



EXPLORING AND DEVELOPING GRAPHITE IN TANZANIA

Founded on Nickel and Growth through Graphite

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Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Andrew Spinks, who is a Member of The Australasian Institute of Mining and Metallurgy included in a list promulgated by the ASX from time to time. Andrew Spinks is a consultant of Tanzgraphite Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and 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, Mineral Resources and Ore Reserves”. Andrew Spinks consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

INTRODUCTION

- Graphite new focus - new age mineral.
- East Africa has significant and compelling graphite occurrences.
- Options over the Mahenge and Merelani-Arusha graphite projects in Tanzania.
- Significant increase in land position in Tanzania with a combined ground holding of 2,173km².
- Exploration and development strategy in place.
- Potential to become a major graphite producer.



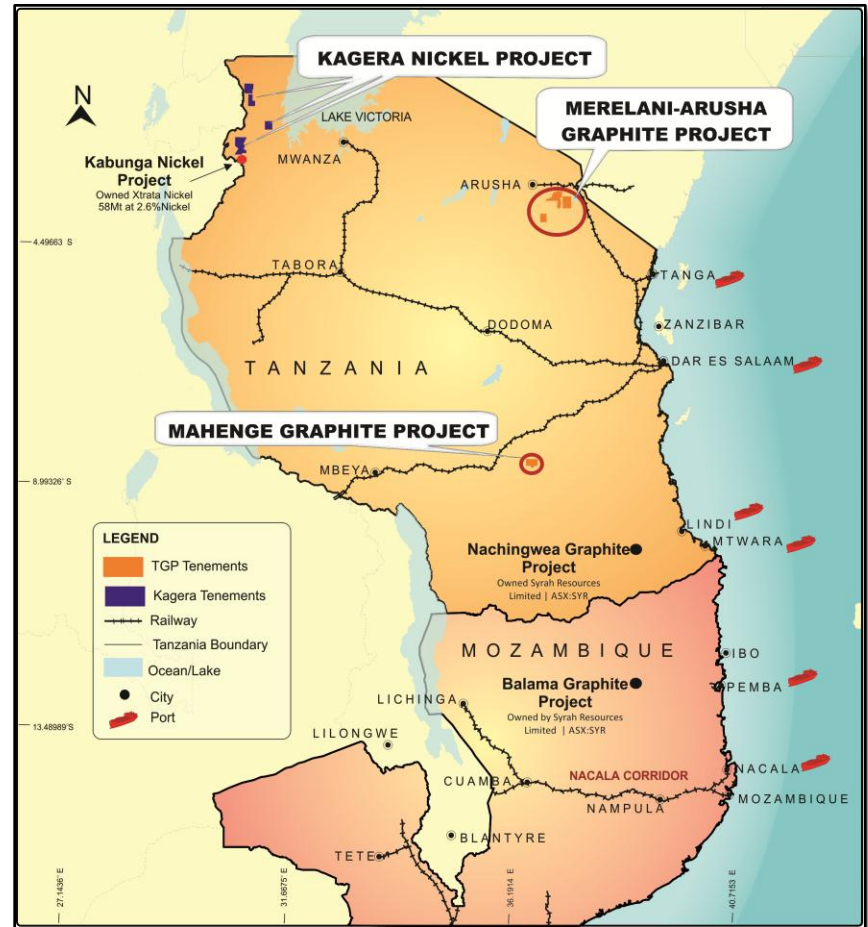
High Grade Graphite Schist



Large Flake Grade

KEY HIGHLIGHTS

- Agreed to acquire Tanzgraphite (“TGP”) - early Movers.
- Granted tenure.
- Large flake and high grade.
- Rock chip results up to 29.9 % Total Graphitic Carbon (“TGC”) and average 14.9 %TGC.
- Existing - Rail and Port.
- Metallurgical results pending.
- RC Drilling expect to commence mid July.



CAPITAL STRUCTURE

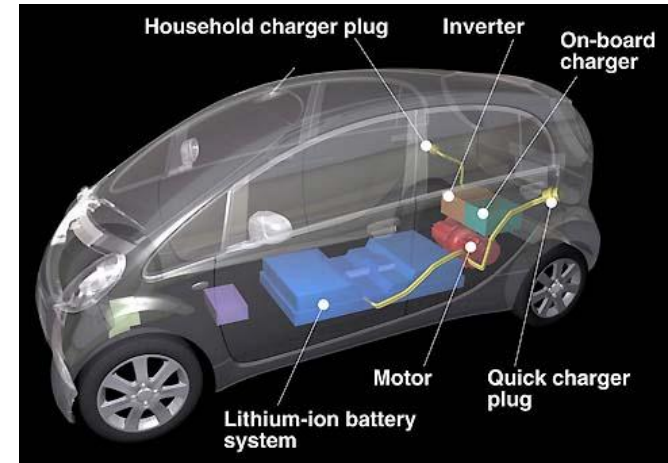
ASX Code	:	KNL
Share Price	:	\$0.18
Shares on issue ¹	:	58.2m
Market Cap ²	:	\$10.5m
Cash in Bank ³	:	\$1.4m
Performance Shares ⁴	:	38.4m
Options ⁵	:	12.2m

