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ASX Announcement

April 18, 2017

Lanka Graphite increases largest vein graphite land holding in Sri Lanka with acquisition of high grade tenement package

Highlights

- **Acquisition of last large parcel of graphite ground in Sri Lanka**
- **Lanka Graphite now controls largest vein graphite tenement package**
- **Ensures key position in Sri Lanka vein graphite mining industry**
- **$1.98M sale terms include share payment and delayed cash settlement**

Lanka Graphite (ASX: LGR), (the Company) is pleased to announce that it has 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 districts located in Sri Lanka that 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 completion of the Share Sales Agreement while payment of the cash component will be deferred 12 months from the completion of the Agreement.

This acquisition by Lanka is significant in that the Miniran portolio represents the last large remaining graphite ground tenement package available in Sri Lanka. The Miniran portfolio is made up of 5 tenements which in turn consist of varying “Grid Units” (Figures 1-4.) in districts and divisions in the South and South West region of Sri Lanka where all historical graphite production has taken place. The tenements cover a number of abandoned mines and production locations that Lanka’s team on the ground in Sri Lanka have explored, examined and sampled, before being satisfied of the high prospectivity of the tenements.

With the successful completion of this acquisition from Miniran, Lanka Graphite will control the largest land holding prospective for high grade vein graphite in Sri Lanka. The proximity of the Miniran

tenements to Lanka's existing exploration licences ensures the Company will be in the best position to make future commercial decisions on a mining and production operation.

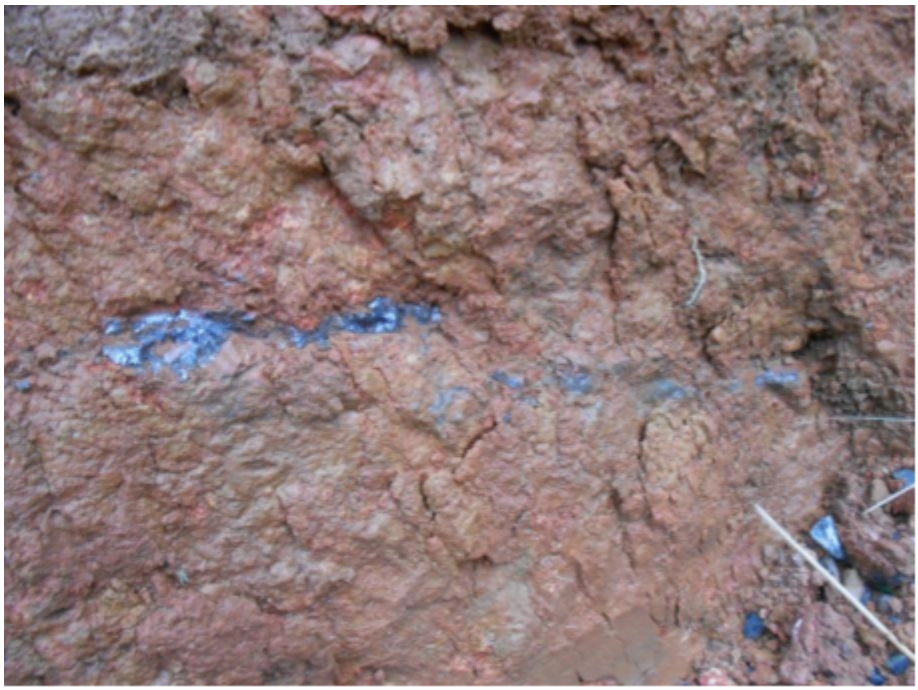
Commenting on the Miniran acquisition, Lanka Graphite's Chairman Jitto Arulampalam stated, "This key acquisition now places Lanka Graphite at the very heart of the future development of the graphite/graphene industry in the highest grade vein graphite location in the world. Lanka Graphite now controls the largest graphite exploration land package in Sri Lanka which ensures that our company is in the best position to advance its vein graphite exploration and development strategy.

