



## ASX ANNOUNCEMENT

### LAMBOO RESOURCES Limited

ABN 27 099 098 192

ASX: LMB

### CORPORATE OFFICE

Level 7, Christie Offices, 320  
Adelaide Street  
Brisbane QLD 4000

### OPERATIONS OFFICE

Unit 2, 7 Packard Street  
Joondalup WA 6027  
Telephone: +61 7 9301 1047

### CONTACT

Richard Trevillion  
Chief Executive Officer  
richard@lambooresources.com.au  
0412 307 087

Ken Banks  
Investor Relations  
kbanks@bigpond.net.au  
0402 073 999

7th July 2014

### INTENTION TO MERGE CHINA SCIENCES HENGDA GRAPHITE CO LTD WITH LAMBOO RESOURCES LTD

LAMBOO RESOURCES TRANSFORMS FROM EXPLORER TO STATE OF THE ART PRODUCER

MERGED DEAL VALUATION FOR HENGDA INTO LAMBOO IS US\$150M

LAMBOO GROUP TO SEEK LISTING ON A LEADING ASIAN STOCK EXCHANGE POST COMPLETION

## Highlights

- **Binding Framework Agreement, subject to due diligence (“DD”), has been signed to merge up to 100% of the issued capital of China Sciences Hengda Graphite Co, Ltd (Hengda), a graphite mining, processing and products company with Lamboo Resources with the combined entity to be listed on the ASX.**
- **Creation of the first vertically-integrated, stock exchange listed, upstream flake graphite resource company with a downstream state-of-the-art processing and production facility (including spherical anodes and graphene).**
- **Merged entity expected to have competitive market access to burgeoning Lithium Ion battery and EV markets.**
- **Lamboo has already conducted extensive due diligence and subject to completion of DD and other approvals, Lamboo will merge with Hengda.**
- **Lamboo planning listing on a leading Asian Exchange that gives better access to investors and market synergies, to facilitate a greater valuation and re-positioning as a niche technology product producer.**



Lamboo CEO, Mr Richard Trevillion said the proposed merger with Hengda would transform the company into a vertically-integrated high-purity graphite producer and technology company.

“Lamboo will now be positioned as a key international supplier to the burgeoning Lithium-ion battery, renewable energy, super battery, pebble bed technology and graphene markets.”

“With production facilities and flake graphite mines and development projects in China, Australia and South Korea, the combined group will include long-term supplies of flake graphite for the high growth and high valued markets of Asia,” he said.

“Leveraging Hengda’s state-of-the-art facilities throughout China and its existing supply contracts, the group’s initial focus will be on supplying the Chinese market, understood to be highest growth market in the world.”

Mr Wang Fengjun, General Manager and major shareholder, of Hengda said "The proposed merger will create a stronger combined company. In addition to the high quality flake graphite resources of Lamboo, the group will now also include the superior R&D and production capabilities, such as for spherical anodes and graphene, along with the well-developed sales network of Hengda.”

“This integration will achieve a new milestone in the graphite industry accelerate the development and industrialisation of new material-using emerging technologies, and benefit the world's needs for new clean energy and materials generally.”

Mr Trevillion said a merged entity would be perfectly positioned to expand Hengda’s existing supply arrangements.

“The group will address the rapid growth in high-purity flake graphite applications, particularly in China, such as Lithium Ion Batteries for electric vehicles (**EVs**) and energy storage, along with applications in other growth markets such as pebble-bed nuclear reactors and applied graphite technologies,” he said.

“The integration with Hengda will also accelerate the metallurgical analysis required for the development of the Lamboo’s McIntosh and Geumam (South Korean) High Purity Flake Graphite Projects.”

The combined group will also benefit from Hengda’s existing customer contracts and revenue base.

The Agreement executed with Mr Wang and Hengda will form the basis for negotiation of a Share Sale and Purchase Agreement (**SPA**) between Lamboo and Mr Wang and the four other shareholders of Hengda who have elected to participate.



## **Strategic rationale for the Transaction**

Lambooo and Hengda have been working closely during 2014 towards a corporate combination designed to create a uniquely-positioned flake graphite products and technology supplier with coverage over the full upstream-downstream value-chain targeted initially at the rapidly-expanding Asian markets for Lithium Ion Batteries used in EVs and other energy storage applications, along with new flake-graphite-based technologies in pebble bed reactors and graphene applications.

Lambooo believes that the combination of Lambooo and Hengda will create a world-leading production and technology company with state-of-the-art capabilities and facilities in this high-growth market where scarcity prevails in high-purity flake graphite products.