Notes for Table

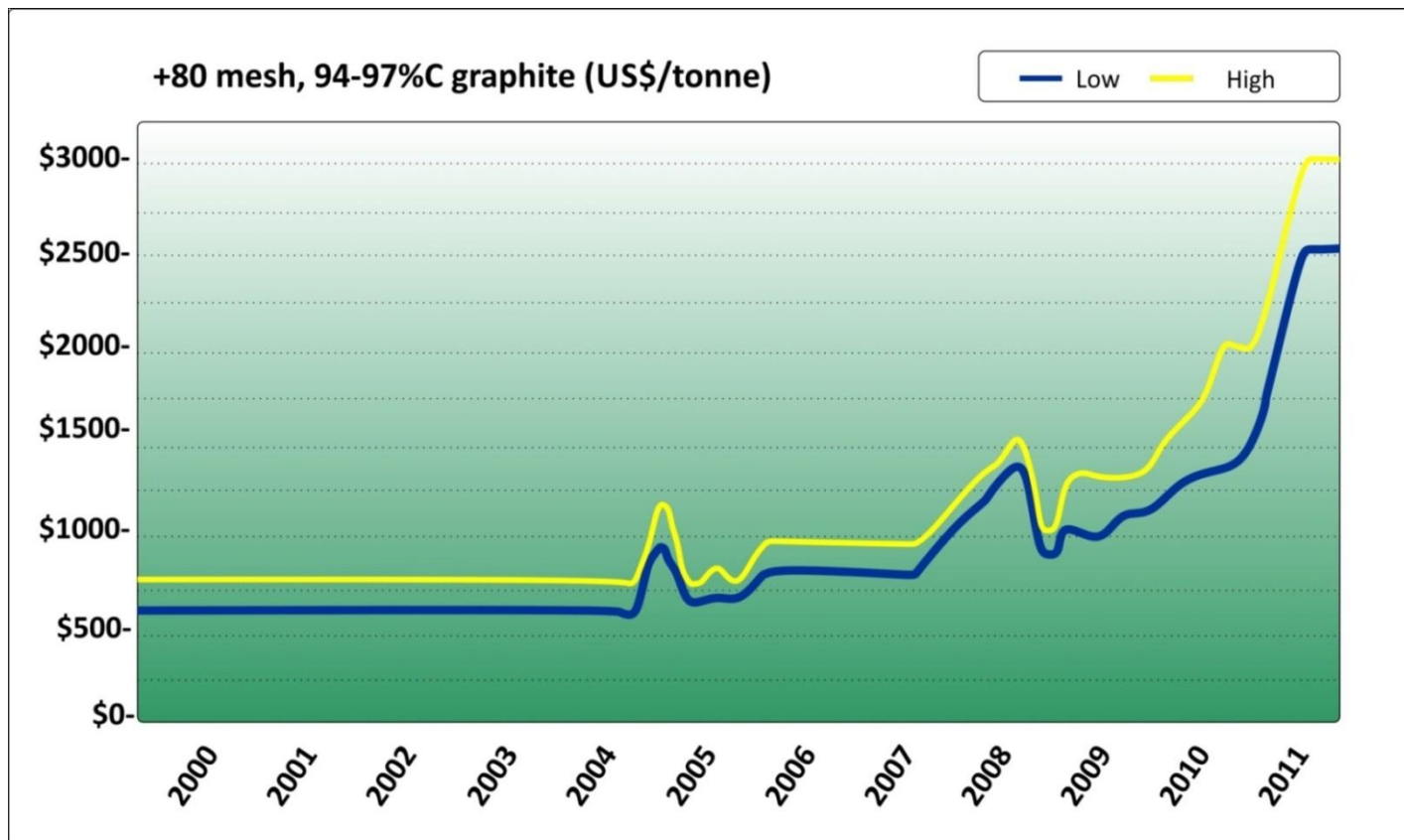
1. Shares on issue include 12.7m shares yet to be allotted under the Company's fully underwritten non-renounceable rights issue; and 7.1m to be issued to vendors of Tanzgraphite Pty Ltd, subject to shareholder approval.
2. Market capitalisation does not include performance shares.
3. Cash in bank includes approximately \$900k to be received from the Company's fully underwritten rights issue.
4. Consist of 22.5m shares which convert on certain milestones associated with the Kagera nickel project and 15.9m shares which convert on certain milestones associated with the graphite projects.
5. Various strike prices, includes 3.5m options to be issued to advisors subject to shareholder approval.

