest land holding of 438 km^2 grid units of prospective high grade vein graphite in Sri Lanka. The Miniran tenements are close to Lanka’s existing exploration licences which will ensure the Company is in the best position to make future commercial decisions on a mining and production operation.

Heads of Agreement with Global Graphene Group

Post quarter-end, LGR announced it had entered a Heads of Agreement (HOA) with a global leader in production of graphene-enhanced products, Global Graphene Group (G³) to advance toward formation of a joint venture entity for development, exploitation and commercial production of a range of graphene-enhanced products. The proposed joint venture would leverage high purity LGR-produced vein graphite.

G³ is the parent company of Angstrom Materials, Honeycomb Battery and Nanotek Instruments and is based in the United States and is a global leader in graphene-enhanced applications, supporting a range of products to customers in 38 countries. G³ is scaling a broad range of commercial platforms of graphene applications in several next-generation, high-value verticals including energy storage, coatings, and thermal management. It holds more than 280 patents across aforementioned verticals, and many are “first” patents.

Lanka and G³ determined that an opportunity exists to collaborate strategically via a proposed 50/50 joint venture, and they agree to supply various intellectual property (“IP”) and products into the joint venture.

Lanka Graphite, operating across the largest vein graphite land holding in Sri Lanka, proposes to supply vein graphite product from future mining operations into the joint venture as well as assist with sourcing investment, marketing and administration. G³ will supply experience in developing IP and research grants, commercialisation planning and manufacturing infrastructure.

Lanka Graphite is working to finalise the binding JV agreement from the HoA as well as the initiation of a Special Purpose Vehicle to explore current high value graphite products and graphene applications in the commercial space.

June Quarter Plans

- Commence detailed EM survey and select highly prospective tenement sites for drilling
- Gather data and analyze existing ground to apply for Artisanal Mining License in Sri Lanka
 - o Artisanal mining license grants the license-holder the exclusive right to mine, process and trade in all minerals specified in the license within an area not exceeding ten hectares or to a depth not exceeding twenty five meters
- Continue ongoing discussions with the government of Sri Lanka to advance the existing strategic MOU executed on 22 December 2015

About Lanka Graphite

Lanka Graphite Limited (ASX:LGR) is an ASX listed graphite exploration company that is focused on exploration of a number of historic and new mining tenements in Central and South Western Sri Lanka. Historic mining at a number of the granted tenements produced very high grade 'lump' or vein style graphite with grades >95%C. High purity vein graphite was historically produced from Lanka's tenements at a grade that is also well suited to graphene derivation. Lanka Graphite will commence exploration of its granted tenements with the intention to develop high grade graphite production that can supply nearby Asian end user companies particularly focused on new technology graphene applications.

Justyn Stedwell
Company Secretary

For further information regarding this release or other company enquiries, please contact:

Peter Taylor
Investor Relations

Ph: 0412 036 231

Email: peter@nwrcommunications.com.au