Kibaran Resources Limited

ABN 15 117 330 757

Interim Financial Report

for the Half-Year Ended

31 December 2016

This information should be read in conjunction with the
30 June 2016 Annual Report

premium quality graphite uniquely tanzanian

Corporate information

Directors

Robert Pett - Non-Executive Chairman
Andrew Spinks - Managing Director
Grant Pierce - Executive Director
John Conidi - Non-Executive Director
Christoph Frey - Non-Executive Director

Company Secretary

Robert Hodby

Registered and Principal Office

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Solicitors

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Auditor

Ernst & Young
11 Mounts Bay Road,
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Bankers

Westpac Banking Corporation
109 St Georges Terrace,
Perth, WA 6000

Stock Exchange Listing

Australian Securities Exchange
ASX Code: KNL
Borse Frankfurt: FMK
Fully paid ordinary shares

Contents to the half - year financial report

The Directors of Kibaran Resources Limited ("Kibaran" or "the Company") and its controlled entities ("consolidated entity" or "the group") present their Directors' Report together with the Financial Report of the Company for the half-year ended 31 December 2016.

Directors
The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Robert Pett	Non-Executive Chairman
Andrew Spinks	Managing Director
Grant Pierce	Executive Director
John Conidi	Non-Executive Director
Christoph Frey	Non-Executive Director (appointed 10 August 2016)

Principal Activities

The principal continuing activities of the Company consisted of graphite focused exploration and evaluation in Tanzania, East Africa including feasibility work on the Epanko Graphite Project and marketing of graphite.

REVIEW AND RESULTS OF OPERATION

Operating Results

The loss of the consolidated entity for the half-year ended 31 December 2016 after providing for income tax amounted to $2,151,678 (31 December 2015 Loss: $1,368,606).

No dividends were declared or paid during the half-year ended 31 December 2016 (2015: Nil).

Review of Operations

Kibaran Resources (ASX: KNL) is pleased to report on what has been another positive six months for the Company as it advances its Epanko Graphite Project (100% Kibaran) in Tanzania towards a decision to mine.

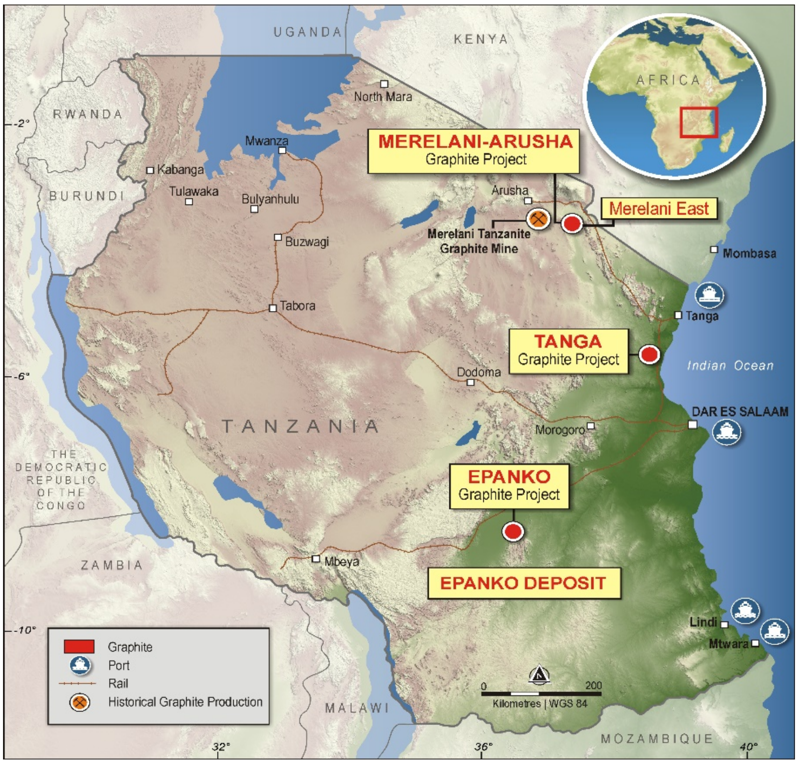

Figure1 – Epanko Graphite Project Location

KEY HIGHLIGHTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016:

- Binding sales agreement signed with Japanese Trader Sojitz
- 100% of Epanko's production now covered by binding agreements
- Studies commenced on expanding Epanko's capacity from 40,000tpa to 60,000tpa
- Relocation Action Plan for Epanko is well advanced and results due soon
- Significant progress made on pre-development activities at Epanko
- Commencement of Feasibility Study on downstream processing of Epanko graphite to produce lithium-ion battery-grade graphite is well advanced, with test work and equipment selection completed. End-user test work on battery-grade graphite samples exceeds analytical specifications. (Refer to ASX Announcement 14 November 2016)[1].

CORPORATE

- The Company successfully raised $10.9m (before cost) on 17 August 2016 via a placement to institutional and sophisticated investors. This placement was significantly over-subscribed and resulted in several major institutional investors becoming shareholders in the Company.

  The proceeds from the $10.9m placement are being used to fund pre-development activities at Epanko and advance the relocation action plan. It is enabling Kibaran to undertake studies on increasing Epanko's planned production from 40,000tpa of graphite concentrate to 60,000tpa and to conduct a feasibility study on downstream processing options, including the production of battery-grade graphite for sale to the lithium-ion battery industry and other value add products.

- The exercising of 4,977,500 options at $0.20 during the period added an additional $995,500 to add to the pre-development activities at Epanko.

- During the period a binding sales agreement was signed with Japanese Trader Sojitz, this is 100% of Epanko's production now covered by binding agreements, for the supply of 14,000 tonnes per year of Epanko natural flake graphite. The initial term of the agreement is five years. (Refer to ASX Announcement 8 August 2016)[2]

SUSTAINABILITY

The Company has focused on accelerating the relocation and compensation process during the period. The Relocation Action Plan ("RAP") currently being completed has the strong support of the District and Regional Governments and the Ministry of Energy and Minerals. The RAP process currently being completed is in accordance with the IFC Equator Principles and is a condition precedent to project finance and mine development. Compensation to land owners is included in the Company's BFS budget.

Specialist Environmental and Social Consultants were appointed and have been working alongside the Company's full-time Community Liaison Manager. A Resettlement Working Group ("RWG") has been formed after several months of community consultation. Kibaran is working very closely with the local communities to ensure that the RAP process is conducted in a consultative and professional manner.

PRE-DEVELOPMENT AND EXPANSION ACTIVITIES

During the past six months a number of important activities were completed as part of the upgraded Bankable Feasibility Study ("BFS") for the Epanko Graphite Project in Tanzania for expansion of production from 40,000tpa to 60,000tpa and pre-production activities. These included:

- Completion of 7,734m of infill and extension drilling campaign on both the Western and Eastern deposits
- Targeted diamond drilling for structural, geotechnical and metallurgical purposes
- Five water bores drilled
- Analysis of 7,445 samples for total carbon and total graphitic carbon
- An aerial VTEM and magnetic survey covering the Mining Lease area to access the potential global resource and targets
- Completion of a structural analysis of the mining lease focusing on structural controls on the deposits and mineralisation
- LIDAR survey for the engineering design of access roads and infrastructure

Additional drilling was undertaken in the Eastern and Western zones, increasing the confidence of the reserves as part of planning for the first stages of production. Many of the holes drilled have provided additional geotechnical data for incorporation into the pit designs. Geotechnical data and metallurgical drilling will provide additional information to be used in the final pit and process plant designs. (Refer to ASX Announcement 31 January 2016)[3]

Board Appointments

Christoph Frey was appointed as Non-Executive Director on 10 August 2016.