### **Lambooo benefits**

- Huge margin expansion that enables Lambooo to capture finished graphite product sale price
- Brand new production facility, technology, engineering and research centre
- Barrier to enter and develop finished graphite products in China removed
- Very experienced team with superior R&D and production capabilities consisting of 550 staff
- Already established access and distribution to end customers
- Distribution located in the highest growth market in the world
- Diversification of graphite production via existing operating Hengda mines in China
- Merged group well-positioned to attract strategic and institutional investors

### **Hengda benefits**

- Secures resource security of supply for rapid growth in expected demand
- Confirms resource security of supply in the context of Chinese environmental and mining policy changes as many existing Chinese graphite mines are closed-down
- Huge margin expansion through Hengda capturing a greater share of the value chain
- Access to capital markets if required for future growth ambitions and for liquidity, if needed, due to China's tight money supply environment
- Integrated listed company achieves accounting and regulatory standards for potential Asian listing
- Integrated listed company achieves enhanced public awareness and credibility
- Merged group well-positioned to attract strategic and institutional investors



The integration of Lambooo and Hengda provides huge capacity for scale-up over the coming years to address the expected growth in demand for these products from Asian consumers.

As mentioned previously, Lambooo has recently established a corporate office in the Central District of Hong Kong and has been investigating the potential to increase its corporate presence in Hong Kong to provide greater access to Asian capital markets and potential customers, and closer proximity to Hengda's operations.

## Key Terms of the Agreement

Under the terms of the Agreement, Lambooo, Wang and Hengda have agreed:

The merge price of Lambooo and 100% Hengda for US\$150 million consists in 2 parts:

**Part 1:** Lambooo scrip to the value of US\$75 million. The scrip is based on issue price of \$0.848 per Lambooo share. This has been calculated being the average closing price of Lambooo shares since the announcement of the McIntosh scoping study on 24 June 2014.

**Part 2:** Lambooo scrip to the value of US\$75 million or Lambooo has the option with respect to the prevailing share price at the time of the completed transaction a cash payment of up to US\$75 million. The cash payment will be subject to Lambooo share price and strategic investor interest. If Lambooo elects to pay in scrip. The scrip is based on issue price of \$0.848 per Lambooo share. This has been calculated being the average closing price of Lambooo shares since the announcement of the McIntosh scoping study on 24 June 2014.

The issue of scrip will be subject to an escrow period. With Mr Wang and Hengda potentially taking the full consideration all in scrip highlights the extraordinary potential of the merged entity. The possible all-scrip merger provides a strong platform for Hengda to develop and grow into something much more.

## Conditions Precedents

The transaction is subject to various conditions precedent, including:

- Hengda being determined by a third party value to have a value of at least US\$150,000,000;
- Various regulatory approvals and documentation for Hengda and its shareholders;
- Legal, financial and technical due diligence investigations to be undertaken by the parties, and the parties to be satisfied with the outcome of that due diligence; and
- All necessary approvals are obtained (including but not limited to Lambooo shareholder approval).

Lambooo has engaged professional advisors to perform the due diligence on Hengda. In the event that either party is not satisfied with the findings of the due diligence investigation, the Framework Agreement may be terminated. Otherwise, the Framework Agreement may be terminated for material breach and other customary termination events.



## **Refundable Deposit**

Under the Agreement, Lamboo have paid to Wang a refundable deposit of US\$2,000,000 guaranteed by Hengda. Lamboo will undertake a placement, in accordance with the Company's placement capacity within ASX listing rules, of 2.445 million Lamboo shares at 90 cents per share to fund the deposit and maintain existing cash for the ongoing activities at its Western Australian and South Korean flake graphite projects.

The placement is being made to an existing institutional shareholder group and a significant cornerstone sophisticated Investor. The Company anticipates the shares being allotted later this week. The deposit will be refunded to Lamboo in the event that Wang or Hengda terminate the framework agreement or otherwise cease to progress the transaction or Lamboo is not satisfied with any of the conditions precedent including due diligence.

## **Exclusivity**

The parties have committed to deal with each other exclusively during the due diligence period and not engage in negotiations or discussions with any other third party for matters the subject of this transaction or related to the development of technology or mineral licenses.

## **Due Diligence**

Lamboo is engaging expert advisors to complete financial and legal due diligence on Hengda under the conditions precedent for the Agreement. BDO Hong Kong has been engaged by Lamboo to complete financial due diligence and proposals from appropriately qualified local legal and technical advisors have been sought to commence detailed due diligence as soon as practicable.

Lamboo will withhold comments on forecasted production and revenue figures until completion of the audit and financial due diligence period.

The Company will provide updates to the market as due diligence progresses over the coming month, and will advise on likely timing of completion of remaining Conditions Precedent and the completion of the transaction.



## About Hengda



Hengda Graphite Hi-Tech Industrial Park

Hengda is a graphite mining and manufacturing company based in Hubei, China, employing approximately 550 staff. Hengda owns a natural flake crystal graphite mineral resource and operates three graphite mines in China as well as manufacturing a range of graphite products and conducting research and development.