GRAPHITE - BACKGROUND

- Graphite has unique properties including refractoriness, high stability, chemical inertness, high electrical and thermal conductivity
- New uses are developing especially in energy markets.
- Significant future use is lithium ion batteries (anodes).
- Further increase in the application of Graphene
- Graphene is a one-atom-thick planar sheet of bonded carbon atoms that are densely packed in a honeycomb crystal lattice



GRAPHITE PRICING

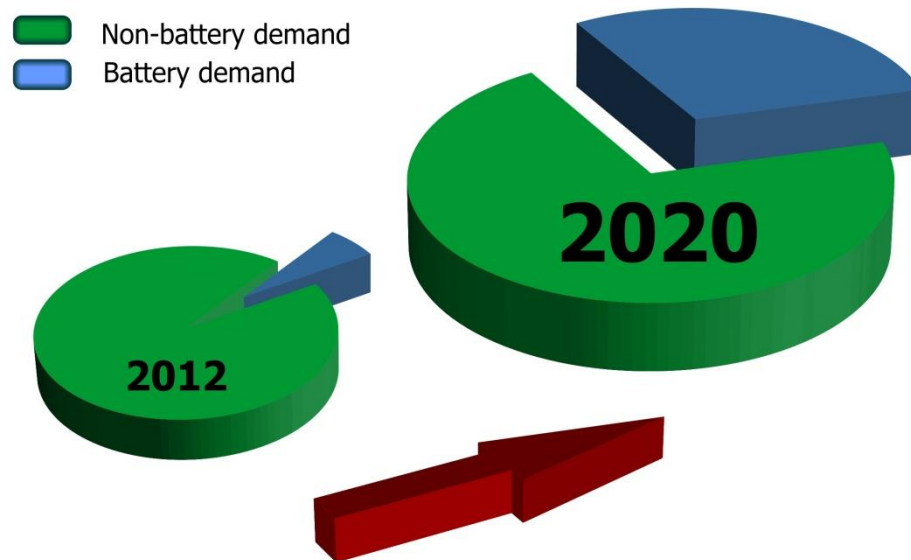


Source: Industrial Minerals Magazine

GRAPHITE DEMAND

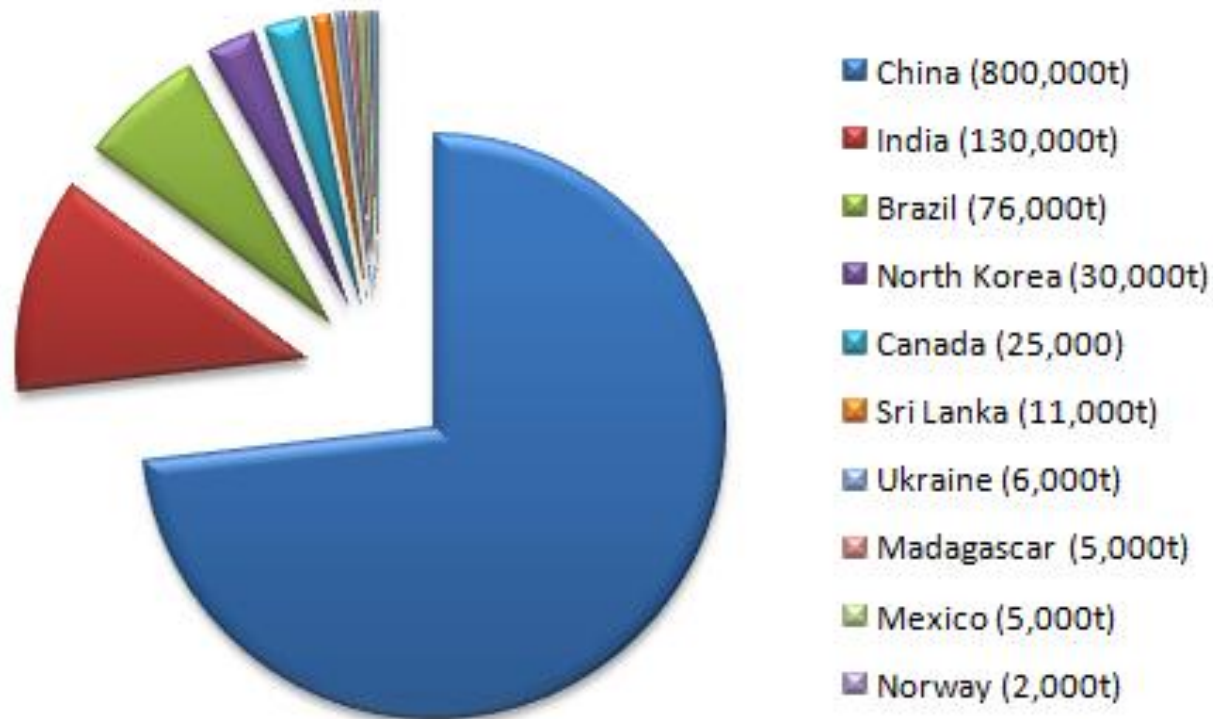
- Natural Graphite demand to grow.
- Growth sector of lithium-ion batteries in vehicles.
- Alternative anode materials far more expensive and less developed.
- China produces 75% of the world's graphite and is restricting the export of graphite to protect its own domestic industries.
- China is now the biggest importer of graphite and it has imposed a 20% export duty plus 17% VAT.