Our future and focus is very much aligned to that of Sri Lanka, and we are another step closer to developing Sri Lanka as the hub of global vein graphite and graphene production."

Images of vein graphite occurrence taken at Miniran tenement site visit

Figure 1. Outcropping vein graphite

Figure 2. Graphite vein structure in trench wall



Details of the project locations in Sri Lanka (196 Grids)*:

- 50 Grid Units in Kiriella and Kuruwita DS Divisions in Ratnapura District
- 48 Grid Units Centred on Udalamatta and Yatalamatta Areas in Yakkalamulla and Nagoda DS Divisions in Galle District
- 84 Grid Units Around Panagoda – Dellawa – Banagala – Millawa – Waralla Areas in Tawalama, Neluwa and Embilipitiya DS Divisions in Galle & Matara Districts
- 14 Grid Units Around Godakawela – Malwatta – Rakwana Areas in Godakawela DS Division in Ratnapura District

***See Appendix A, Figures 3 – 6**

Justyn Stedwell
Company Secretary

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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.

Sri Lanka Graphite Geological Model

Sri Lankan graphite generally occurs as high-purity veins (>95%), ranging in thickness from veinlets less than 1mm thick to massive veins more than 1m thick. The veins are usually located in the hinge zones of antiforms within highly metamorphosed, granulite facies, rocks of the Precambrian Basement terrain that underlies much of Sri Lanka.

Vein graphite mineralisation is commonly associated with pegmatites and vein quartz, both related to tensional zones of open space in fold hinges and cross cutting structures. The graphite veins follow linear, sub-vertical, zones aligned with the axes of antiforms and is considered to have been derived from CO_2 in late hydrothermal fluids, produced during metamorphism.

Graphite was also deposited in secondary fractures at right angles or at steep angles to the strike of the antiformal hinge zones, although not all such fractures are so infilled. These types of secondary fracture veins can form the bulk of the graphite resource in a deposit in Sri Lanka.

Given that Sri Lanka was previously a major world supplier of high-quality vein graphite, extensive mining and prospecting for graphite occurred in the country over the past two centuries. Old shafts, adits and prospecting pits are therefore a common starting point for present day exploration.

