

31 October 2012

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**QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE PERIOD ENDING 30 SEPTEMBER 2012**

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Kaboko Mining Limited (“**Kaboko**” or “**the Company**”) the manganese exploration, development and mining company operating in Zambia, is pleased to provide its operational report, together with its subsidiaries, for the quarter ending 30 September 2012. A copy of this report is also available on the Company's website, [www.kabokomining.com](http://www.kabokomining.com).

**COMPANY HIGHLIGHTS**

- **Execution of loan and security documentation for a US\$10m Prepayment Debt Facility and a 10 year Manganese Ore Off-take Agreement with Noble Resources Limited, a subsidiary of Noble Group Limited**
- **Strengthening of management team with the appointment of highly experienced manganese executive Mr Simon Youds as the Company's Technical Consultant**
- **Highly attractive fiscal and non-fiscal incentives secured for two more of the Company's key Zambian subsidiaries following the granting of Investment Licenses by the Zambian Development Agency**
- **Technical work completed in the Quarter significantly enhances geological understanding across the Company's Zambian Manganese Projects and confirms that an extensive manganese mineralisation endowment exists, and greater than initially identified by the Company**
- **Subsequent to the Quarter's end the Company entered into a new joint venture north of the Company's Peco Project and increased its majority interests in its mining and exploration licenses in Zambia by 35% to now extend over an area of 3,700km<sup>2</sup> of what is considered highly prospective manganese ground**
- **Subsequent to the Quarter's end the Company entered into an unsecured A\$1m debt facility with Perth based investment group, Celtic Capital Pty Ltd to provide the Company with interim funding whilst key regulatory and shareholder approvals are finalised in relation to the US\$10m Pre-Payment Debt Facility and 10 year Manganese Ore Off-take Agreement with Noble Resources Limited**
- **Subsequent to the Quarter's end, the Company and Noble Resources Limited executed Deeds of Amendment extending the date by which the Company is required to satisfy all the outstanding conditions precedent and subsequent to the Transaction by, to 10 January 2013**

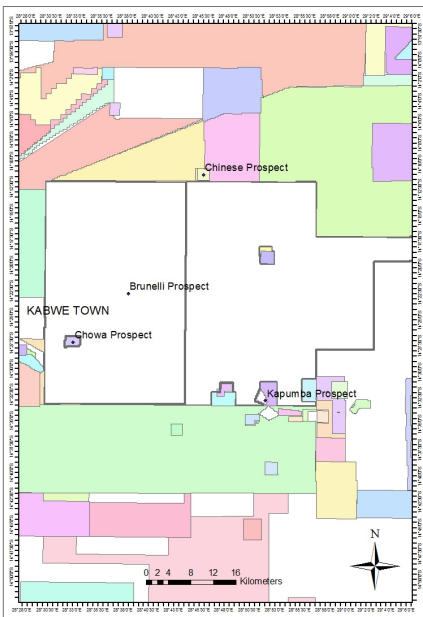
During the 1<sup>st</sup> quarter of the 2012/13 financial year, the Company continued to progress exploration activities across its Zambian Manganese Projects. In conjunction with the Company's Technical Consultant, considerable work was completed across the Emmanuel, Peco and Vaz Project areas to enable planning to be finalised for a comprehensive exploration and RC program planned in the current quarter and throughout FY 2013, and the commencement of mining activities at the Peco Project.

Throughout the Quarter, the Company also progressed legal, technical and financial due diligence work undertaken in conjunction with a wholly owned subsidiary of Noble Group Limited, to satisfy outstanding conditions precedent and subsequent for a US\$10m secured debt facility and 10 year binding manganese ore off-take agreement that was executed during the Quarter.

## ZAMBIAN MANGANESE PROJECTS

### EMMANUEL PROJECT

The Emmanuel Project is located 10km north-east of Kabwe and covers over 2,000km<sup>2</sup>. The project lies within the Kabwe Manganese Field, a region of known manganese occurrences and several established open pit manganese operations. The Project contains several prospects, the most advanced of which is the Chowa Mine. Other prospects include the Brunelli Prospect, where some trenching was completed during the Quarter, prospective areas south of an existing mine to the north of the concession and the Kapumba Prospect located towards the south eastern corner of the license area.



The Chowa Mine is accessed by well-constructed gravel roads. Zambia's electricity grid passes through the concession area 3km N of the Chowa Mine.

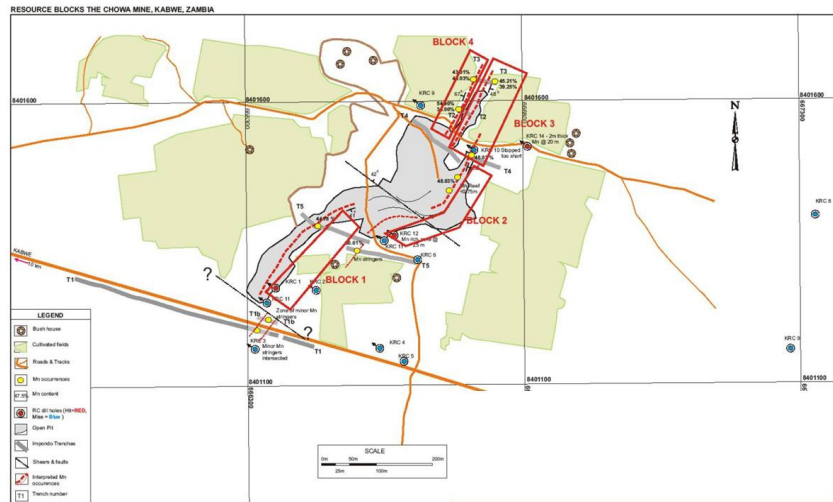
12km NE of the Chowa Mine is the Brunelli Prospect. Further north, beyond the concession's northern boundary is a Chinese owned mine which has been the site of historical mining. To the SW and within the license area, manganese potential has been recognised. This is due to a limited amount of trenching and opportunistic activity by locals to produce near-surface manganese lump product for sale to the owners of the nearby mine. It is also important to recognise the alignment of the Chowa Mine, the Brunelli Prospect and the Chinese mine with target areas that lie within the same corridor.

