

30 April 2012

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**QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE 3 MONTHS ENDING 31 MARCH 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 ended 31 March 2012. A copy of this report is available on the Company's website, [www.kabokominig.com](http://www.kabokominig.com).

**COMPANY HIGHLIGHTS**

- **Strategic offtake agreement executed with Sinosteel Australia Pty Ltd, a subsidiary of Chinese conglomerate Sinosteel Corporation and China’s largest importer of manganese ore, for exports of high quality, high grade lump manganese ore to China**
- **CIQ certificate from Sinosteel confirms the high grade and high quality nature of the manganese ore**
- **Contract finalised with global logistics company UTI Worldwide, for the export process of the manganese ore from the Southern Depot, through the port of Beira and to the various destination ports in Asia**
- **Exploration and development work continued across the Company’s Zambian Manganese Projects with A\$0.9m spent on exploration, evaluation and development activities in the Quarter**
- **New mining equipment for operations arrive on site with A\$1.1m of equipment purchased in the Quarter**
- **Appointment of South Africa based mineral processing and engineering consultants to finalise the design for the processing plant for the Emmanuel Project**
- **Placement completed to institutional and sophisticated investors to raise gross proceeds of A\$1.48m to further fund mine development and exploration costs in Zambia**
- **Appointment of Mr Malenga Machel as non-executive Chairman of the Company**
- **Discussions continue with debt financiers for provision of up to US\$5m of debt funding**

During the 3<sup>rd</sup> quarter of the 2011/12 financial year, the Company achieved a major milestone with the execution of a landmark offtake agreement with Sinosteel Australia Pty Ltd (“**Sinosteel**”) for the export of high grade manganese ore to China. The agreement with a subsidiary of Chinese conglomerate Sinosteel Corporation, China’s largest importer of manganese ore, is considered by the Company to be a major step forward as it looks to establish itself as a successful manganese re mining company exporting high quality and high grade lump manganese ore to China. The offtake agreement with Sinosteel followed completion of two trial shipments to China in February 2012..

The Company completed further exploration activities across its Zambian Manganese Projects during the Quarter, purchased new mining equipment for the Emmanuel and Peco Projects, and appointed South African based mineral processing consultants to finalise the processing plant design for the Emmanuel Project. To ensure that the Company is able to continue to accelerate its mine development plans and exploration of its Zambian Manganese Projects, the Company also successfully completed a placement to raise gross proceeds of A\$1.48m from institutional and sophisticated investors.

## SINOSTEEL OFFTAKE AGREEMENT

During the Quarter the Company signed a strategic offtake agreement with Sinosteel for exports of high quality, high grade lump manganese ore to China. Sinosteel is a subsidiary of Sinosteel Corporation, one of China's largest State-owned enterprises and its Australian subsidiary, Sinosteel, has played a key role in investments in Australian resource companies active in bulk commodities.

Sinosteel Corporation is China's current leading importer of manganese ore and a significant importer of iron ore and chrome ore.

The key terms of the offtake agreement with Sinosteel include:

<b>Buyer:</b>	Sinosteel Australia Pty Ltd																		
<b>Seller:</b>	Kaboko Mining Limited																		
<b>Commodity:</b>	Manganese Ore Lump																		
<b>Total Deliveries:</b>	180,000 tonnes																		
<b>Minimum Deliveries:</b>	20,000 tonnes for each 12 month period																		
	If BHP's Reference Price is less than US\$3.50 DMTU for more than 4 months then the Seller is not bound to deliver the minimum deliveries																		
<b>Specifications:</b>	<table> <tr> <td>Mn:</td> <td>57% basis/48% min</td> </tr> <tr> <td>Fe:</td> <td>3% max</td> </tr> <tr> <td>SiO<sub>2</sub>:</td> <td>10% max</td> </tr> <tr> <td>Al<sub>2</sub>O<sub>3</sub>:</td> <td>4% max</td> </tr> <tr> <td>P:</td> <td>0.1%max</td> </tr> <tr> <td>S:</td> <td>0.1%max</td> </tr> <tr> <td>Moisture:</td> <td>5% max</td> </tr> <tr> <td>Size:</td> <td>6.3mm-100mm: 90% min</td> </tr> <tr> <td></td> <td>&lt;6.3mm: 10% max</td> </tr> </table>	Mn:	57% basis/48% min	Fe:	3% max	SiO <sub>2</sub> :	10% max	Al <sub>2</sub> O <sub>3</sub> :	4% max	P:	0.1%max	S:	0.1%max	Moisture:	5% max	Size:	6.3mm-100mm: 90% min		<6.3mm: 10% max
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	<6.3mm: 10% max																		
<b>Pricing:</b>	Based on BHP's Reference Price (expressed in US\$ DMTU (per dry metric ton unit Mn content)), CIF China basis.																		
	The higher of BHP's 45.5% Manganese Ore (Lumpy) Reference Price or BHP's 48% Manganese Ore (Particle) Reference Price, at Sellers option																		

The execution of the offtake agreement in March 2012 follows the successful trial shipment by the Company in February 2012 of 510 tonnes of manganese ore delivered to Sinosteel and another major Chinese steel manufacturer.

The shipment of the containerised manganese ore to the Chinese ports of Xingang and Xiamen was completed by UTI Worldwide, who the Company appointed during the previous quarter to manage the logistics associated with the export of the high grade manganese lump ores from the Southern Depot at Kabwe in Zambia, through the port of Beira in Mozambique to the various destination ports in Asia. UTI Worldwide is an industry-leading, supply chain management company that has over 370 offices and 240 logistics centres in over 60 countries.

Production from the Emmanuel Project will be the primary source of manganese product to be delivered into the offtake agreement with Sinosteel. First deliveries to Sinosteel under the offtake agreement are forecast to be made in the current quarter.

**CIQ CERTIFICATE**



The CIQ Certificate received by the Company from Sinosteel for the trial shipment delivered in February 2012 confirmed the high grade and high quality of the manganese ore from the Emmanuel Project.

Quality inspection of the ore was completed in accordance with relative Chinese standards.

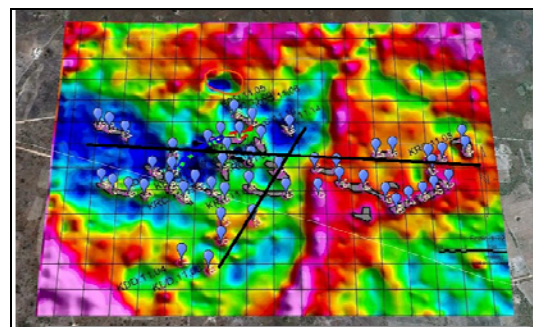
Sampling by Sinosteel in China of the 210 tonnes delivered to them in February 2012 returned assay results broadly consistent with the sampling of the bagged manganese ore at the Southern Depot that was completed at Alex Stewart International’s assay and analytical laboratory at Kalulushi in October 2011.

The Company is waiting for the CIQ Certificate from another major Chinese steel manufacturer on the additional 300 tonnes that was delivered to in February 2012.

**EMMANUEL PROJECT**

The Emmanuel Project is located 10km north-east of Kabwe and covers over 2,000 km<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 Emmanuel Project includes a granted mining lease, the Chowa Open Pit.

The Company has completed several ground and aeromagnetic and density surveys in the previous quarters, as well as diamond and RC drilling on the Emmanuel Project. Based on this work the Company and its consultants have identified manganese mineralisation that occurs in several veins, each 1.5m to 5m in thickness, with a north easterly strike and dipping at approx. 40 degrees to the southeast. Manganese mineralisation has been determined to extend over an initial strike length of **1,489m** and width of **680m** that is both open at depth and to the north east.