APPENDIX A

Figure 3. Grid Units in Kiriella and Kuruwita Divisions

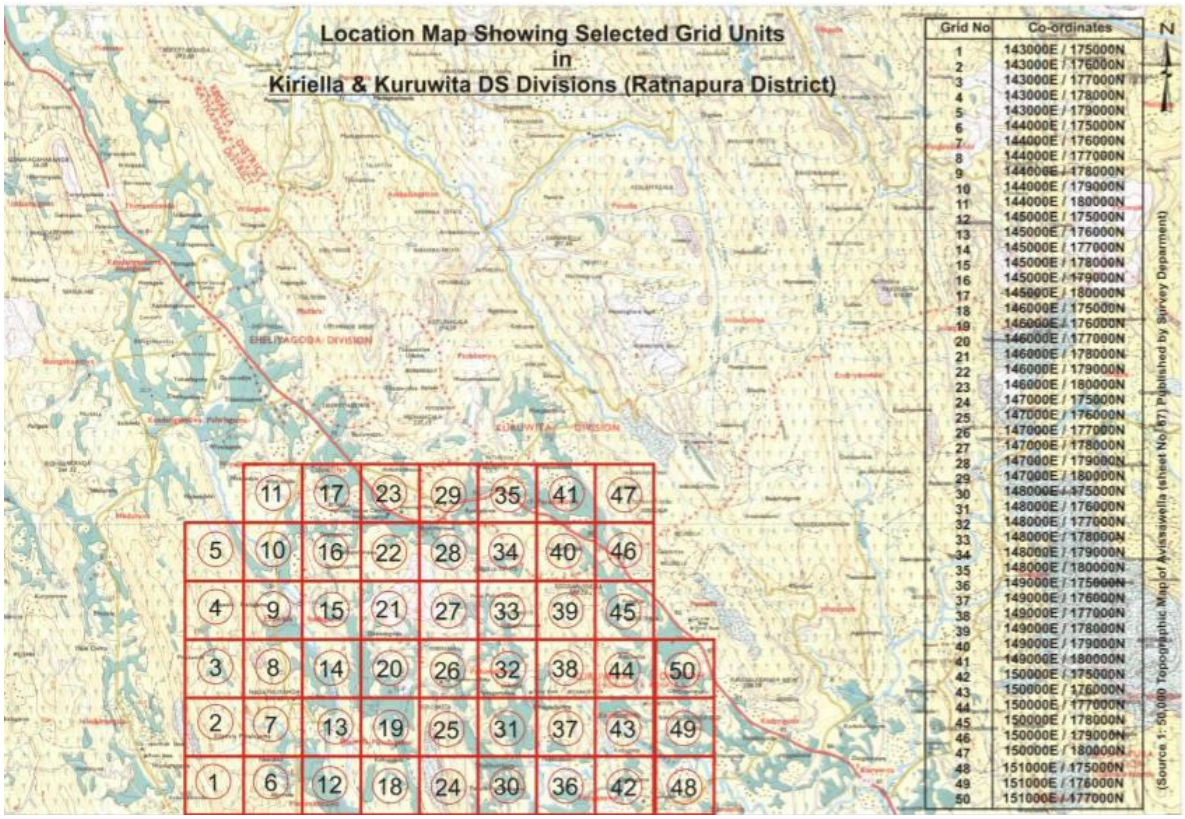

Figure 4. Grid Units centred on Yatelamatta, Yakkatamulla and Nagoda Divisions