GRAPHITE DEMAND IS EXPECTED TO DOUBLE IN THE NEXT 8 YEARS



Source: Metal Investment News

CURRENT GRAPHITE PRODUCTION

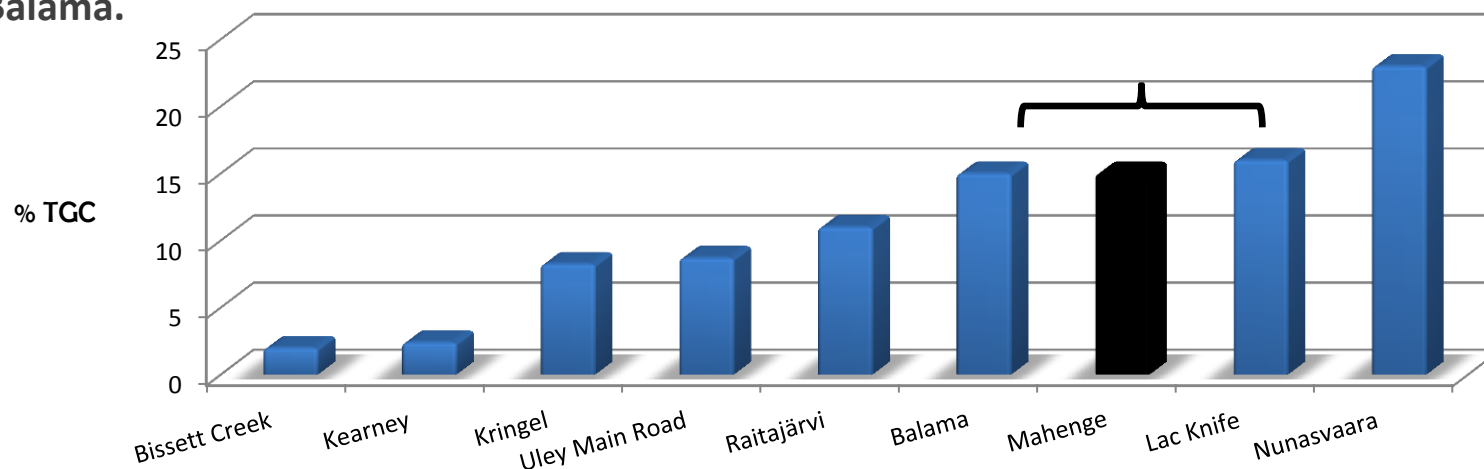


Source: USGS Mineral
Commodity Summary 2011

Chinese graphite production has environmental challenges and an increase in China graphite production appears challenging.

GRAPHITE GRADE (%TGC)

TGC grade (refer page 14) at Mahenge Graphite Project compares favourably to Lac Knife and Balama.

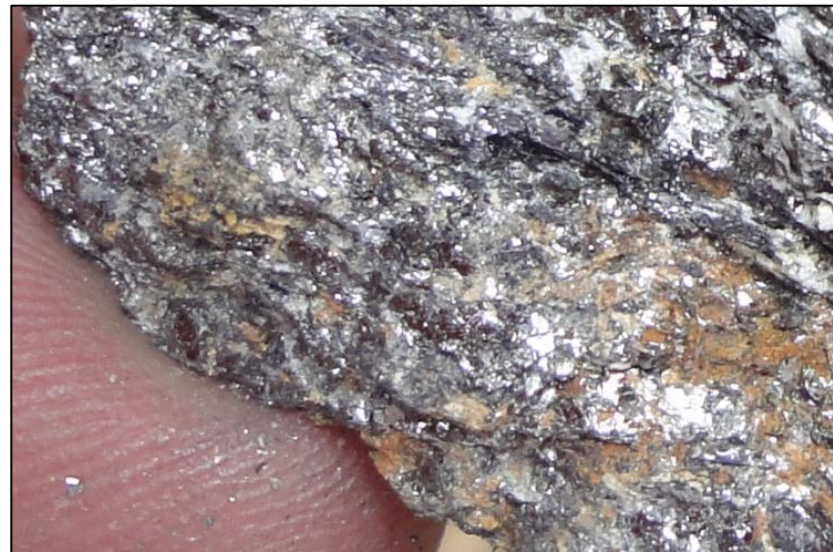


Project	Location	Owner(s)	Ticker Symbol(s)	Share Price	Market Cap	Resource
Bissett Creek	CAN	Northern Graphite	TSX.V:NGC,	C\$1.59	C\$73M	NI 43-101
Sugerloaf	AUS	Archer	ASX:AXE	A\$0.23	A\$21M	-
Kearney	CAN	Ontario Graphite Co.	-	-	-	NI 43-101
Kringel	SWE	Flinders Resources Ltd.	TSX.V:FDR	C\$1.79	C\$72M	-
Lac Knife	CAN	Focus Metals Inc.	OTQX:FCSMF	C\$0.74	C\$71M	NI 43-101
Nunasvaara and Raitajärvi	SWE	Talga Gold Limited	ASX:TLG	A\$0.35	A\$16M	JORC
Uley Main Road	AUS	Mega Graphite Inc.	-	-	-	JORC
Balama	E.AFR	Syrah Resources	ASX:SYR	A\$2.90	A\$330M	-
Mahenge	E.AFR	Kibaran	ASX:KNL	A\$0.23	A\$11M	-