SE of Chowa and also in the vicinity of an operating (Chinese owned and operated manganese mine) is the Kapumba Prospect. This has been a site of illegal mining and is considered in the Company's currently proposed exploration program given its known manganese occurrences.

The manganese reefs at the Emmanuel Project appear to be dislocated and occur as elongated lenses both along strike and along the dip. In the Chowa Mine the manganese lenses show a strong intrusive, hydrothermal character with the surrounding meta-sediments and basement granite. Maximum strike length of each reef appears to be in the order of 300m. At the Chowa Mine, the southerly extent widens out to a zone which is approximately 40m wide and includes numerous manganese veinlets that have been traced to show the potential to widen into significant manganese reef positions. Trenching completed in the Quarter indicates a dip reversal of northern reef extensions. It is expected that the manganese reefs could also thin (or thicken) in the dip direction. Additionally, it can be shown that the reefs tend to split into a series of minor reefs.

Exploration during the Quarter was focused on trenching and development of the exploration programs at the Chowa Mine, the potential to the southeast and northeast of the Chowa Mine and extension up through the Brunelli Prospect. A preliminary assessment of the Kapumba Prospect area was also undertaken.

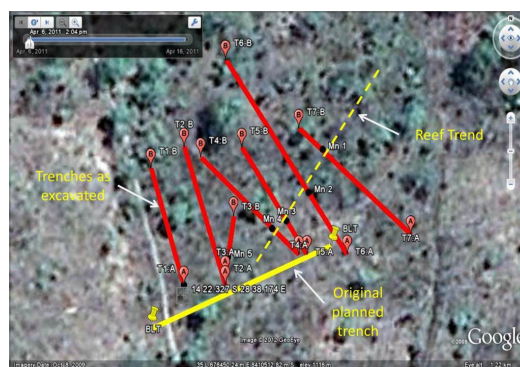
At the Chowa Main Pit several manganese reefs have been identified from a flat (30°) easterly dipping 1.2m wide reef parallel on the eastern side of the deposit to central 2m wide, more steeply dipping (70° to 80°) structures. The strike continuity of all structures are terminated by late cross-cutting faults and the geometry of the narrower reefs is influenced by the granite blocks causing the reefs to "wrap" around the more competent granite. At the Southern Pit there are two reefs partially exposed, both approximately 2m wide and dipping to the east. The western reef splays into subsidiary structures and has a dip of 75°. The splay is about 0.4m wide dipping at 80° to the east. The eastern reef with mineralisation continuing into the southern wall has a dip of 45 degrees. The South-Western Pit has only one clear manganese reef structure that is exposed in the southern wall. It is approximately 2m wide and dips at 45° to the east.



*The Chowa Mine – Geology and Trenching*

Trenching north of the Chowa Pit encountered manganese mineralisation with potential also further to the NE. A small outcrop of manganiferous material was encountered 270m NE of the pit and further N (40m) manganiferous laterite was exposed in shallow trenching. Weakly manganiferous laterite was found 620m north of the pit and again 27m further north where laterite contained manganese cement. The whole area is prone to flooding with surface water encountered in some areas and trenching indicated the water table is very shallow. This is matched with sparse vegetation. Access for drilling planned in the current quarter will require track preparation and elevated drill pads. The location of these occurrences widens the corridor for future exploration and extends the potential strike extent by several hundred metres towards the Brunelli Prospect. Trenches south of the Chowa Mine suggest that alluvial channels carrying manganese nodules are derived from the south. Further trenching is not proposed as the alluvial cover is too thick however drilling is proposed to test the source of the material.

Trenching was completed during the Quarter at the Brunelli Prospect to confirm the potential several kilometres northeast of the Chowa Mine.



*Brunelli Prospect - Trenching and Trends*

At the Kapumba Prospect in the south-eastern corner of the Emmanuel Project there is a nearby operating mine, Chinese owned. The ore from this mine is trucked to Kabwe for smelting. To the west of the mine (approx. 14km) on the Kaboko concession there are occurrences of manganese where small scale illegal mining has taken place. The mineralisation is approximately 3m wide, dipping at 80° N and strikes at 230°. There appears to be faulting that offsets the structures due to misalignment between trenching areas. Trenches were excavated along the direction of strike and extended for a distance of 200m. Approx. 120m to the E, manganese outcrops were noted. A further 80m NE float of manganiferous laterite was observed with XRF readings matching those at the previous locations within the prospect area. A second area 500m WNW of the first mining area was identified as having seen some previous trenching activity. It is only a small area of excavation with low grade material found on the edges of the trench.

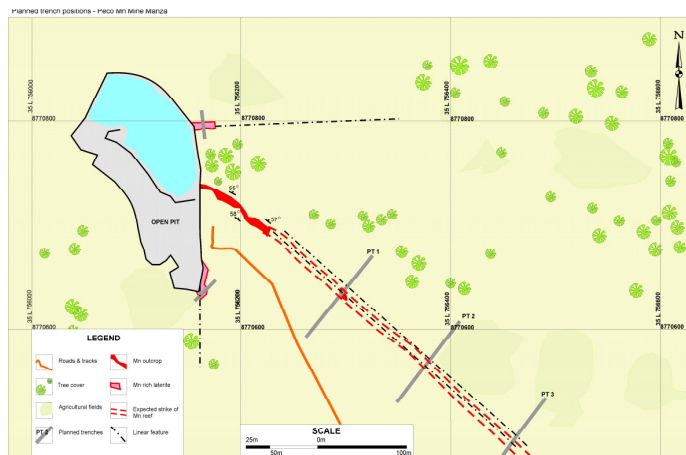
Based on the work completed during the Quarter, an updated and staged exploration plan has been adopted for the Project for FY2013:

1. Resource Definition Drilling at Chowa to test depth extensions, establish insitu grade and continuity, test strike extent and locate zones of high grade manganese mineralisation
2. Extensional exploration drilling to test areas between exposed mineralisation by step-out drill traverses where past trenching has been ineffective and mineralisation cannot be discounted
3. Wider scout RC drilling to assess lengths of potential mineralisation along strike but extended distance from known occurrences
4. Review geophysics data, ground truth established drill targets, selectively test initially in the corridor between Chowa and the Chinese mine.