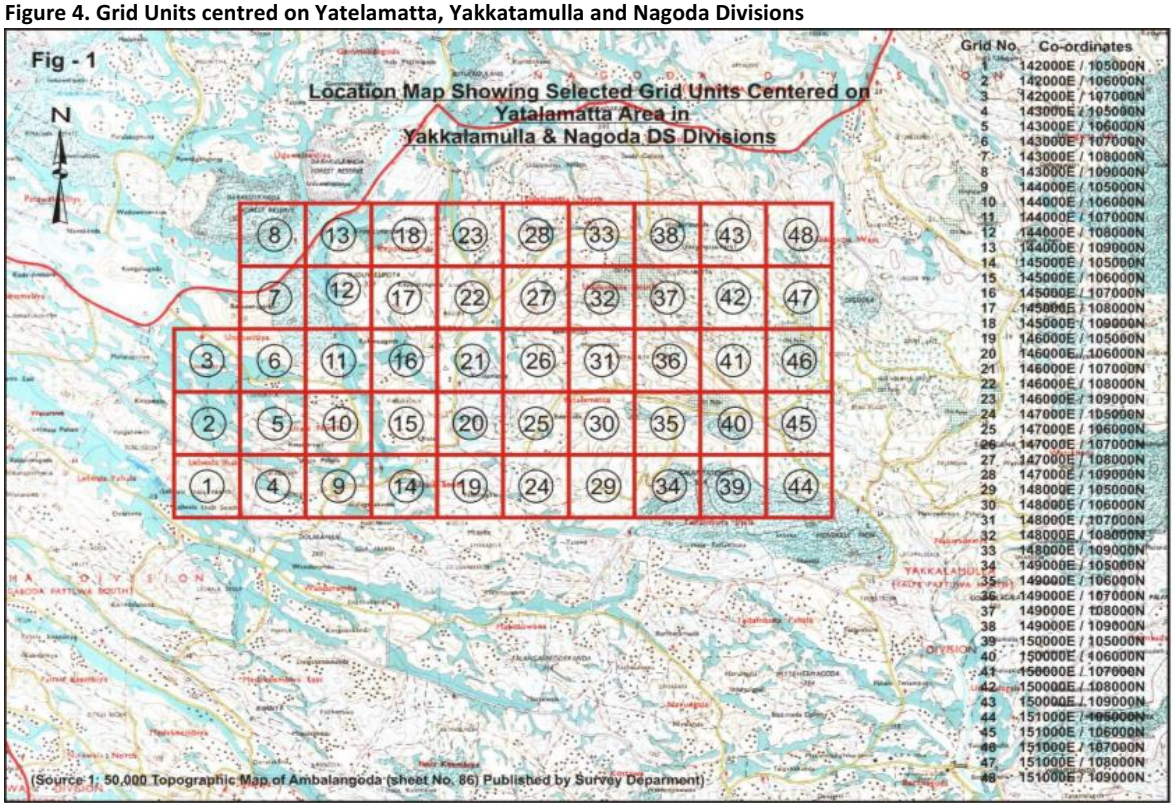

Figure 5. Grid Units around Panagoda-Dellawa-Banagala-Millawa-Warralla divisions

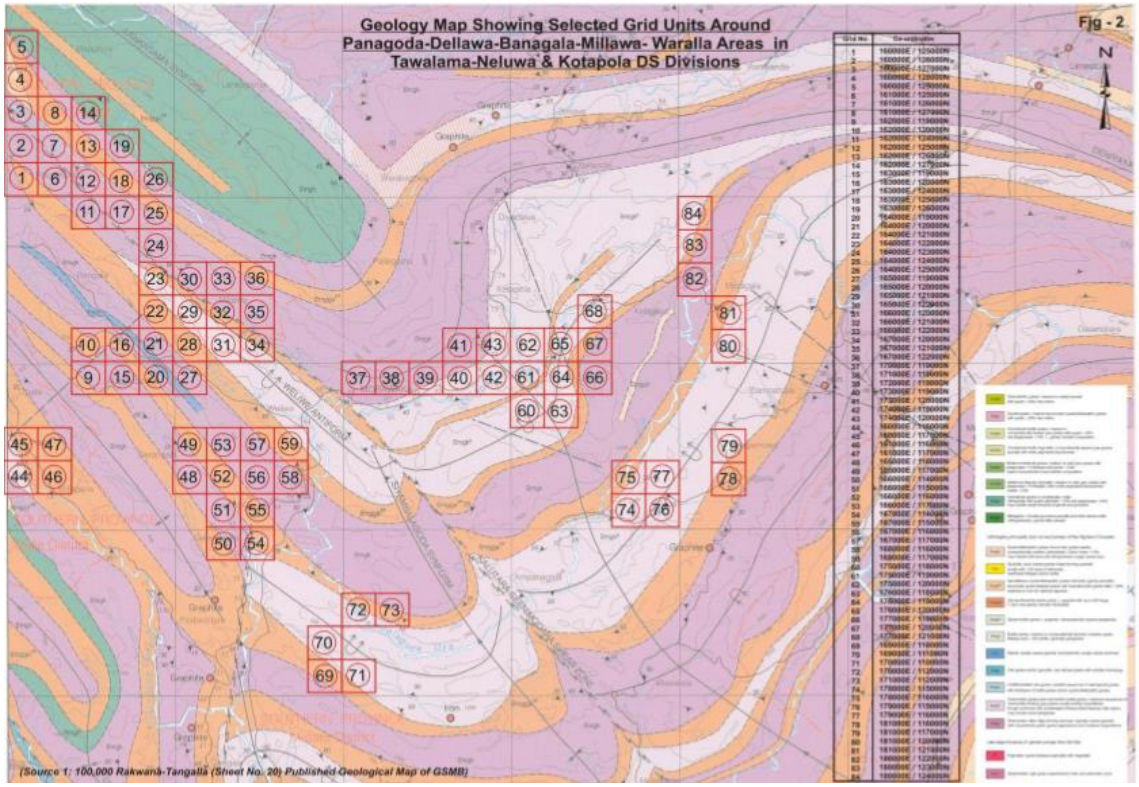

Figure 6. Grid units around Godakawela-Malwatta-Rackwana areas