On 18 June this year, Hengda and Lamboo announced that they had entered into a binding off-take Supply Agreement for the supply of 50,000 tonnes per annum of flake graphite concentrate at floor price of no less than \$2,000 per tonne of flake graphite concentrate. In parallel with the Supply Agreement arrangements, Lamboo and Hengda have been investigating the possibilities for closer working relations aimed at greater integration including the merging of the two operations to create a world-class, vertically-integrated high-purity flake graphite production, purification and technology company.

Hengda was acquired by its current owners in July 2009. The company has operated a small number of graphite mines in China (Jinchang, Jingyin, and Tanjiagou) and manufactures a range of graphite products including spherical anode production for Lithium-ion batteries, downstream processing, and conducts high-tech research and development and trading activities.

Hengda has recently completed an extensive program of investment in new and upgraded facilities to capitalize upon the extraordinary growth of electric vehicles and other high tech markets.

Along with its new graphite materials engineering and research centre, Hengda has built three industrial parks in China – a graphite mine industrial park, a basic graphite materials industrial park, and a high tech graphite industrial park. Hengda owns and operates three flake graphite mines in China.



Hengda Spherical Graphite Plant

During 2014, the company has invested significantly in graphene production, ultrathin graphite paper production and negative electrode material manufacturing. The company has 11 patents awarded and 26 under application.



Hengda Graphite Basic Materials Industrial Park

The Hengda mine industrial park is located in Zhangcunping Town, and includes a graphite concentrator, tailings pond, 35KV power transmission line and transformation station for the mine, a drying and screening plant, a dedicated road from Jinchang graphite mine to Jingying graphite mine and other works.



*... developing high purity flake for new technologies*



Hengda's Jinchang Graphite Mine (Graphite Mine Industrial Park)

**Richard Trevillion**  
**Managing Director**





## Natural flake graphite products

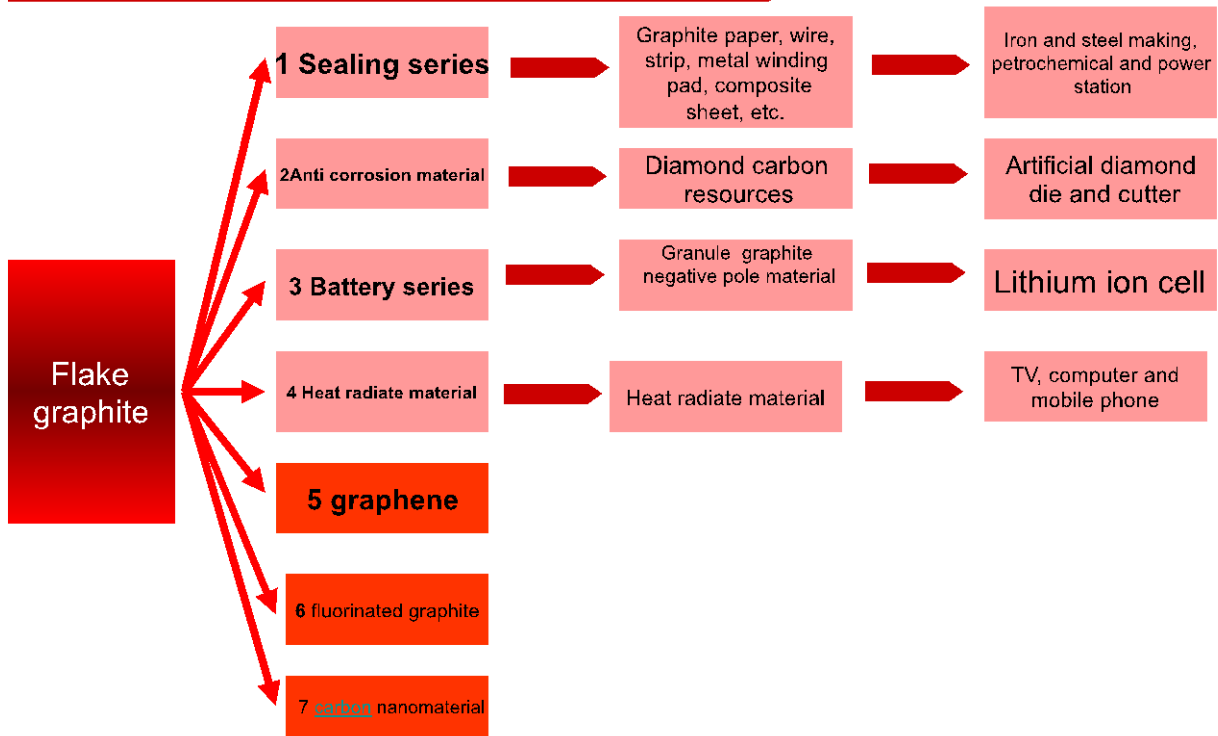


Diagram of Hengda Product Range (Source: Hengda)