GRAPHITE FLAKE SIZE

Grade	Size	Price at 94-97% C
Large	177 microns	\$2,500 - \$3,000
Medium	150 - 176 microns	\$2,200 - \$2,500
Fine	<149 microns	\$2,000 - \$2,400

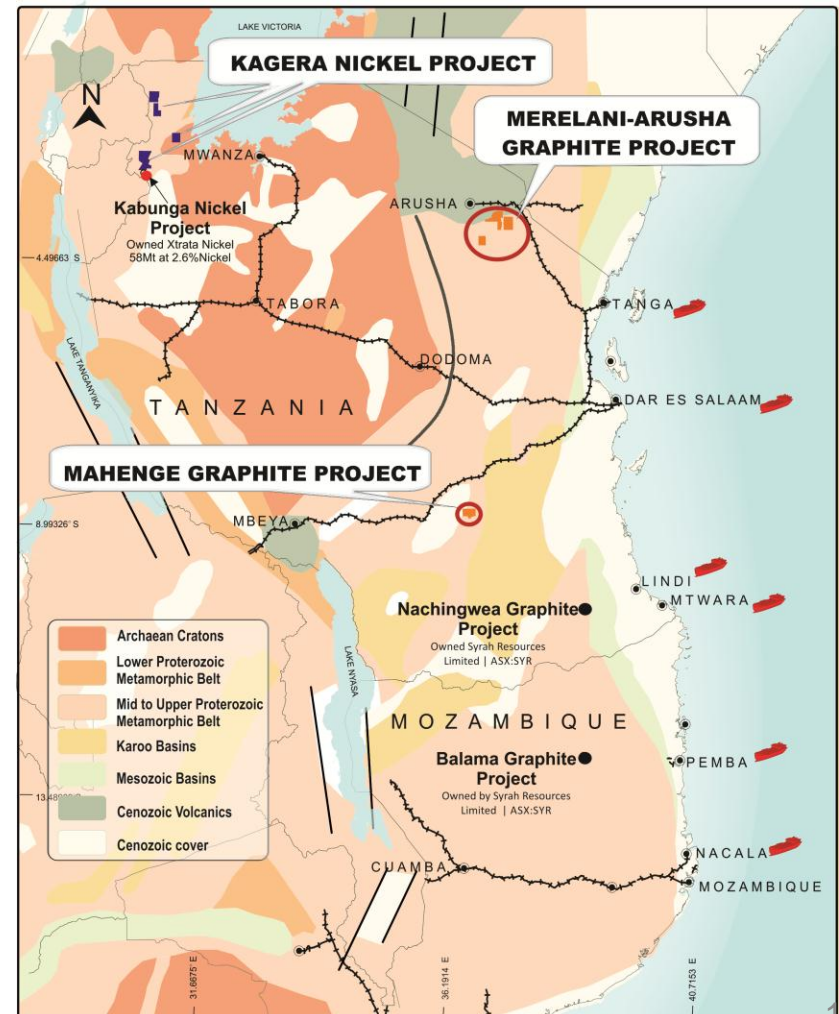
Large Flake
(>177 micron)