Events after Balance Date

No other matters or circumstances have arisen since 31 December 2016 that have significantly affected or may significantly affect:

- The consolidated Group's operations in future financial years,
- The results of those operations in future financial years, or
- The consolidated Group's state of affairs in future financial years.

Auditor independence declaration

The lead auditor's independence declaration as required under section 307C of the *Corporations Act* 2001 for the six months ended 31 December 2016 has been received and is included on the following page.

Signed in accordance with a resolution of the Board of Directors.

Mr Andrew Spinks
Managing Director

Dated this 14th day of March 2017

Notes

[1]For more information, refer ASX announcement on 14 November 2016. Kibaran Resources is not aware of any new information or data that materially effects the information included in the said announcement.

[2] For more information, refer ASX announcement on 8 August 2016. Kibaran Resources is not aware of any new information or data that materially effects the information included in the said announcement.

[3] For more information, refer ASX announcement on 31 January 2016. Kibaran Resources is not aware of any new information or data that materially effects the information included in the said announcement.

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Auditor's Independence Declaration to the Directors of Kibaran Resources Limited

As lead auditor for the review of Kibaran Resources Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kibaran Resources Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
14 March 2017

GB:EH:KNL:028

Consolidated statement of profit or loss & comprehensive income

For The Half Year Ended 31 December 2016

	Note	Half Year Ended 31 December 2016 $	Half Year Ended 31 December 2015 $
Income			
Other income		67,173	28,573
		67,173	28,573
Expenses			
Communications		(16,539)	(29,410)
Employee benefits expense		(740,092)	(427,769)
Finance & legal		(568,329)	(365,677)
Travel & accommodation		(239,318)	(248,893)
Occupancy		(62,953)	(52,962)
Other expenses		(519,409)	(349,775)
Depreciation		(18,972)	(7,291)
Share based payment		-	(96,065)
Unrealised foreign exchange differences		(53,239)	180,663
		(2,218,851)	(1,397,179)
Loss before income tax		(2,151,678)	(1,368,606)
Income tax expense		-	-
Loss after income tax for the period		(2,151,678)	(1,368,606)
Other comprehensive income/(loss) for the period net of tax		-	-
Total comprehensive loss for the period		(2,151,678)	(1,368,606)
Loss attributable to Members of Kibaran Resources Limited		(2,151,678)	(1,368,606)
Total comprehensive loss attributable to Members of Kibaran Resources Limited		(2,151,678)	(1,368,606)
Loss per share attributable to the members of Kibaran Resources Limited			
Basic loss per share (cents per share)		(0.94)	(0.81)
Diluted loss per share (cents per share)		(0.94)	(0.81)

The above interim consolidated statement of profit or loss & other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2016

	Note	31 December 2016 $	30 June 2016 $
Assets			
Current assets			
Cash and cash equivalents		7,242,992	2,057,463
Trade and other receivables		138,548	846,786
Total current assets		7,381,540	2,904,249
Non-current Assets			
Property, plant and equipment	5	351,834	23,117
Exploration and evaluation assets	6	14,316,487	9,605,357
Total Non-current Assets		14,668,321	9,628,474
Total assets		22,049,861	12,532,723
Liabilities			
Current liabilities			
Trade and other payables		1,131,777	816,811
Total current liabilities		1,131,777	816,811
Total liabilities		1,131,777	816,811
Net assets		20,918,084	11,715,912
Equity			
Contributed equity	4	39,050,698	27,696,848
Reserves		1,869,815	1,869,815
Accumulated losses		(20,002,429)	(17,850,751)
Total equity		20,918,084	11,715,912