Exploration work in the upcoming quarter at the Project will focus primarily on RC drilling at the Chowa Main Pit, with targeted drilling needed to anticipate fault displacement in identifying extensions to mineralisation along strike while also intersecting all reefs or structures. Deeper holes will be required to develop resource understanding due to the volume of ore already mined and the current pit depth. Further drilling in the future at the Southern Pit drilling is proposed to target the two reefs partially exposed, within the pit areas and the immediate northern extension. At the south-western pit drilling is proposed to target the one clear manganese reef structure that is exposed in the southern wall. Further RC drilling will target the northern extensions where trenching north of the Main Pit has encountered manganese mineralisation with potential further to the northeast. To the south of the mine, alluvial channels carrying manganese nodules are present and whilst further trenching is not proposed as the alluvial cover is too thick, the area will be tested for the source of the material. Further trenching at the Brunelli Prospect to test for extensions to this mineralisation is proposed in both directions along strike.

### PECO PROJECT

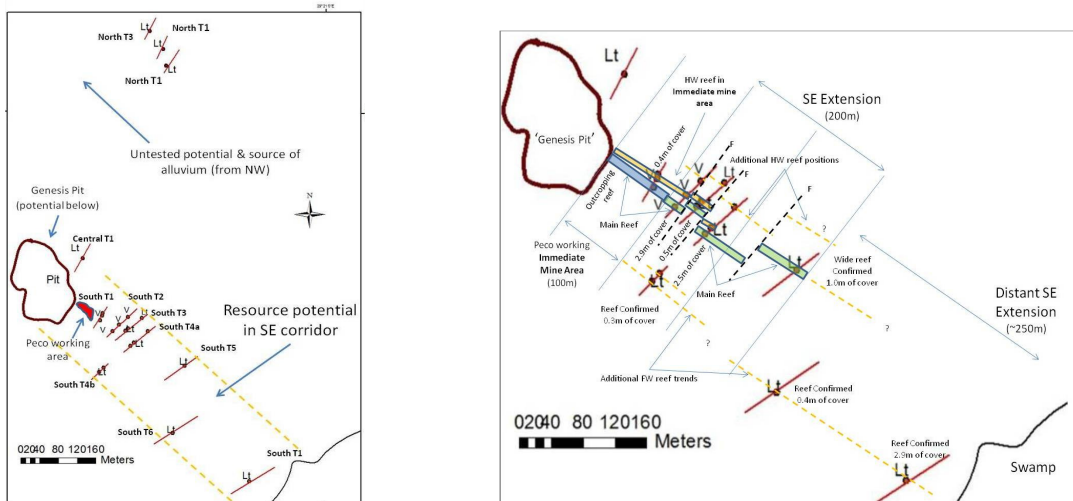
The Peco Project is located 65km east-northeast of the town of Mansa town in Luapula Province. The distance between Mansa and Lusaka is about 900 km, along the Great North Road. Access to Mansa is either through the pedicle road (through the Democratic Republic of Congo), or through the Great North Road. The tenement area consists of flat wooded country with drainage towards an extensive swamp to the south and southeast.



*The Peco Project and Former Open Pit Workings with Preliminary Trench Locations*

The Project area overlies the pre-Cambrian granitic gneisses of north eastern Zambia. The occurrence of manganese reefs appear to be similar to the reefs in the Chowa/Emmanuel Project area, although the reefs here are thicker. Multiple reefs have been exposed through trenching activity during the Quarter. The exposed manganese reefs have a strike direction of 140°/320°. Local late faulting adds some complexity although reef orientations over a longer distance appear to be linear with a consistent strike.

Exploration during the Quarter was focused around the previous Peco Pit with the main focus on the southern extension of the manganese reef that is currently exposed. A series of trenches were completed during the Quarter along a strike direction identified in the pit exposures towards the southeast. This has helped determine the possible continuation of mineralisation and an indication of local complexity with hangingwall mineralisation to the main reef and as splits or splays. There are further indications of mineralisation to the south west of the main reef in a footwall position. Trenching also took place to the north of the previous open pit mining areas with trenches excavated approx. 500m north of the Peco Pit and initially focussed on an area of previous illegal mining.



*Peco Project Trenching and Mineralisation Extensions and Trends (V-vein, Lt-laterite)*

During the Quarter, the Company's geological team and Australian Geological Consultant completed a review of the shallowing trenching that had been completed in a line following the strike direction of exposed manganese reef in the Peco Pit. The geological success of the trenches was variable. Results for the trenching work completed has identified that significant, high grade mineralisation potential exists with relatively wide pyrolusite reef exposed in the pit and more recently in trenches excavated to the south of the pit along a projected strike direction to the southeast. The first three trenches moving away from the pit encountered mineralisation up to 15m wide for the main reef and a series of additional hangingwall structures. The potential exists for this trend of mineralisation to continue, however the more southerly trenches did not intersect reef structures due to the depth of alluvial cover over the manganese reefs (which increases southwards) and the hardness of the laterite that was unable to be dug by the excavator in use.

Strong indicators for mineralisation extend in a line to the west but parallel to the main trend and this will be further investigated in the upcoming quarter. Similarly potential extends to the north of the Peco Pit where trenching and historical illegal mining has exposed very coarse alluvial material. Due to the size of the clasts and their angular nature it is considered that they have not travelled far from the source.



*15m wide, shallow reef exposed*



*Narrow subsidiary hangingwall structures/splays with variable orientation*



In trenching completed to the southeast of the Peco Pit, the first trench exposed encouraging manganese reef development. Mineralisation was identified as multiple reefs or veins with thickness from 0.4m to approx. 15m over lengths of up to 200m. This mineralisation is shallow with only 0.4m. Dip of the veins varied from 45° to 80° to NE with dip reversal also observed. The exposures indicated greater complexity than previously assumed with possible splay structures of variable thickness and orientation. Along the trench to the SW very hard laterite material was encountered that showed the limitations of the excavator being used. This was a common situation where complete excavation to full depth was not achieved in most trenches.