***The Emmanuel Project – the Chowa Open Pit and Proposed RC Drilling Program***

Exploration during the Quarter was again focused on a broader interpretation of the structural geology across the whole project area, given the impact of the rainy season which limited field activities. Based on the results of the ground and aeromagnetic survey work previously completed, the 38 hole RC drilling program committed to in the previous quarter, the Company elected to increase the drilling program to an initial 52 hole program that is to be completed in the current quarter.

The proposed resource definition drilling program comprising of 52 holes, will be completed to an average depth of 55m and with average drill hole spacing of 25m. The results will be reviewed by the Company’s geological consultants and form part of a Competent Persons Report currently being prepared.

Open pit mining activities at the Emmanuel Project and in the Chowa Open Pit were limited in the Quarter whilst further mine optimisation studies were being undertaken and additional mining equipment was purchased and arrived on site. De-watering of the Chowa Open Pit, where water levels increased during the Quarter as a result of the rainy season, was completed subsequent to Quarter's end and additional pumps have been purchased by the Company. Mining activities are anticipated to commence in May 2012 following the purchase of the additional mining equipment and fleet and optimisation work completed during the Quarter.

During the Quarter the Company appointed South African based Devico Industries to complete the design and detailed costings for the processing plant to be constructed at the Emmanuel Project. The processing plant will consist of a primary and secondary crusher circuit, scrubber, triple deck screen, optical sorter circuit, spirals and tertiary crusher and is forecast to be constructed in a 3-4 month period and replace the existing small scale and temporary plant being used on site.

### **PECO PROJECT**

The Peco Project is located 65 km east-northeast of the town of Mansa town, in the northern Luapula Province of Zambia and is proposed to be the second mine to be brought into development by the Company late in 2012.



*The Peco Project*

During the Quarter the Company completed further aeromagnetic surveys over the small mining license area and commenced work over the two large-scale exploration licenses. Further drill targets were defined from ground surveys completed. Trenching and bulk sampling of the shallow alluvial deposit on the small mining license area commenced late in the Quarter and will continue in the current quarter. A 40 hole RC drilling program is scheduled to commence this quarter.

The Company continued with the construction of site offices and houses at the project site.

### **KANONA PROJECT**

The Kanona Project is located between the towns of Serenje and Mpika of Central Zambia. The project is approx. 80km from Serenje, 5km from the Tazara Railway line and close to the Great Northern Highway.

With the focus on the Emmanuel Project no significant work was completed on the project during the Quarter.

## **CORPORATE**

### **New Chairman Appointed**

During the Quarter the Company announced the appointment of Malenga Machel as non-executive Chairman of the Company.

Malenga Machel is a founding Director and Managing Director of Resources and Managing Director of Energy of Whatana Investments Group. The Whatana Group is a privately owned and highly successful Mozambican-based investment group established in 2005, that has interests throughout Africa in resources, energy, logistics, telecommunications, the financial sector and property development. The Whatana Group is headed up by Graça Machel, widow of the first president of Mozambique, Samora Machel and current wife of South African former president, Nelson Mandela.

The appointment is considered to be a major step forward for the Company and its business activities in Africa.

### **Investment License**

During the Quarter the Company's principal subsidiary in Zambia, Impondo Zambia Limited was granted its Investment License (Certificate of Registration) by the Zambian Development Agency.

Under the terms of the Investment License, the Company's Zambian subsidiary will benefit from highly attractive fiscal and non-fiscal incentives, including: a corporate tax of 0% for an initial period of 5 years from the first year profits are made. For year 6 to 8 corporate tax will be paid on 50% of profits and in year 9 to 10 on 75% of the profits; dividends shall be exempted from tax for 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 5 years on machinery and equipment; zero 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 License provides various investment guarantees and protections from expropriation or nationalisation, as well as free facilitation for application of immigration permits, second licenses, land acquisition and utilities.