The above interim consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

For the six months ended 31 December 2016

	Contributed Equity $	Accumulated losses $	Loan reserve shares $	Share based payments reserve $	Total $
As at 1 July 2015	24,059,748	(13,583,085)	(1,773,920)	3,558,295	12,261,038
Loss for the period	-	(1,368,606)	-	-	(1,368,606)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	(1,368,606)	-	-	(1,368,606)
Transactions with owners in their capacity as owners					
Shares issued during the period	269,000	-	-	-	269,000
Share Based Payments	-	-	-	96,065	96,065
Share issue expense	(770)	-	-	-	(770)
Balance at 31 December 2015	24,327,978	(14,951,691)	(1,773,920)	3,654,360	11,256,727
As at 1 July 2016	27,696,848	(17,850,751)	(2,971,970)	4,841,785	11,715,912
Loss for the period	-	(2,151,678)	-	-	(2,151,678)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	(2,151,678)	-	-	(2,151,678)
Transactions with owners in their capacity as owners					
Shares issued during the period	12,083,500	-	-	-	12,083,500
Share Based Payments	-	-	-	-	-
Share issue expense	(729,650)	-	-	-	(729,650)
Balance at 31 December 2016	39,050,698	(20,002,429)	(2,971,970)	4,841,785	20,918,084

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows

For the six months ended 31 December

	2016 $	2015 $
Operating activities		
Receipt of other income	-	6,292
Payments to suppliers and employees	(1,609,482)	(1,280,923)
Research and development tax credit received	660,234	-
Net cash flows used in operating activities	(949,248)	(1,274,631)
Investing activities		
Payments for exploration activities	(4,711,130)	(2,001,153)
Payments for purchase of property, plant & equipment	(347,689)	(785)
Interest received	48,746	21,341
Net cash flows used in investing activities	(5,010,073)	(1,980,597)
Financing activities		
Proceeds from issue of shares	11,874,500	19,000
Transaction costs of issue of shares	(729,650)	(770)
Net cash flows (used in)/from financing activities	11,144,850	18,230
Net increase/(decrease) in cash and cash equivalents	5,185,529	(3,236,998)
Cash and cash equivalents at 1 July	2,057,463	4,648,784
Cash and cash equivalents at 31 December	7,242,992	1,411,786

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Kibaran Resources Limited and its subsidiaries (collectively, the Group) for the six months ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 14 March 2017.

Kibaran Resources Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The Group's principal activities is consisted of the exploration and evaluation of its tenements in graphite focused mineral resources in Tanzania in East Africa including feasibility work on the 'Epanko Project' and marketing of graphite.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements are a condensed general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. The half-year financial report has been prepared on a historical cost basis.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2016.

It is also recommended that the interim condensed consolidated financial statements be considered together with any public announcements made by the Group during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under ASX listing rules.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016, except for the adoption of new standards and interpretations effective as of 1 July 2016.

The adoption of any new and revised standards and interpretation effective 1 July 2016 has not resulted in any changes to the Group's accounting policies and has no material effect on the amounts reported to the current or prior period.

2. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Types of service by segment
As of the date of this report and during the period ended 31 December 2016 the Group operates in the industry of exploration of graphite in Tanzania.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the type of product and service. The Group has determined that the reportable operating segments are based on geographical locations as they are the source of the Group's major assets.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in Note 2 to the accounts and the annual financial statements of the Group.

Basis of accounting for purposes of reporting by operating segments

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

3. SEGMENT INFORMATION (continued)

Segment Results

The internal reports that are reviewed and used by the board of directors comprise only direct exploration expenditure. This information is used by the board of directors in assessing performance and in determining the allocation of resources and as such no segment result or segment revenues are separately disclosed.

The following table's present revenue and profit information for the Group's operating segments for the six months ended 31 December 2016 and 2015, respectively:

	Australia (corporate head office) $	Tanzania (segment) $	Total $
Six months ended 31 December 2016			
Segment income	67,173	-	67,173
Segment results	(1,630,183)	(521,494)	(2,151,678)
Six months ended 31 December 2015			
Segment income	28,573	-	28,573
Segment results	(1,345,953)	(22,653)	(1,368,606)

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2016 and 30 June 2016, respectively:

	Australia (corporate head office) $	Tanzania (segment) $	Total $
31 December 2016			
Segment Assets	64,120	14,604,201	14,668,321
Unallocated Assets:			
Cash and cash equivalent			7,242,992
Trade and other current assets			138,548
Total assets per the statement of financial position			22,049,861
Segment liabilities	(842,039)	(289,738)	(1,131,777)
30 June 2016			
Segment Assets	7,798	9,620,676	9,628,474
Unallocated Assets:			
Cash and cash equivalent			2,057,463
Trade and other current assets			846,786
Total assets per the statement of financial position			12,532,723
Segment liabilities	(787,224)	(29,587)	(816,811)

4. CONTRIBUTED EQUITY

	31 December 2016 $	30 June 2016 $
242,402,394 (2016: 189,174,894) fully paid ordinary shares	39,050,698	27,696,848

(a) Movements in Ordinary Shares During the Past Six Months Were as Follows:

Date	Details	Number of Shares	$
1 July 2016	Opening balance	189,174,894	27,696,848
21 July 2016	Options exercised	350,000	70,000
12 August 2016	Options exercised	758,335	151,667
17 August 2016	Share placement	47,300,000	10,879,000
18 August 2016	Options exercised	2,088,332	417,666
30 August 2016	Options exercised	1,780,833	356,167
30 August 2016	Issue of shares to consultant in lieu of cash	950,000	209,000
	Transaction costs	-	(729,650)
31 December 2016	Closing balance	242,402,394	39,050,698

(b) Movements in employee share plan shares issued with limited recourse employee loans:

Date	Details	Number of Shares	Nominal Value $
1 July 2016	Opening balance	14,050,000	2,971,970
31 December 2016	**Closing Balance**	14,050,000	2,971,970

5. PROPERTY, PLANT AND EQUIPMENT

	31 DECEMBER 2016 $	30 JUNE 2016 $
At cost	384,037	35,603
Accumulated depreciation	(32,203)	(12,486)
Net book amount	**351,834**	**23,117**

a) Movements in Carrying Amounts:

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period, is as follows:

	Plant & equipment - Office	Plant & equipment - Field	Motor vehicles	Furniture & equipment	Leasehold	Total
Balance at 1 July 2016	7,799	15,318	-	-	-	23,117
Additions	20,758	24,369	279,865	14,315	8,382	347,689
Transfer	-	(17,044)	-	17,044	-	-
Depreciation expense	(1,442)	(1,178)	(14,300)	(1,900)	(152)	(18,972)
Balance at 31 December 2016	27,115	21,465	265,565	29,459	8,230	351,834

6. EXPLORATION AND EVALUATION ASSETS

	31 December 2016 $	30 June 2016 $	31 December 2015 $
Carrying value at beginning of the period	9,605,357	7,711,720	7,711,720
Exploration expenditure capitalised	4,711,130	2,958,184	2,248,965
Exploration expenditure R&D refund	-	(1,064,547)	-
Carrying value at end of the period	14,316,487	9,605,357	9,960,685

Recoverability of the remaining carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of areas of interest and the sale of minerals or the sale of the respective areas of interest.

7. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year (31 December 2015: nil).

8. CONTINGENT LIABILITIES AND COMMITMENTS

There has been no significant change to contingent liabilities and commitments since 30 June 2016.

9. RELATED PARTY TRANSACTIONS

There have been no other significant transactions with related parties that were entered into during the period.

10. EVENTS AFTER BALANCE DATE

No other matters or circumstances have arisen since 31 December 2016 that have significantly affected or may significantly affect;

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

11. FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities of the Group approximated their carrying amount.

Directors Declaration

In accordance with a resolution of the directors of Kibaran Resources Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of Kibaran Resources Limited for the half-year ended 31 December 2016 are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half - year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

ANDREW SPINKS
Managing Director

14 March 2017

Building a better working world

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To the members of Kibaran Resources Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Kibaran Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The Directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kibaran Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the Directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kibaran Resources Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
14 March 2017