

ASX ANNOUNCEMENT

29 August 2016

**WASHINGTON H. SOUL PATTINSON AND COMPANY TO
MERGE JV INTEREST INTO GRAPHITECORP**

- Washington H. Soul Pattinson and Company (WHSP, ASX: SOL) to become a substantial shareholder in Graphitecorp at 18.73%
- WHSP to subscribe for additional shares in Graphitecorp at \$0.60 per share by way of private placement
- WHSP to receive board representation and contribute further skills in mining, processing, logistics, exports, project finance, and mergers and acquisition
- Pitt Capital Partners, a 100%-subsidiary of WHSP appointed by Graphitecorp as financial advisor for advancing the project and for potential control transactions

Graphitecorp Limited (ASX: GRA) and its joint venture partner **Washington H. Soul Pattinson and Company Limited (WHSP, ASX: SOL)** are pleased to announce that the parties have reached agreement to merge WHSP's joint venture interest in the Mount Dromedary Graphite Project into Graphitecorp in return for new ordinary shares in Graphitecorp.

Merging the parties' joint venture interests will result in WHSP emerging with an 18.73% shareholding in Graphitecorp. In addition, WHSP has agreed to invest further cash into Graphitecorp at \$0.60 per share by way of private placement and will appoint a nominee, Mr Robert Cooper, to the Board.

Mr Cooper is a mining executive with more than 25 years' experience in various operational and technical roles across a diverse range of metalliferous commodities, both in Australia and overseas. Mr Cooper is also the Chief Executive Officer of CopperChem Limited and Exco Resources Limited, both of which are wholly owned subsidiaries of WHSP.

Under the transaction arrangements, WHSP's 100%-owned investment banking and advisory subsidiary, Pitt Capital Partners (PCP), has also been appointed as financial advisor to Graphitecorp in relation to advancing the project and for potential control transactions. Mr Dean Price, an Executive Director of PCP, will act as Mr Cooper's alternate director. Mr Price is an experienced finance executive with over 16 years experience advising Australian companies on mergers and acquisitions, capital markets and restructurings.

The appointments of Mr Cooper and Mr Price will further strengthen the Board's collective experience in project development and financing, capital markets, mining and mineral processing.

Graphitecorp Chairman, Tony Bellas said that the joint venture simplification coincided with the successful completion of the exploration phase at the Mount Dromedary Graphite Project and was intended to help streamline the project's development.

"We are now entering the mine planning, feasibility, and financing stage of the project and the new arrangements with the WHSP Group will provide a range of short and long-term benefits," he said.

The world-class Mount Dromedary Graphite Project is located in the well-known Cloncurry mining district in north-west Queensland, adjacent to a sealed highway providing access to container export terminals for shipping to Asian, North American and other markets. The Project's high-grade graphitic schist unit of commercial interest outcrops at surface over a three kilometre strike-length and appears to be suited to open-cut and surface mining techniques.

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WHSP Chairman, Robert Millner said that the WHSP Group's established experience in mining, minerals processing, logistics, exports and project financing would be particularly valuable in progressing the project now that the exploration at Mount Dromedary had been de-risked.

"The merger transaction and shareholding in Graphitecorp demonstrates WHSP's positive view of the outlook for the battery materials market and for the high-grade Mount Dromedary Graphite Project," Mr Millner said.

A summary of the key terms of the transaction is provided in the Appendix attached to this announcement.

The transaction is subject to shareholder approval, to be sought at the Company's Annual General Meeting (AGM), expected to be held during October. The Directors will be voting in favour of the transaction and are intending to recommend that all shareholders do the same.

Full details of the transaction will be provided to shareholders and the Australian Securities Exchange (ASX) with the Notice of AGM and its Explanatory Memorandum to be released during September.



Containerised Ocean Transport Possibilities: Container export options for Mount Dromedary graphite products from major Queensland container terminals to Potential North Asian and West Coast USA Graphite Users

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APPENDIX – SUMMARY OF TRANSACTION

Graphitecorp Limited (Graphitecorp) and Exco Resources Limited, a wholly-owned subsidiary of Washington H. Soul Pattinson and Company Limited (WHSP), today entered into:

- a development rights agreement, pursuant to which WHSP has agreed to grant Graphitecorp certain development rights and to vary its own priority rights over the project area in exchange for the issue of shares Graphitecorp (JV Transaction); and
- a placement agreement, pursuant to which WHSP has agreed to subscribe for 500,000 fully paid ordinary shares in Graphitecorp at \$0.60 per share (Placement), settlement of which will occur contemporaneous with settlement of the JV Transaction.