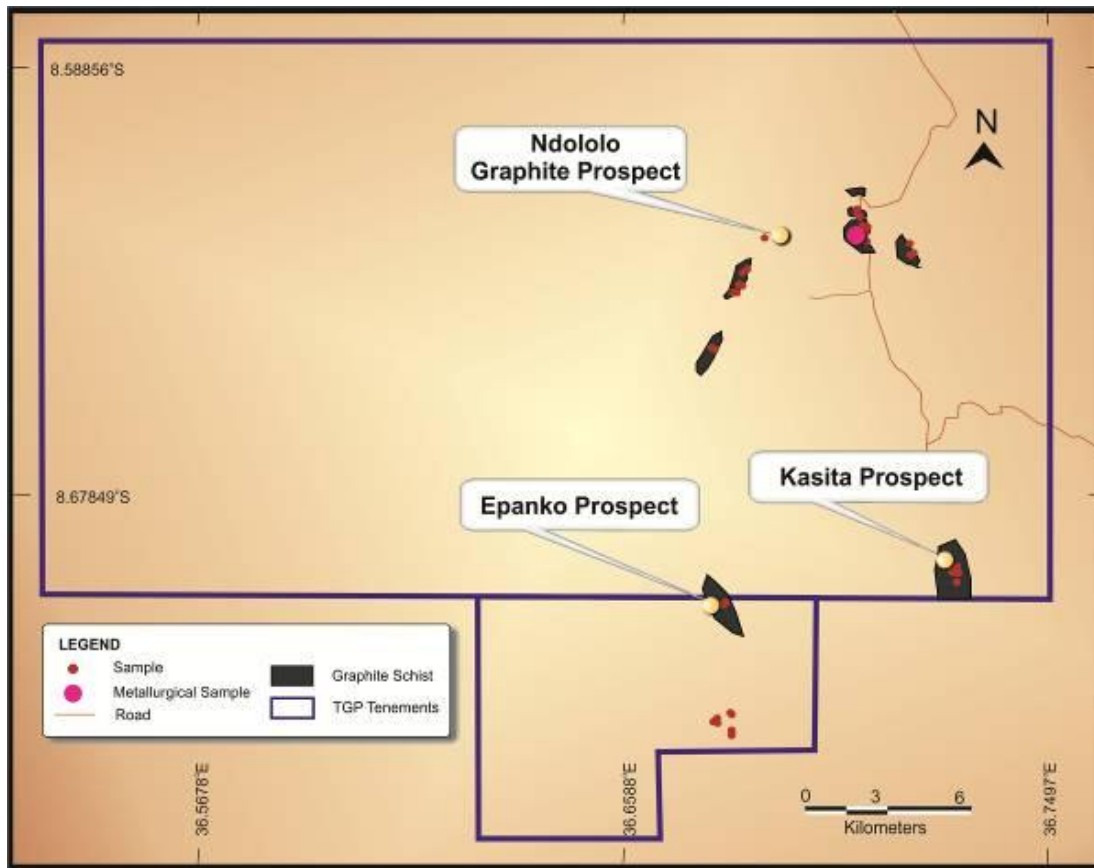
Mahenge Graphite

EAST AFRICA - GRAPHITE OCCURENCES

- Compelling geological setting.
- High metamorphic terrain – Unique (Merelani Tanzanite Mine).
- Multiple graphite occurrences.
- Large flake and high grade.
- Available and educated work force.
- Tanzanian exports increased over last 12 years. Now 3rd largest gold producer Africa.



MAHENGE GRAPHITE PROJECT



- Area of 325.5 km².
- Ndololo, Epanko and Kasita graphite prospects.
- Exploration Target at Ndololo Prospect (3 – 7Mt).
- 30 km strike length.
- Results high grade and compare favourably.
- High grade rock chip results up to 29.9%TGC.

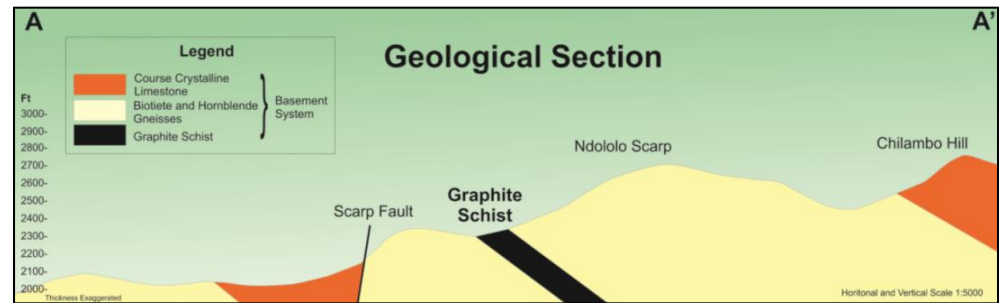
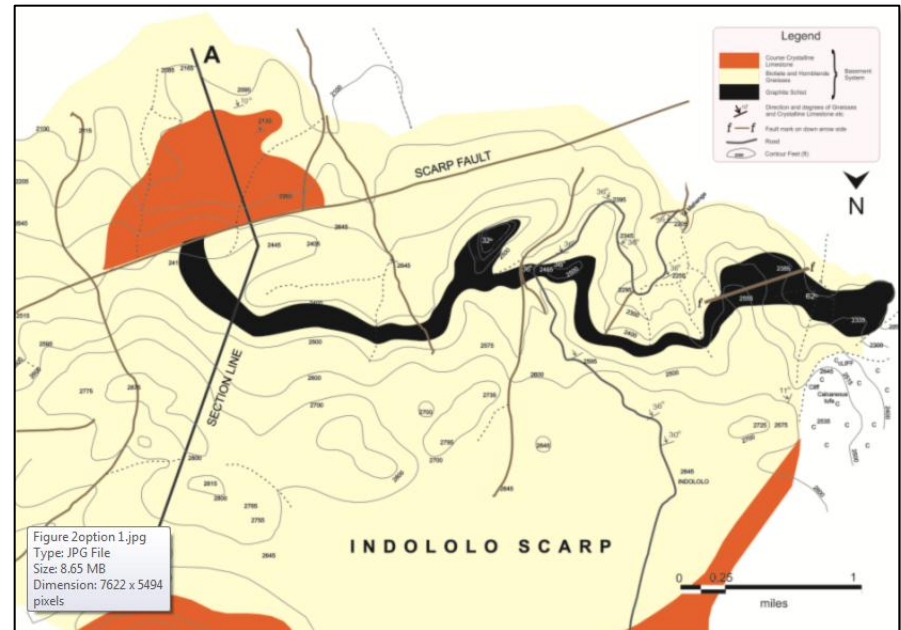
MAHENGE GRAPHITE PROJECT

