

**Dear Shareholder,**

I am writing to provide you with an update on the progress your Company, Kibaran Resources has made since the last ASX announcement.

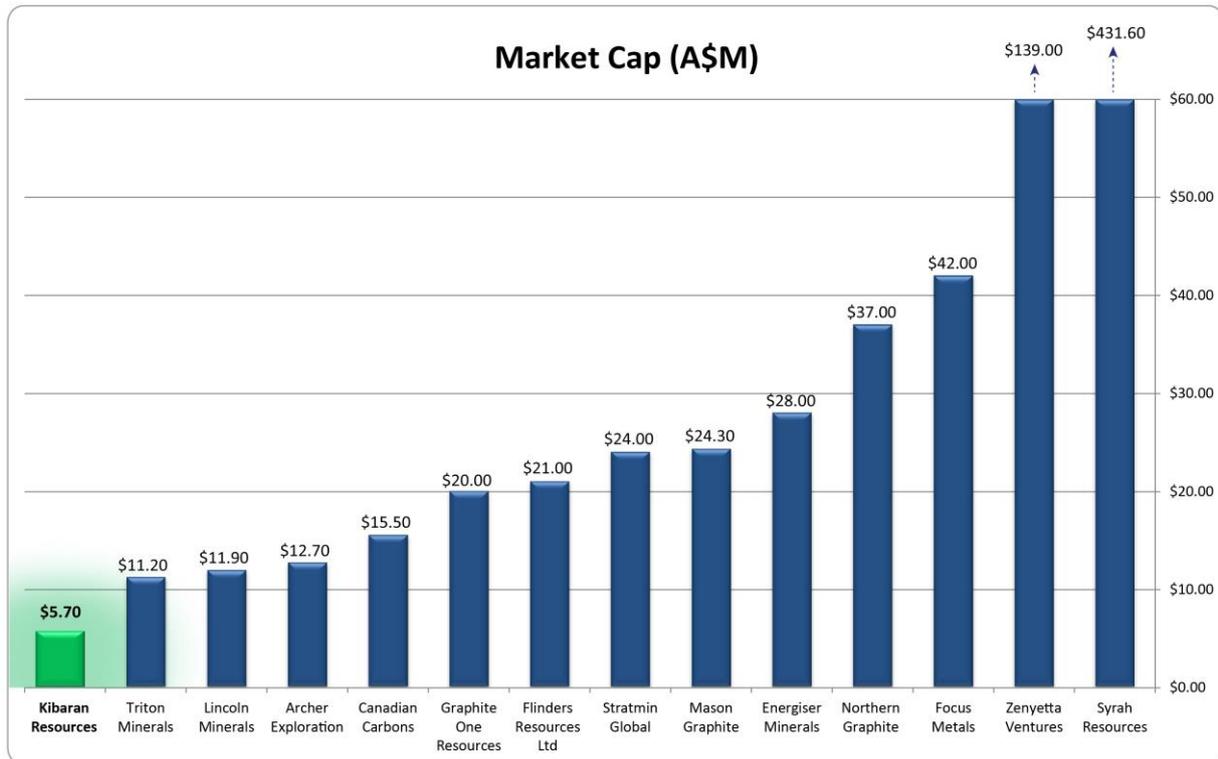
The Company is working hard to formalise a binding off-take agreement under the terms of our recently announced Memorandum of Understanding (MoU) with a major European graphite trader (EGT). The Company believes the off-take agreement will underpin the development of the Epanko graphite project in Tanzania.

The EGT recently completed a site visit to the Epanko deposit, which formed part of the due diligence and legal documentation that is now being finalised. We are confident that the off-take agreement will be executed in the short term and will keep you up to date in this regard.

Based on results to date, Kibaran Resources' Mahenge Graphite Project has one of the largest graphite size distributions and a significant Mineral Resource, yet the Company has one of the lowest market capitalisations of any graphite company. The Board believes the current share price hugely undervalues the Company, especially when compared to our peers (refer Figure 1).

**Key points that support this view include:**

- Based on metallurgical flotation results **21.6% of our flotation product is greater than +300 micron size fraction and over 50% is greater than +180 micron size fraction** (refer ASX announcement dated 5 June 2013). These results demonstrate that Epanko's flotation product has one of the largest size fraction distributions amongst our peers. When comparing Kibaran's results with its peers, it is critical that flotation testwork results are compared, not in-situ particle size fractions as comparison of in-situ particle size fractions can lead to erroneous conclusions.
- Resource size and graphite grade are important in terms of Life of Mine (LOM) and Operating costs; however, it is flake size and the percentage of carbon in the concentrate which determine pricing and saleability. Essentially, the larger the flake size, the better; **the key marketable products are the +300 micron and +180 micron size fractions**. These large size fractions combined with a low fines (-106 micron) content is the product traders require.
- Graphite traders and carbon users that the Company is in discussions with are predicting a **shortfall of large (+300 micron and +180 micron size fractions) flake graphite**.
- The Company's strategy is to commence production based on existing demand. The largest stand-alone graphite operations in the world (including those in China) produce approximately 40,000 tonnes per annum (tpa). Kibaran's strategy is to design a plant in a modular format with an initial capacity to prove concept and meet the current needs of our potential off-take partner. The plant can then be upgraded as and when demand increases.
- The current market for natural flake graphite is 400,000tpa.
- Discussions with graphite traders and carbon users have indicated a desire to diversify away from a reliance on Chinese supply. In addition, Chinese production supply has been unreliable and costs are increasing. We believe that Tanzanian operating costs will be competitive with China given that our in-situ resource grade is 2 to 3 times higher.
- The refractory market is linked to the steel industry and is one of the largest consumers of graphite, so a slowdown in the steel industry will affect year-on-year demand of fines graphite. However, **Kibaran's graphite is large flake and expandable which makes it amenable to new technology-driven demand**. The outlook for 'expanded graphite' is considered very strong due to the high technology and battery markets.
- Companies promoting higher production levels than existing producers (that is, greater than 40,000tpa) may find it difficult to sell their product given the current demand. Additionally, small size distributions of flotation product (i.e. a significant portion falls within the -106micron size fraction) will affect projects economics due to the lower average prices. Feedback Kibaran has received from potential consumers and traders is end-users do not want to lock in a majority of their supply from one producer or production centre.
- The Board of Kibaran is well balanced in terms of skill sets and Directors of Kibaran have significant experience in operating and building mines, with the majority of that experience gained in Tanzania.



**Figure 1 – Market capitalisations of relevant graphite companies on the ASX, TSX and AIM.**

I believe that your Company is well placed to develop its Tanzanian graphite projects and we look forward to announcing further positive news on the off-take agreement in the short-term.

**Yours Sincerely**



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 Kibaran Resources Limited

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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 director of Kibaran Resources Limited 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.