The second trench towards the southeast encountered multiple reefs but not well exposed due to the depth of cover. Depth of exposure was 2.9m. While considered to be insitu, the manganese mineralisation encountered had the potential to be large manganese boulders. The alluvial overburden was rich with manganese nodules. In the third trench the NE end was identified to be hard manganiferous laterite, possibly developed over a reef. When projecting the reef positions from the first two trenches it appears likely that the material encountered was the continuation of the main reef which occurs in the mine and in the first two trenches. The top of a smaller possible reef structure may have been exposed as well. Widths of these manganese reefs were 2m and 8m, extending over 100, with the depth of cover approx. 1.2m.

The remaining 4 trenches exposed manganiferous laterite and a series of manganese bearing alluvial channels extending in a SE flow direction. It was confirmed subsequent to the Quarter's end that the presence of manganiferous laterite is a good indicator of manganese reef below the laterite.

Trenches to the north did not encounter any manganese reef material but was halted by hard laterite. Small alluvial channels are exposed carrying manganese nodules. The most eastern channel contained very coarse angular manganese nodules.



*Coarse Manganese Nodules in Alluvial Material*



*Coarse Manganese Nodules in Lateritic Alluvial "bar"*

The results from the trench work completed indicate mineralisation extends SE from the Peco Pit. Multiple reef structures have been exposed in several trenches. It is also possible that a western reef exists but not exposed as indicated by overlying manganiferous laterite covering large massive pyrolusite boulders. As a follow up RC drilling through the laterite is proposed to confirm the location and continuity of manganese reef material, samples to derive insitu grades to greater depths and to define down dip extension of the mineralisation.

Based on the work completed during the Quarter, an updated and staged exploration plan has been adopted for the Project for FY2013:

1. Engage drill contractor to drill to at least 80m, to penetrate hard laterite layers, penetrate manganese reefs and control ground water
2. Undertake extensive drilling program that will increase resource definition in the mine area, establish insitu grade and continuity down dip and immediate strike extensions to the southeast of the know deposit
3. Increase drill spacing to assess continuing mineralisation along the inferred mineralised trend
4. Drill traverses need to test to a depth sufficient to define all potential reef structures from hangingwall to footwall positions.

5. Drill wide-spaced drill traverse across the projected strike of mineralisation to the northwest of the Peco Pit
6. Conduct bulk sampling program to collect material from paleochannels to determine recoveries and potential economics of the alluvial resource

Exploration work in the upcoming quarter at the Project will focus primarily on RC drilling. The intention is initially to drill near the existing Peco Mine to assess depth extension to mineralisation followed by traverses of holes to the south to define widths, depth and grade of trench exposures and beyond. Currently it is planned that each traverse will consist of at least three holes, each 40 metres deep to ensure overlap of investigation of the main reef and subsidiary hangingwall and footwall structures, known to exist from trenching activities.

### **VAZ PROJECT**

The Vaz Project with the Kanona license area is located northeast of Serenje and southwest of Mpika town. The area is located between the towns of Serenje and Mpika of Central Zambia. The actual license area is about 80km from Serenje. The Project is easily accessible from Serenje along the road leading to Dar es Salaam. The TAZARA rail line is located within 5km from the license area. ZESCO's Lusiwasi hydropower station is 30km southwest of the license area.

The Project area is underlain by quartzite and schist of the Kanona Group, a tightly folded thick sequence of schistose gneisses and schists generally of low metamorphic grade (greenschists facies), quartz-muscovite-sericite schists, fine grained pelites inter-bedded with finely banded meta-siltstones. The quartzite is generally pure, highly deformed with minor hematite, garnet and kyanite. Excavations have exposed concordant massive hematite mineralization, pyrolusite and manganite (manganese oxide).

Preliminary exploration to date on a relatively small area of the Project area has identified 12 outcrops generally aligned along a +2km mineralised trend roughly N-S across the license area. This trend has been the focus of exploration activities to date and will continue to be in FY2013. The area has seen illegal mining activity which has produced some saleable product and several areas still have selectively sorted stockpiled material on site.

During the Quarter a series of shallow trenches were completed along the identified mineralised trend and several locations along this trend were visited by the Company's geological team and Australian Geological Consultant. All known exposures were investigated to determine geological features and indicative grades which would form the basis of the longer term exploration program to further define the resource potential of the Project.



*Main Manganese Reef approx 15m wide and extending at surface for 80m strike*



*XRF readings taken from nearby stockpiled material*

The main area of focus by the Company during the Quarter was on an area where previous artisanal mining has exposed a major reef of manganese mineralisation. At this site the main reef exposure strikes SW, dipping approximately 75° to the NW. The mineralisation is approx 15m wide and extends for approx 80m. Extensions to the SW have been assumed over 50m with widths of 5m, and to the NE over 500m with widths of 2m. The mineralization appears to be an infiltration of manganese (pyrolusite) along fractures usually parallel to foliation and as joint coating. It consists of thin, sheared, alternating bands of quartz and pyrolusite in quartzite/gneiss, the foliation of which is parallel to the manganese reef.



*Mineralisation - thin, sheared, alternating bands of quartz and pyrolusite in quartzite/gneiss, with the foliation parallel to the reef orientation*

Approx. 500m NE of the main focus area, trenching exposed a 2m wide narrow reef with the same style of mineralisation with only 1.0m of cover. It strikes WSW, dipping approximately 75° to the NW and has been assumed to extend up to 100m.



*Shallow reef exposure approx 10m width looking NE*

To the SW of the main site, minor artisanal mining activity has exposed both insitu and colluvial material.

The in-situ manganese reef exposed is of the same style of mineralisation as before, however large manganese boulders within the alluvial have demonstrated slightly higher manganese grades. It is considered that within the system there may be settings which are less tightly sheared and locally more dilational allowing higher (wider) concentrations of manganese mineralisation.

The in-situ reef is approx 10m wide, striking SW dipping 75° to the NW and determined to extend over a distance of approx 100m.

Along strike to the SW a broad corridor has been cleared and 10 shallow trenches have been excavated to test for strike extensions. Mineralisation to the south-west has been assumed to extend for up to 500m with average reef widths of up to 5m.

