

31 January 2018

ASX Announcement December 2017 Quarterly Activities Report

Lanka Graphite Limited (ASX: LGR, "Lanka", "the Company") is pleased to report on activities for the period to 31 December 2017.

Highlights

- **Artisanal Mining License (AML) – high grade low cost project with minimal capex. Early production expected to commence in 2018 with more than 100 pits identified for Artisanal Mining.**
- **Lanka is currently applying for its second AML.**
- **Potential off-take currently in discussion to undertake 80% of all LGR graphite production in the next 12 – 24 months**
- **2 IP patents granted for producing high quality graphene with minimal cost through Liquid Phase Exfoliation (LPE) technique, Lanka has the commercial rights to the patents**
- **LGR is planning to set up value addition plant in Sri Lanka to supply high tech, energy industry and graphene producers**

Operations

Artisanal Mining Activities

The Company has been granted its first AML at Exploration License EL307 which gives the company the right to commence small scale production at the applied Exploration Licenses. High grade vein graphite mineralisation outcrops from the surface have been identified in this vicinity making recovery of graphite relatively simple and cost effective.

Lanka anticipates that production of graphite from near-surface and exposed vein graphite within the target area of EL307 is expected to start early 2018 with volumes ramping up to at least 20 tonnes per month by end of 2018.

Site clearance and preparation to commence production has already commenced. Lanka aims to apply for further artisanal mining licenses at its various Exploration Licenses to increase production to a minimum of 2000 tonnes per annum to make the company profitable in the short and long term.

More than 100 sites have been identified for Artisanal Mining. Lanka is currently applying for a second Artisanal License. Core drilling and production to commence at Artisanal Mining mines in 2018.

Potential off-take currently in discussion to undertake 80% of all LGR graphite production in the next 12 – 24 months

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Graphene Production Patent Awarded in the United States

LGR has announced the grant of a graphene production patent to LGR business partner, National Taiwan University of Science and Technology. The granted patent relates to a method of producing graphene via Liquid Phase Exfoliation (LPE) method in particular, via the use of intercalating molecules to produce a modified graphene. This patent was previously lodged and granted in Taiwan as announced by Lanka in November 2016. Results from trials and research conducted by researchers at NTUST have shown that the graphene produced via this patented technology reduces the required amount of concentrated sulphuric acid by 90% as compared to conventional methods, and provides a manufacturing yield of up to 100%.

The modified graphene is suitable for applications in thermal management, electrical devices, energy storage and conversion and for battery anodes.

G3 Strategic Partnership - LG3 Advance Materials Pty Ltd

Global Graphene Group (G3), a holding company for subsidiaries Angstrom Materials, Angstrom Energy, Honeycomb Battery and Nanotek Instruments, is one of the world's largest Graphene producers, producing more than 1000 tons of single and multi-layer graphene. Lanka has shipped 100kg of high grade vein graphite to G3 for its pilot testing. Upon the success of the trial run, G3 is looking into securing long term supply of premium grade graphite from LGR.

Efforts have been directed towards investigating methods to process graphite to accommodate for AMI's specific graphite specification. Lanka is currently working with G3 for the development and commercialisation of graphene enhanced anti-corrosive coating and next generation energy storage product in pilot phase in 12 months. Initial results have shown that the anti-corrosion coating is twice more efficient than traditional coating. Sales of the anti-corrosion coating in the Australian market was approximately US\$650Mn in 2015 with projections to reach US\$1.1Bn by 2026

Corporate

Appointment of Independent Director

The Board of Lanka Graphite Limited (Company) announced the appointment of Mr. Kangadaran Mathivanan as an Independent Non-Executive Director of the Company.

Mr Mathivanan is a successful and well established businessman based in Colombo, Sri Lanka with a wealth of experience in logistics, marketing and international trade.

As founder, owner and CEO of East West Marketing PVT Limited, Mathi until recently ran one of the most successful FMGC companies in Sri Lanka with an annual turnover of 300 million dollars. Mathi is also the vice president of Sri Lanka Cricket, the peak governing cricket body in the country and has an extensive network of contacts in government and business.

Annual General Meeting

At the Company's Annual General Meeting of shareholders, held on 1 December 2017, all resolutions put to the meeting were passed on a show of hands.

Capital Raising

During the quarter the Company received \$245,000 as proceeds from the issue of Shares. The Company will conduct further capital raising activities to raise further funds during the March 2018 quarter.

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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. The collaboration with G3 advances Lanka's corporate strategy to be a key distributor of high quality Graphene products in Australia and New Zealand. Lanka Graphite maintains the largest portfolio of identified high-grade vein graphite Exploration Licenses in Sri Lanka. At many of the EL's vein graphite outcrops at surface or has been historically mined at shallow depths.

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