### **Placement of Shares**

During the Quarter the Company successfully completed a placement to institutional and sophisticated investors of 74,100,000 shares at A\$0.02 each to raise A\$1,482,000 before costs (with a one for one free attaching option (\$0.03; 30 June 2013) and subject to shareholder approval) was completed.

The placement was completed to ensure that the Company was able to continue to accelerate its mine development plans and exploration of its manganese assets in Zambia whilst it finalizes its longer term debt financing discussions.

### **Debt Financing Discussions**

During the Quarter the Company continued in its discussions with its financiers for a structured debt facility to further fund its exploration and development activities at its Zambian Manganese Projects. The Company anticipates finalisation of its debt financing arrangements in the current quarter.

## **URANIUM PROJECTS**

The Company continued during the Quarter to complete its strategic review of its portfolio of New Mexico uranium projects. The Company has been approached by several parties in respect to its uranium projects and anticipates completing its strategic review in the current quarter.

Yours faithfully



**JASON BREWER**  
Executive Director

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## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**KABOKO MINING LIMITED**

ABN

**93 107 316 683**

Quarter ended ("current quarter")

**31 March 2012**

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) (\$A'000)
1.1 Receipts from product sales and related debtors	58	66
1.2 Payments for		
(a) exploration & evaluation	(689)	(1,130)
(b) development	(242)	(242)
(c) production	-	-
(d) administration	(447)	(1,037)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(1,319)</b>	<b>(2,339)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1,121)	(1,135)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	7	7
1.10 Loans to other entities	-	(31)
1.11 Loans repaid by other entities	-	-
1.12 Other – Net cash on acquisition of subsidiary	-	126
<b>Net investing cash flows</b>	<b>(1,114)</b>	<b>(1,033)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,433)</b>	<b>(3,372)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(2,433)	(3,372)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,482	2,930
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,202	2,402
1.17	Repayment of borrowings	-	(1,700)
1.18	Dividends paid	-	-
1.19	Other (Capital Raising Costs)	(66)	(277)
	<b>Net financing cash flows</b>	<b>2,618</b>	<b>3,355</b>
	<b>Net increase (decrease) in cash held</b>	<b>185</b>	<b>(17)</b>
1.20	Cash at beginning of quarter/year to date	245	447
1.21	Exchange rate adjustments to item 1.20	3	3
1.22	<b>Cash at end of quarter</b>	<b>433</b>	<b>433</b>

**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
1.23	Aggregate amount of payments to the parties included in item 1.2	182
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

86K payment of directors fees  
96K payment for retiring director as per employment contract

**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

N/A

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

N/A

**Financing facilities available**

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

Amount available \$A'000	Amount used \$A'000
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+ See chapter 19 for defined terms.



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

3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	400
4.2	Development	300
4.3	Production	-
4.4	Administration	300
<b>Total</b>		<b>1,000 (i)</b>

*(i) Note: Proceeds of sale of product and drawdown of \$5m offtake agreement subsequent to quarter end to meet ongoing costs*

**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	433	249
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) Term deposits applied as security for environmental bond and bank facilities	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>433</b>	<b>249</b>

**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	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ See chapter 19 for defined terms.

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

**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 securities</b> <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	594,550,815	594,550,815		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	86,863,033			
7.5 <b>*Convertible debt securities</b> <i>(description)</i>	Nil			
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>	89,750,709	89,750,709	<i>Exercise price</i> \$0.08	<i>Expiry date</i> 13 July 2012
	142,561,844	142,561,844	\$0.03	30 June 2013
	250,000		\$0.40	31 July 2012
	250,000		\$0.60	31 July 2012
	4,000,000		\$0.03	15 June 2015
7.8 Issued during quarter	9,979,382		\$0.022	1 December 2014
7.9 Exercised during quarter	750		\$0.03	30 June 2013

+ See chapter 19 for defined terms.

7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil			

## 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 4).
- 2 This statement does give a true and fair view of the matters disclosed.




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Jane Flegg  
Joint Company Secretary  
30 April 2012

## 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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+ See chapter 19 for defined terms.