Approx 200m, SW beyond the last shallow trench, a review of small artisanal mining activity has identified BIF style manganese reef 2m wide striking WSW, dipping 70° to NW, for up to 150m



*Shallow workings in BIF and stockpiled product*



*Stockpiled material southwest of main mineralisation trend*

A further 100m along strike to the SW, small stockpiles of selectively collected “product” and an adjacent reef has been exposed in shallow workings. The manganese reef strikes SSW, dips 75° to the NW is 1m wide and has been determined to extend for up to 80m. A significant proportion of the exposure is considered to be BIF.



Approximately 2.2km south of the main site and towards the southern end of the license a large number of stockpiles of a coarse-material stockpile and a stockpile of finer alluvial or colluvial material have been identified. The latter determined to be higher grade material although some samples have displayed high hematite content. The previous mining activities at this area are understood to have been covered (filled in) by illegal miners prior to their eviction from the concession to conceal the area's potential. Less than 200m to the north in an area of previous workings, where shallow trenching has further exposed BIF. It strikes 280°, dipping 80° to the N, with manganese mineralisation reefs with widths of approx 2m and determined to extend for up to 100m. Noticeably at this site, the mineralisation is significantly different to the main mineralised trend in its strike direction – WNW instead of SW

Based on the work completed during the Quarter, an updated and staged exploration plan has been adopted for the Project for FY2013:

1. Resource Definition Drilling at existing areas of exposed mineralisation to test depth extensions, establish in-situ grade and continuity, test strike extent and locate zones of high grade manganese mineralisation
2. Extensional exploration drilling to test areas between exposed mineralisation by step-out drill traverses where past trenching has been ineffective and mineralisation cannot be discounted and wider scout RC drilling to assess lengths of potential mineralisation along strike but extended distance from known occurrences
3. Uncover the area to the south of the license area that appears to have been deliberately covered to conceal the source of adjacent stockpiled material, some of which has high manganese grades
4. Complete broader geological field mapping over the untested areas of the license area
5. Review all historical geophysical data to generate and further test new target areas

Exploration work in the upcoming quarter at the Project will focus primarily on a review of geophysical data, broader geological mapping and a review of the former small scale mining activities in the southern part of the license area.

#### **Logistics and Exports of Manganese Ores**

During the Quarter the Company continued to progress its logistics arrangements for the transportation of a DSO manganese ore product and transportation of a beneficiated manganese ore product from its Kabwe and Serenje Depots. Discussions in respect to utilisation of rail sidings and access to rail in Zambia for the transportation of bulk or bagged material also continued.

In conjunction with the Company's Chairman, the opportunity to secure dedicated port space, the Company's own allocation and standalone stockpiling facilities at ports in Mozambique (as advised in the previous quarter) was also progressed during the Quarter to further optimise the Company's proposed exports of a high grade and high value manganese ore product. Mozambique has fast emerged as a growing exporter of bulk mineral commodities, most notably coal, and the existing and proposed expansions to port facilities in Mozambique offers the Company a number of options given its established relationships in the country.

The Company continued to work with UTI Worldwide during the Quarter, who have already demonstrated an ability to deliver a cost competitive and effective logistics solution for the transportation and shipment of the Company's proposed exports of a high grade and high value manganese ore product.

#### **CORPORATE**

##### **Landmark Off-take and Debt Funding Agreement Executed with Noble Group**

During the Quarter the Company signed a binding 10 year Manganese Ore Off-take Agreement and US\$10m 30-month Secured Prepayment Debt Facility with Noble Resources Limited. In addition to the loan documentation and off-take agreement documentation, all the associated Australian and Mauritian security documentation was executed by the Company and Noble in respect of the securities to be granted by the Company and certain of its subsidiaries in favour of Noble.

The Transaction is considered by the Company to be a major milestone that will assist in advancing its Zambian Manganese Projects towards long term sustainable mining operations. Noble is a wholly owned subsidiary of Noble Group Limited, a global supply chain manager of agricultural and energy products and metals, minerals and ores. Noble Group is listed in Singapore (SGX:N21), with headquarters in Hong Kong and operates from over 140 locations

The US\$10m Prepayment Facility is to be advanced in two tranches upon satisfaction of a number of conditions precedent and subsequent:

- Tranche A - an initial advance of US\$0.5m available immediately and a second advance of US\$5.5m that is available upon satisfaction of a number of conditions precedent and final sign off by Noble, including, amongst other things, execution of documentation in respect to the transportation and export of manganese ore; and
- Tranche B - an advance of US\$4.0m upon delivery by the Company of 105,000 tonnes of manganese ore under the 10 Year Manganese Ore Off-take Agreement.

The initial advance of US\$0.5m under Tranche A of the US\$10m Prepayment Debt Facility was drawn down by the Company during the Quarter.

The US\$10m Prepayment Facility is to be used by the Company to fund capital costs and working capital requirements associated with the development of its Zambian Manganese Projects towards full scale commercial production. The key terms of Prepayment Facility are considered very attractive for the Company and demonstrate the potential that exists across its Zambian Manganese Projects. Repayment of the US\$10m Prepayment Facility will be partially met from quarterly deliveries of manganese ore under the Off-take Agreement, with the balance including interest and other costs to be repaid at maturity.

As part of the Transaction, the Company will also issue warrants to Noble with an exercise price of A\$0.02. The warrants are exercisable at any time within 36 months from the drawdown of the initial tranche. The number of warrants is the lesser of 14.9% of the total issued share capital of the Company or 20% of the facility amount. In addition Noble will have an additional top-up right to maintain its equity position on a fully diluted basis in any future equity raisings by the Company on the same terms offered to the Company's current or new equity investors, subject to ASX approval. Noble also has the right to appoint a representative to the Company's board of directors.