Recent rock chip sampling:

		Min	Max	Average
Prospect	No. Samples	(% TGC)	(% TGC)	(% TGC)
Ndololo	22	0.05	29.9	14.9
Epanko	1	-	-	20.8
Kasita	3	6.2	16.5	13.0
Total	26	0.05	29.9	14.9

NDOLOLO GRAPHITE PROSPECT

- Historically recognised occurrence (1945).
- 17.4 km strike length of graphite schist.
- Large flake graphite.
- Rock chip samples up to 29.9% TGC and average 14.9% TGC.
- Metallurgical sample pending.
- RC Drilling planned.



EPANKO-KASITA GRAPHITE PROSPECTS

- 13.6 km strike length of graphitic schist mapped.
- Large flake graphite.
- RC Drilling planned at Kasita.
- Rock chip sampling received 20.8% TGC at Epanko.
- Rock chip samples average 13.8% TGC at Kasita.
- RC drilling planned.

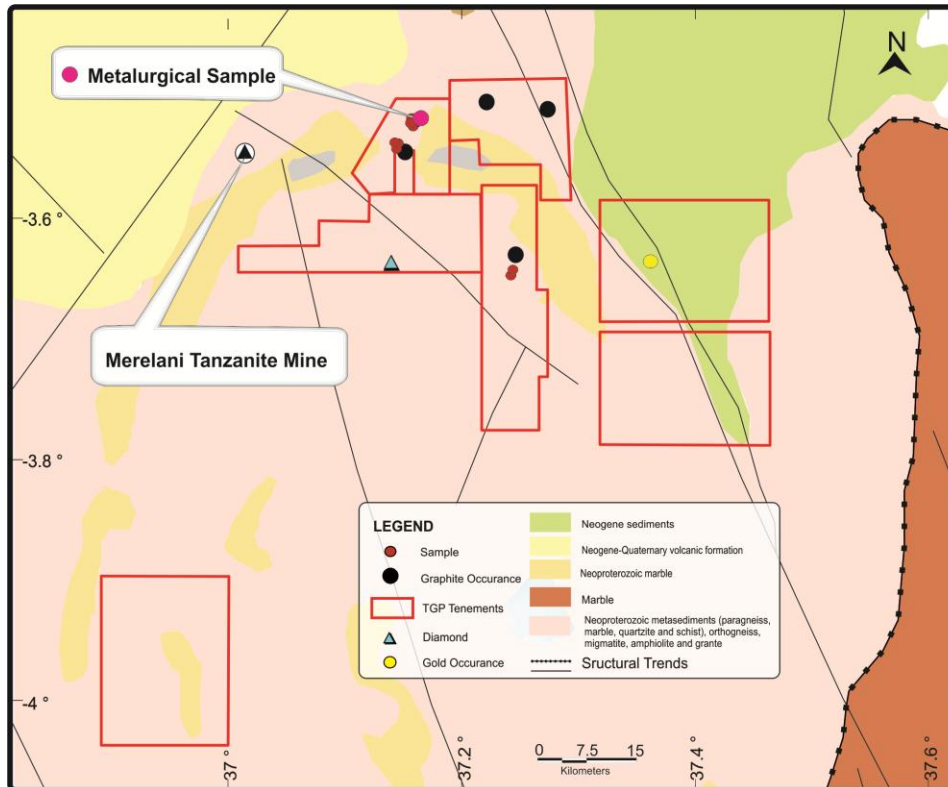


Road cutting at Epanko



Graphite Schist at Kasita

MERELANI-ARUSHA GRAPHITE PROJECT



Tanzanite crystal on graphite matrix
(Merelani Tanzanite Mine)



- Area of 973.4 km².
- Large Flake Graphite.
- Same geological setting as Tanzanite Mine.
- Graphitic schist mapped over 1.5 km long and up to 200 m widths.
- Area currently being mined for gemstones.
- Drill planning underway.
- Metallurgical sample pending.
- Rock chip assays pending.
- RC drilling planned.

EXPLORATION AND DEVELOPMENT

Exploration

- Exploration on existing ground holding 2,173km².
- Geophysical review and prioritise regional targets.
- Rapid review of new ground holding.

Development

- Early movers and gained option of one of two of the known historical occurrences (Syrah secured Nachingwea).
- JORC Mineral Resource delineation.
- Fast track through to scoping and feasibility study.

INITIAL DRILLING PROGRAMME

- RC Drilling to commence mid-July.
- Laboratory assays late August.
- Geological modelling and interpretation early-mid September.
- JORC Mineral Resource (Inferred) estimate mid-late September.