Under the JV Transaction, WHSP will be issued 15,528,818 fully paid ordinary shares in Graphitecorp which, together with the Graphitecorp shares to be issued under the Placement, will give WHSP voting power of 18.73% in Graphitecorp on completion of the transaction. The shares issued on completion of the JV Transaction will be issued in consideration of WHSP granting the rights that it currently holds as a 20% joint venture participant in the Mount Dromedary Graphite Project to Graphitecorp and agreeing to extinguish the metal rights that it holds over the area of the proposed mining lease for the Mount Dromedary Graphite Project (refer to section 8.2 of Graphitecorp's replacement prospectus dated 10 November 2015 for a description of those rights).

WHSP has agreed that the Graphitecorp shares issued to it as part of the JV Transaction, will be subject to voluntary escrow until 3 December 2017. The escrow arrangement is subject to customary carve-outs in the event that a takeover bid or other control transaction is made for Graphitecorp.

The Placement and the JV Transaction are subject to Graphitecorp shareholder approval. The board of Graphitecorp expects that the resolutions to approve the Placement and the JV Transaction will be put at Graphitecorp's upcoming annual general meeting (in mid-late October).

Separately, Graphitecorp has entered into a mandate with Pitt Capital Partners (PCP), pursuant to which PCP is engaged to act as Graphitecorp's financial adviser for a period of 12 months, to be extended on mutual agreement, in relation to potential control transactions and advice surrounding the advancement of the project.

Under the mandate arrangements, PCP will be compensated on a success fee basis upon the successful completion of a transaction which it has introduced and facilitated and will receive an alternative fee in the event of completion of a transaction that it has not introduced.

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ABOUT GRAPHITECORP LIMITED

Graphitecorp (ASX: GRA) is a developer of one of the highest-grade flake graphite deposits in the world, located in Australia, and referred to as the Mount Dromedary Project.

The deposit includes a large high grade "Graphite Schist" mineralisation zone averaging 18.8% TGC (up to 35% TGC) with large flake size distribution being 43% jumbo to large flake size and outcropping over a strike-length of at least 3km with a variable width between 35m and 350m.

The project is favourably located 125km north of Cloncurry with well-developed transport and mining supply infrastructure available.

- Located in Australia with low levels of sovereign risk, ability to provide long term security of supply, alternate sourcing to China and Africa, and higher environmental and other sustainability related standards
- Large, high-grade open-cut deposit located within one kilometre of a sealed all-weather bitumen highway maintained by the State Government and gazetted for use by road-trains
- Daily road-train transport to the Ports available from major freight haulage companies with large-scale backhaul capacity
- Highway networks connect the project with Queensland export ports including the Port of Brisbane which is regularly serviced by major shipping liners and has back-loading capacity to target overseas markets; and
- Located in a well-established mining region with abundant skills, services and experience, and playing a significant role in the Queensland economy.

Given strong project fundamentals and positive demand outlook for specialised graphite products, Graphitecorp is diligently progressing a feasibility study to confirm the economic opportunity of establishing a business to mine, process, manufacture and market high quality graphite products into Asian, North American and other global markets.

FOR FURTHER INFORMATION

Greg Baynton
Executive Director

Phone: +61 414 970 566

Email: greg@graphitecorp.com.au

Tony Bellas
Chairman

Phone: +61 412 244 385

Email: tony@graphitecorp.com.au

Website: www.graphitecorp.com.au

ABOUT WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED (WHSP)

WHSP is Australia's second oldest listed company and Australia's leading diversified investment house.

Since listing on the Australian Securities Exchange in 1902, WHSP has paid a dividend every year, including throughout the depression of the 1930s.

With a market capitalisation exceeding \$4 Billion, today WHSP's investments span many different sectors and include telecommunications, coal, copper, building products, pharmaceuticals, agribusiness, real estate and financial services.

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED (ASX: SOL)

Website: www.whsp.com.au

For further information about WHSP's investment:

Dean Price, Executive Director, Pitt Capital Partners: 02 9210 7003

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