

## QUARTERLY ACTIVITIES REPORT

FOR THE JUNE 2012 QUARTER

### HIGHLIGHTS

- Executed of a Heads of Agreement for the **acquisition of Tanzgraphite Pty Ltd**
  - Two highly prospective graphite projects, Mahenge and Merelani-Arusha
  - Significantly increased ground holdings to 2,173km<sup>2</sup> in Tanzania, covering historical graphite occurrences and favourable geological settings for the discovery of new graphite deposits
  - Utilising Tanzgraphite's expert geological team on the ground
- Interim **metallurgical testwork** undertaken on the graphite projects revealed significant mineralisation and high head grade results of 17.1% TGC and 14.6% TGC.
- **Rock chip sampling** from the Mahenge project returned results ranging **up to 29.9 % TGC** and averaging 14.9 % TGC.
- 2,500m Reverse Circulation ("RC") **exploration drilling programme underway**
- \$1.25m in **funding secured** through completion of Placement and Entitlements issue
- Appointment of Non-Executive Director, Andrew Spinks

### CHAIRMAN'S COMMENTARY



During the June 2012 quarter, we were proud to announce the execution of a Heads of Agreement (HoA) for the acquisition of Tanzgraphite, significantly expanding our geographical footprint in Tanzania.

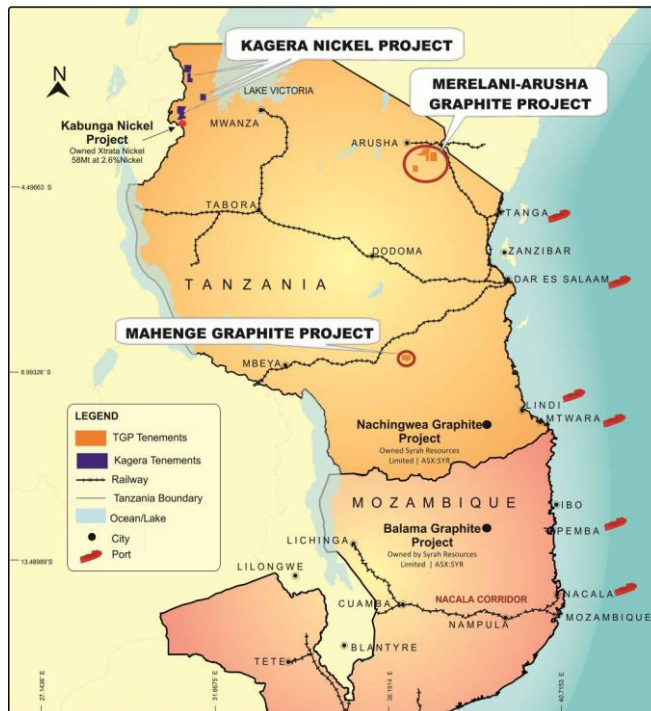
With the acquisition approved by shareholders in July 2012, Tanzgraphite's two highly prospective graphite projects, Mahenge and Merelani-Arusha have already begun to show considerable promise from interim metallurgical testwork and rock chip sampling.

Tanzania is an emerging province for the occurrence and development of graphite and our early results from metallurgical testwork have recently demonstrated the potential of our projects.

With a 2,500m exploration drilling campaign currently underway, and assay results to follow, I look forward to updating you on the exciting progress of Kibaran Resources.

**Simon O'Loughlin**  
Chairman

## GRAPHITE PROJECTS



Post the end of 30 June 2012, Kibaran Resources announced the completion of the transaction to acquire Tanzgraphite Pty Ltd following shareholder approval.

Tanzgraphite have secured options over the graphite projects – Mahenge and Merelani-Arusha.

The combined ground holding in these two projects of 1,308km<sup>2</sup> covers previously known graphite occurrences and favourable geological settings for the discovery of new graphite deposits.

The Mahenge graphite project is the most prospective of the tenements. Previous exploration and technical work undertaken on this tenement during the

1940's reported coarse flake graphite, grading 15.5% carbon and an estimated recovery of 97.5%.

### CONSIDERATION

The acquisition of Tanzgraphite was completed on 20 July following approval by shareholders, on the following terms:

- \$225,000 in cash;
- 7.143 million KNL shares issued at \$0.07 per share; and
- 15.93 million Performance Shares, with each Performance Share converting into 1 ordinary share in KNL if any of the following occur on or before 3 April 2015:
  - The transfer of tenement HQ-P 24975 by the appropriate Tanzanian regulatory authorities to Tanzgraphite or its nominee; or
  - An Inferred Resource calculated in accordance with the JORC code being defined on the Mahenge-Epanko or Arusha-Merelani tenements of at least 3.5 million tons of flake graphite grading at least 10%.