Project	Prospect	Holes (No.)	Metres (m)
Mahenge	Ndololo	4	600
	Epanko	1	150
	Kasita	5	750
Merelani-Arusha		6	1,000
Total		16	2,500

INFRASTRUCTURE BENEFITS

- Tanzania is a stable, mining friendly country.
- Projects accessed by road and the Tanzania Railway Corporation (TRC).
- Tanzania Harbours Authority - Dar es Salaam, Tanga, Lindi and Mtwara.
- Forestry commission exports 200t of Teac hardwood per day from Mahenge using existing road.
- Major road upgrade currently being tendered Morogoro to Mahenge.



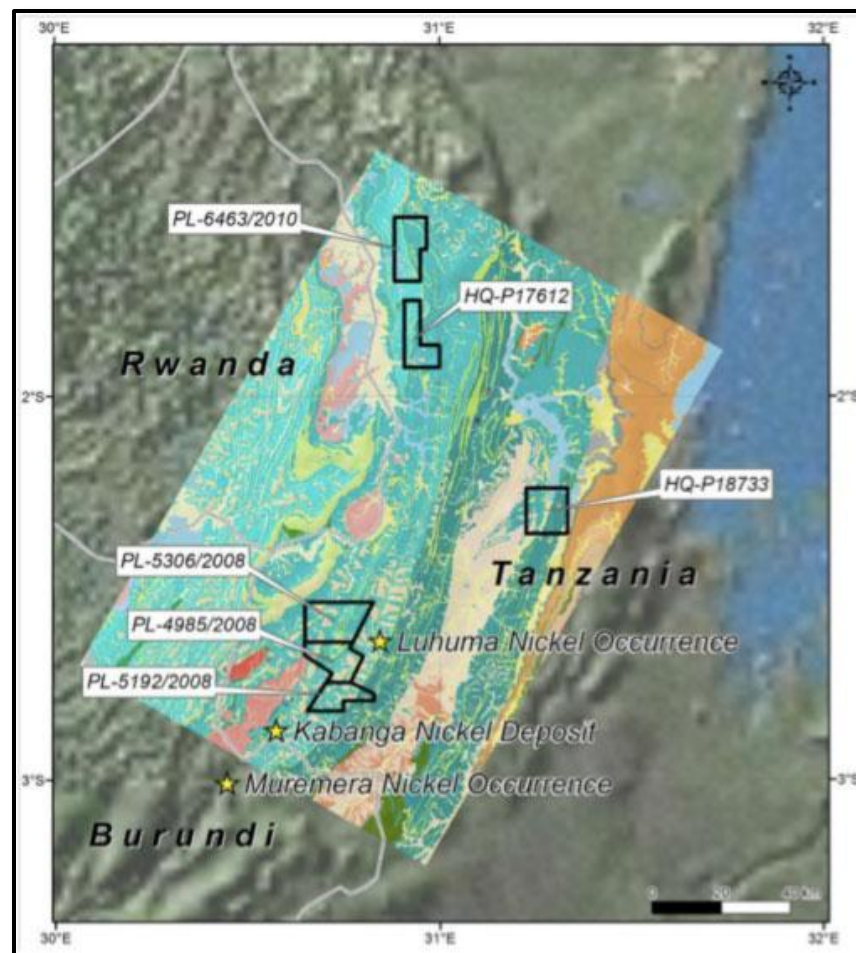
- Siding at Ifakara.
- (Built and used for Zambia copper mines).

TIMETABLE - 2012

	Jul	Aug	Sep	Oct	Nov	Dec
Corporation						
Shareholder Meeting	■					
Development Graphite Exploration						
Metallurgical sample analysis	■	■				
RC Drilling		■	■			
Drill hole analysis (assays) and Interpretation			■			
Resource Estimation			■	■		
Scoping Study				■	■	
Diamond Drilling (<i>subject weather</i>)					■	■
Graphite Exploration						
Geophysical Review and Targeting						
Regional Mapping and sampling			■	■	■	■
Nickel Exploration						
Independent Nickel Interpretation		■	■	■		

KAGERA NICKEL PROJECT

- Nickel Sulphide project located within World Class Province.
- Located north of Kabanga nickel deposit owned by Xstrata.
- Only 3 holes drilled.
- Large EM dataset.
- Additional interpretations planned.
- Value add opportunities being evaluated.



BOARD/MANAGEMENT

- Experienced board:
 - Simon O'loughlin.
 - Robert Greenslade.
 - David Gower.
 - David Argyle.
 - Andrew Spinks (director elect).
- In country exploration team and support:
 - Layne drilling - Located 240km at Morogoro.
 - CSA Global Pty Ltd – Mineral Resource and support.
 - Strategic Resource Management Pty Ltd – Technical Support (12 years Tanzanian Experience).
 - SGS - Analysis and Metallurgical testwork located in Tanzania and South Africa.

CONCLUSIONS

- East Africa - known occurrences of graphite.
- Tanzania occurrences - high grade and large flake.
- Secured historical known occurrence and large exploration tenement holding.
- Exploration and development strategy in place.
- Chinese production hampered by environmental conditions and low grade.
- Impact of Lithium batteries - new mines will be required.
- Demand expected to double by 2020.