In addition to the US\$10m Prepayment Facility, the Company and Noble have also entered into a binding 10 Year Manganese Ore Off-take Agreement. Under the terms of the Off-take Agreement, the Company will deliver to Noble approximately 180,000 DMT per year of a minimum 48% manganese lump ore over an initial 10 year term. The total amount of manganese ore to be delivered under the agreement will be no less than 1,680,000 DMT of manganese ore production from the Zambian Manganese Projects. Manganese ore sold under the Off-take Agreement will be priced based on the BHP reference price (expressed in US\$ DMTU (per dry metric ton unit Mn content)), CIF China basis. The Company expects first exports under the Off-take Agreement to commence in early 2013 with CIF deliveries to ports in India, China and the Middle East, or other ports as agreed by the parties.

The Company is required to seek shareholder approval for the US\$10m Prepayment Facility, the issue of the warrants to Noble, the 10 Year Manganese Ore Off-take Agreement and the security to be granted by the Company and certain of its subsidiaries in favour of Noble.

In addition, and as required under the Transaction, the Company submitted an application to the ASX during the Quarter requesting:

- a waiver in respect of ASX Listing Rule 6.18 in respect to the equity top-up rights proposed under the Transaction;
- a waiver in respect of ASX Listing Rule 10.1 in respect to any transaction contemplated by the Off-take Agreement; and
- a waiver of ASX Listing Rule 7.3.2 in respect of the transactions contemplated by the warrants.

Shareholder approval and the receipt of ASX waivers were required to satisfy the conditions subsequent for the initial US\$0.5m advance under Tranche A and as conditions precedent to drawing on the US\$5.5m balance of Tranche A. These conditions were required to be satisfied within 8 weeks from the date of the initial US\$0.5m advanced, and if not then the initial US\$0.5m would become due and repayable.

During the Quarter the Company and Noble executed a Deed of Amendment to the Transaction to extend the date by which time these conditions were to be satisfied. The extension was required given the unforeseen delays in finalising the regulatory approvals.

Subsequent to Quarter's end, the Company advised that:

1. ASX has granted the Company a waiver from Listing Rule 7.3.2 to the extent necessary to permit the Notice of Meeting seeking shareholder approval for the issue of up to 100,000,000 warrants to Noble in accordance with the Transaction, to state that the Warrants will be issued more than 3 months after the date of the shareholders' meeting.

The waiver has been granted subject to the warrants being issued no later than 5 years from the date of the Company's meeting to approve the issue, the Notice of Meeting setting out in detail the terms of the warrants and the conditions precedent which must be satisfied prior to their issue, and disclosure of the details of the warrants in any annual report released during a period in which the warrants are issued or remain to be issued (and the number that may still be issued), including the conditions precedent that were satisfied prior to their issue.

2. ASX has confirmed that Listing Rule 10.1 does not apply to:
  - a. The Company granting Noble a first ranking security over all of the Company's present and future assets;
  - b. The Company granting Noble a share pledge over its rights and ownership interest in the shares and assets of its wholly owned Mauritian subsidiary African Asian Mining Development Limited ("AAMD");
  - c. AAMD granting Noble a floating charge over its undertaking, goodwill and property; and
  - d. The Company entering into, and the performance of, the 10 year Manganese Ore Offtake Agreement with Noble for the purchase and sale of manganese ore from the Company's manganese projects in Zambia.

On the basis that Noble is not a substantial shareholder in the Company.

3. The Company in discussion with Noble had further elected to prepare an Independent Experts Report and plans to hold a further General Meeting of Shareholders in early January 2013. The Independent Experts Report will be included in a Notice of Meeting with resolutions requesting shareholders approve the performance of the off-take agreement and the exercise of rights granted to Noble under the first ranking security granted by the Company and certain of its subsidiaries in favour of Noble pursuant to Listing Rule 10.1, on the basis that Noble has become a substantial shareholder in the Company once Noble exercises its warrants or becomes a shareholder through participating in a placement of ordinary shares in the Company.
4. The Company has further undertaken that upon Noble becoming a substantial shareholder in the Company, either through Noble exercising its warrants or becoming a shareholder through participating in a placement of ordinary shares in the Company, it will seek a waiver from ASX in respect of Listing Rule 6.18 in respect to the equity top-up rights contemplated under the Transaction.

Subsequent to Quarter's end the Company and Noble further executed a Second Deed of Amendment to the Transaction extending the date by which the conditions are to be satisfied by to 10 January 2013.

### **Strengthening of Management Team With Appointment of Key Technical Consultant**

The Company successfully strengthened its management team during the Quarter with the appointment of highly experienced manganese mining executive Mr Simon Youds as the Company's Technical Consultant.

Mr Youds is 48 years old and a professional mining engineer. He has 20 years operational experience and has worked extensively in mine project development and mine management in Africa, Papua New Guinea and Australia. Mr Youds holds an MBA degree from Deakin University, Victoria.

Prior to taking up his position as the Company's Technical Consultant, Mr Youds was Chief Executive Officer of ex-ASX listed company African Iron Limited (from September 2011 until March 2012) who were taken over in 2012 by Exxaro Resources Limited as part of a A\$338 million off market bid.

Before joining African Iron Limited, Mr Youds was Managing Director, Australia, of Consolidated Minerals Limited, who own and operate the Woodie Woodie and Coobina high-grade manganese and chromite mining operations, located in the Pilbara region of Western Australia.

The Board believes that Mr Youds is a key strategic appointment to the Company, given his significant experience in the manganese sector and in bulk commodities and mine project development in Africa, and considers that he will play a leading role in the development of our Zambian Manganese Projects and the Company's broader growth ambitions in Africa.

### **Two Further Zambian Investment Licenses Obtained for Key Operating Subsidiaries**

During the Quarter two of the Company's Zambian subsidiaries, Mansa Manganese Mining Limited and Zambian Manganese Mining Limited, were granted a Certificate of Registration (Investment Licence) by the Zambian Development Agency, pursuant to the Zambian Development Act. The granting of the Certificate of Registration to these two subsidiaries is in addition to the Certificate of Registration issued to subsidiary Impondo Zambia Limited earlier this year. The Company considers the granting of these Investment Licenses to be significant milestones in formally recognizing and further facilitating the Company's planned mining activities in Zambia.