In acquiring Tanzgraphite, the rights to the tenements are following option payments, payable to the tenement holder.

To complete the acquisition of the tenements as follows:

*Mahenge Project – Ndololo Prospect*

- |   |               |
|---|---------------|
| • Purchase 100% within 12 months                      | US\$1,500,000 |
| • Option to extend at 12 months for further 6 months  | US\$ 250,000  |
| • Purchase 100% within 18 months                      | US\$2,000,000 |
| • Option to extend at 18 months for further 6 months  | US\$ 500,000  |
| • Purchase 100% within 24 months                      | US\$2,000,000 |
| • Option to extend at 24 months for further 12 months | US\$ 750,000  |
| • Purchase 100% within 36 months                      | US\$3,000,000 |

*The option periods noted above commenced on 4 April 2012.*

*Mahenge Project – Epanko Prospect*

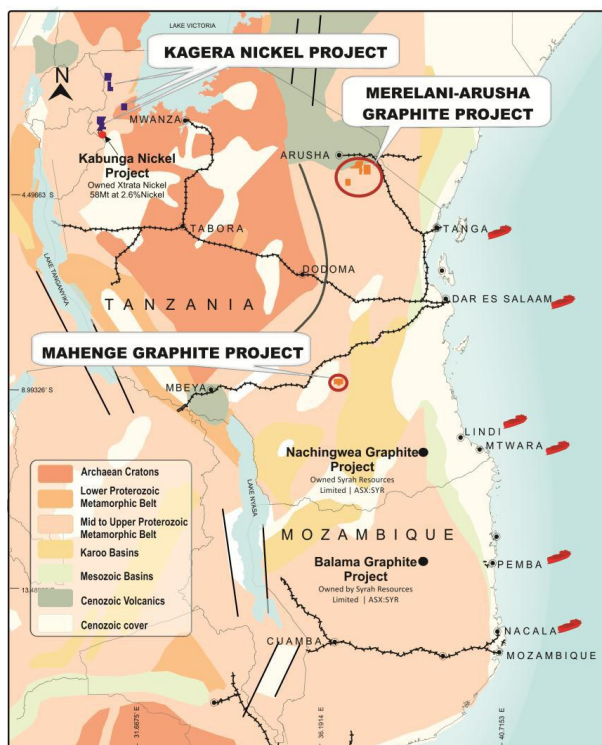
- |  |             |
|--|-------------|
| • Payment on the grant of the tenement | US\$ 20,000 |
|--|-------------|

*Merelani-Arusha Project*

- |                                 |              |
|---------------------------------|--------------|
| • Purchase 100% within 6 months | US\$ 120,000 |
|---------------------------------|--------------|

*The option period noted above commenced on 2 February 2012.*

## MAHENGE GRAPHITE PROJECT



The Mahenge graphite project consists of two tenements covering an area of 325.5 km<sup>2</sup>, located 245km south-west of Morogoro.

The Mahenge project hosts the Ndololo, Epanko and Kasita graphite prospects.



*Pictured above: Road cutting at Epanko.*

## Analytical results for Mahenge Project

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

### Notes:

- Samples were taken from outcropping graphite locations as shown in Figure 2 and 3.
- %TGC is the percentage of total graphite carbon.
- Samples were analysed by LECO for total graphite carbon by independent commercial laboratory SGS, Johannesburg. Samples were ignited at 600 degrees, then leached with HCL and the residue was analysed by LECO.

The results are considered high grade and project compare favourably to other East African graphite occurrences.

A total of 26 samples were received and have ranged up to 29.9 % Total Graphitic Carbon (“TGC”) and averaged 14.9 % TGC. The results confirm the historical findings and support the Company's belief that the Mahenge project is considered to host high grade large flake graphite.

The samples have been taken from outcropping graphite at Ndololo, Epanko and Kasita prospects. The locations of these samples are shown in the figure below.