Mansa Manganese Mining Limited and Zambian Manganese Mining Limited hold licences that form part of the Company's Emmanuel and Peco Projects. The Company currently has a 51% interest in both these subsidiaries, with options to increase this holding to 75%. Impondo Zambia Limited, that also has been granted an Investment License, and which the Company has a 75% interest in, holds licences that make up the balance of the Emmanuel and Peco Projects.

The Certificates of Registration are an integral part in the Company's planned development of its Zambian Manganese Projects. The fiscal and non-fiscal benefit provided by the Investment Licenses are considered by the Company to significantly increase the economic potential of the Projects when compared to other jurisdictions such as Australia.

In accordance with the Act, the Company's subsidiaries will benefit from the following fiscal and non fiscal incentives:

- a corporate tax of 0% for an initial period of five (5) years from the first year profits are made. For year six (6) to eight (8) corporate tax will be paid on just 50% of profits and in year nine (9) to 10 on 75% of the profits
- dividends shall be exempted from tax for five (5) years from the year of first declaration
- capital expenditure on improvement or for the upgrading of infrastructure shall qualify for improvement allowance of 100% of the expenditure
- suspended Customs Duty to zero for five (5) years on machinery and equipment
- zero (0) percent import duty rate on raw materials, capital goods, machinery including trucks and specialised motor vehicles for five years and
- deferment of VAT on machinery and equipment including trucks and specialised motor vehicles

In addition, the Investment Licenses provide various investment guarantees and protections from expropriation and/or nationalisation, as well as free facilitation for application of immigration permits, second licenses, land acquisition and utilities. The Company's key Zambian subsidiaries Mansa Manganese Mining Limited, Zambian Manganese Mining Limited and Impondo Zambia Limited each now hold Investment Licenses which extend over the Company's key mining and development projects, the Emmanuel Project in Kabwe and the Peco Project in Mansa.

#### **New Joint Venture Agreement Expands Interests in Zambia by 35%**

During the Quarter the Company progressed negotiations in respect to a establishing a new joint venture agreement, Mwata Mining Limited, that will form part of the broader Peco Project near Mansa.

The Project comprises a Large Scale Prospecting License 14022-HQ-LPL. The Project extends over an area of 980km<sup>2</sup> and is located approximately 120km north of the Company's Peco Manganese Project in the Luapula Province of Zambia.

The proposed joint venture between the Company's 100% owned subsidiary AAMD and a private Zambian group, once concluded, will require AAMD to complete exploration expenditure of up to A\$1.0m over 24 months to earn an initial 51% interest. The Company has an option to increase its indirect shareholding to up to a 75% interest with a final payment based on the definition of mineable resources on a commercial unit rate.

A preliminary due diligence review by the Company's in-country management team identified the project area to be highly prospective for manganese with a number of surface outcrops identified over extended areas. The Company elected to proceed with the joint venture negotiations given technical results achieved during the Quarter as well as the increased geological understanding of the Peco Project.

Upon finalisation of a joint venture agreement, the Company is anticipating exploration activities to commence in early 2013 with initial systematic mapping of surface outcrops, trenching work as well as geophysical surveys including ground magnetics, aeromagnetics and ground gravity surveys.

Subsequent to the end of the Quarter, the Company announced that it had finalised the Mwata Mining Limited Joint Venture and had proceeded to lodge all the necessary documentation for the transfer of the Large Scale Prospecting License to Mwata Mining Limited.

#### **EIM Fund Becomes Kaboko's Largest Shareholder Through Off-Market Purchase**

During the Quarter, independent Melbourne-based equity fund manager E.I.M. Capital Managers ("EIM"), through the Emerging Resources Company Share Fund, became a Substantial Shareholder and the Company's largest shareholder through an off-market purchase of 30 million shares from existing shareholders.

The Emerging Resources Company Share Fund, has a core objective of maximising returns to its investors by identifying and investing in the securities of emerging natural resources companies listed on the ASX. The key factor in EIM's decision to invest in particular emerging natural resource companies is its assessment of that company's potential to achieve strong organic growth over a two to three year period with a view to having that growth reflected in share price performance over the medium term. The Company is pleased to have attracted a long-term institutional resource focused fund to its share register at such an early stage of its activities in Zambia.

As at the end of the Quarter, the top 20 shareholders held 40.35% of the ordinary share capital of the Company.

#### **Sale of Non-Core Uranium Assets**

The Company completed the sale of its non-core uranium assets and related subsidiaries in the United States to ASX listed uranium exploration company Australian American Mining during the Quarter. The Company received a cash payment of A\$50,000 and a further US\$110,000 (that was cash-backing environmental obligations) was returned to the Company. The Company will further benefit in the event that the assets are taken to production through a 2% yellow cake royalty.

With the sale of its non-core uranium assets completed, the Company remains 100% focused on Zambian Manganese Projects.

#### **EVENTS SUBSEQUENT TO QUARTER'S END**

##### **A\$1 Million Debt Funding Completed with Celtic Capital**

In October 2012, the Company entered into an unsecured A\$1m debt facility with Perth based investment group, Celtic Capital Pty Ltd. The facility which has a term of eight months and convertible (at the Company's election) after two months (maturity) into ordinary shares at either 80% of the average of ten daily volume-weighted average price prior to the maturity date or 130% of the average of ten daily volume-weighted average price prior to execution date of the facility (28 September 2012). The full A\$1m was advanced to the Company in October 2012.

The facility was necessary given the unforeseen delays in finalising the ASX waivers that are required in order to satisfy the conditions subsequent for the Transaction with Noble.

The facility will be used by the Company to meet its working capital requirements and to commit to an RC drilling program by an established Zambian based drilling contractor across both the Emmanuel and Peco Projects that is being prepared by the Company's Technical Consultant. The proposed RC drilling program is in addition to RC drilling activities planned at the Peco Project using the Company's own RC drill rig that had previously been transported from New Mexico and was refurbished in the previous quarter.

As at the end of the Quarter the drilling contract with the Zambian based drilling contractor was still under negotiation and the commencement of drilling using the Company's own rig at the Peco Project had not commenced.

#### **OUTLOOK FOR DECEMBER 2012 QUARTER**

During the December 2012 quarter, the Company anticipates the following:

- Commencement by the Company of a scout RC drilling program at the Peco Project using the Company's own RC rig that had previously been transported from New Mexico and was refurbished in the previous quarter
- Finalisation of the proposed drilling contract and appointment of a highly experienced in-country drilling contractor to complete the first 5,000m of a proposed long-term 27,000m RC drilling program across the Company's Peco and Emmanuel Projects
- Mobilisation of the in-country drilling contractor and commencement of the RC drilling program that is forecast to allow an initial JORC compliant resource to be delineated
- Finalisation of preliminary staged mine plans for the Peco and Emmanuel Projects, with initial production planned from the Peco Project
- Sales of manganese ore and transportation through rail and road to key ports for deliver into the Company's existing off-take contracts
- Annual General Meeting of Shareholders seeking shareholders approve Noble Transaction including the US\$10m Prepayment Facility, the issue of the warrants, the 10 Year Manganese Ore Off-take Agreement and the security to be granted by the Company and certain of its subsidiaries in favour of Noble

Yours faithfully



**JASON BREWER**  
Executive Director

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**About Kaboko Mining Limited**

Kaboko Mining Limited (ASX:KAB) is a an ASX listed exploration, development and mining company primarily focused on establishing itself as a major producer and exporter of high grade manganese ore from its portfolio of assets in Zambia. Kaboko currently holds majority interests in 6 large and small scale prospecting licenses and 3 small scale mining licenses covering over 3,700km<sup>2</sup> in established and highly prospective manganese mining regions in Zambia. The Company is focused on resource definition drilling and exploration across its large license holdings and establishing long-term sustainable production of a high grade and high quality manganese ore from its Emmanuel, Peco and Kanona Projects. In 2012 the Company has concluded strategic off-take and funding agreements with Sinosteel Australia Limited and Noble Resources Limited that are proposed to be used to complete further exploration and to advance its projects towards full-scale commercial production.

**Forward Looking Statement**

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the manganese market, expectations regarding manganese ore prices, production, cash costs and other operating results growth prospects and the outlook of Kaboko's operations including the likely commencement of commercial operations of the Emmanuel, Peco and Kanona Projects, its liquidity and the capital resources and expenditure, contain or comprise certain forward-looking statements regarding the Company's development and exploration operations economic performance and financial condition. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in manganese ore prices and exchange rates and business and operational risk management. For a discussion of such factors refer to the Company's most recent annual report and half year report. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

**Competent Person's Statement**

The information in this update that relates to exploration results is based on information reviewed and compiled by Mr Francois Martins, who is a registered natural scientist and a member of the South African Council for Natural Scientific Professions. Mr Martins is employed by Kaboko Mining Limited and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Coal Resources and Ore Reserves. Mr Martins consents to the inclusion in this report of this information in the form and context in which it appears.

**Reporting On Exploration Results**

The update has been compiled in accordance with the JORC Code, the recommendations and guidelines set out in the revised 2007 South African Code for The Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code) and the rules and guidelines relating to the independent expert's reports set by ASIC and ASX.

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**Kaboko Mining Limited**

ABN

**93 107 316 683**

Quarter ended ("current quarter")

**30 September 2012**

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors, including proceeds under long-term offtake agreements	-	-
1.2 Payments for (a) exploration & evaluation	(405)	(405)
(b) development	-	-
(c) production	-	-
(d) administration	(160)	(160)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(21)	(21)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(586)</b>	<b>(586)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(5)	(5)
1.9 Proceeds from sale of: (a) prospects	50	50
(b) equity investments	17	17
(c) other fixed assets	-	-
1.10 Loans to other entities	(55)	(55)
1.11 Loans repaid by other entities	-	-
1.12 Other – related party loan funding received	100	100
<b>Net investing cash flows</b>	<b>107</b>	<b>107</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(479)</b>	<b>(479)</b>

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(479)	(479)
	<b>Cash flows related to financing activities</b>		
1.14a	Proceeds from issues of shares, options, etc.	-	-
1.14b	Shares to issue	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	477	477
1.17	Repayment of borrowings	(20)	(20)
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	-	-
	<b>Net financing cash flows</b>	457	457
	<b>Net increase (decrease) in cash held</b>	(22)	(22)
1.20	Cash at beginning of quarter/year to date	207	207
1.21	Exchange rate adjustments to item 1.20	(10)	(10)
1.22	<b>Cash at end of quarter</b>	175 <sup>(i)</sup>	175 <sup>(i)</sup>

(i) AUD\$1m was received in October 2012 pursuant to the debt facility with Celtic Capital Pty Ltd as announced on 28 September 2012.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.2 Aggregate amount of payments to the parties included in item 1.2	19
1.2 Aggregate amount of loans to the parties included in item 1.10	-

1.2 Explanation necessary for an understanding of the transactions

Directors' fees

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,000	-
3.2 Credit standby arrangements		

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	250
4.2 Development	-
4.3 Production	-
4.4 Administration	200
<b>Total</b>	450

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	175	207
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	175 <sup>(i)</sup>	207

- (i) AUD\$1m was received in October 2012 pursuant to the debt facility with Celtic Capital Pty Ltd as announced on 28 September 2012.

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference</b>			
	<b>*securities</b>			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>*Ordinary securities</b>	676,765,521	676,765,521	
7.4	Changes during quarter			
	(a) Increases through issues	82,214,706	82,214,706	
	(b) Decreases through returns of capital, buy-backs			
7.5	<b>*Convertible debt securities</b>			
	<i>(Convertible Notes)</i>			

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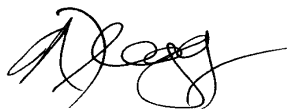
+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> <i>(description and conversion factor)</i>	338,813,529	338,813,529	<i>Exercise price</i> \$0.03	<i>Expiry date</i> 30 June 2013
		4,000,000	-	\$0.03	15 July 2015
		9,979,382	-	\$0.022	1 December 2014
		5,000,000	-	\$0.02	28 September 2015
7.8	Issued during quarter	5,000,000	-	\$0.02	28 September 2015
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
(Company secretary)

Date: 31 October 2012

Print name: Jane Flegg

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+ See chapter 19 for defined terms.

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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