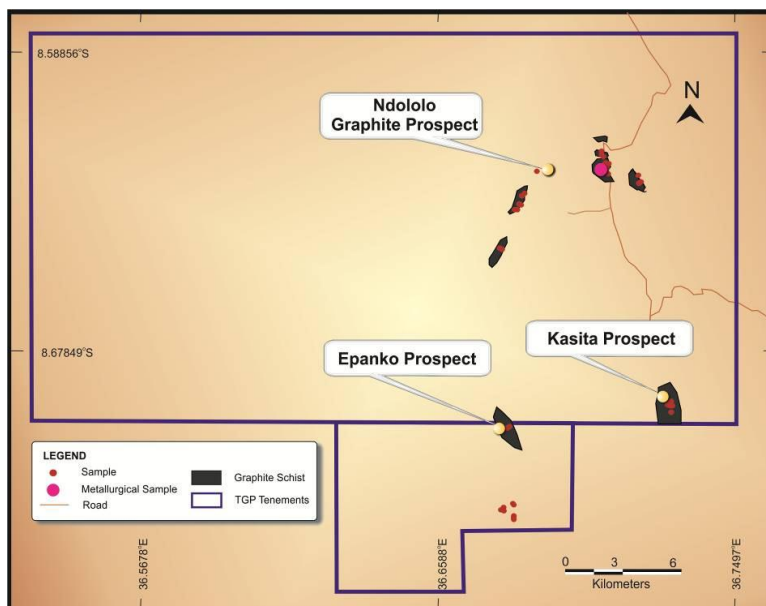


Figure: Ndololo, Epanko and Kasita prospect locations at Mahenge.



Pictured: Outcropping graphite schist at Ndololo (above) and graphite schist at Kasita (below).



## MERELANI-ARUSHA GRAPHITE PROJECT



The Merelani-Arusha graphite project consists of seven tenements covering an area of 973.4 km<sup>2</sup>, the project is located 55km south-east of Arusha.

With large flake graphite present at the project, it is in the same geological setting as the existing Tanzanite mine.



A total of 26 graphitic schist samples have been collected from the Project with results pending.

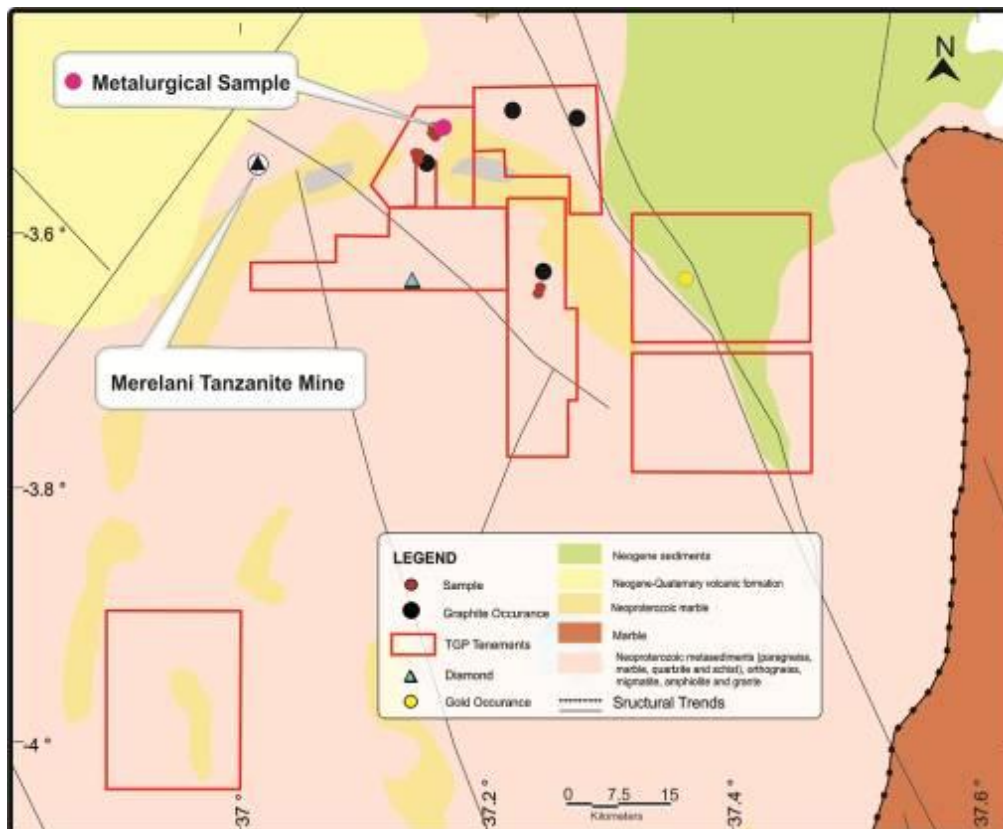
Recent geological mapping has only been carried out in one of the Merelani-Arusha tenements (refer figure below).



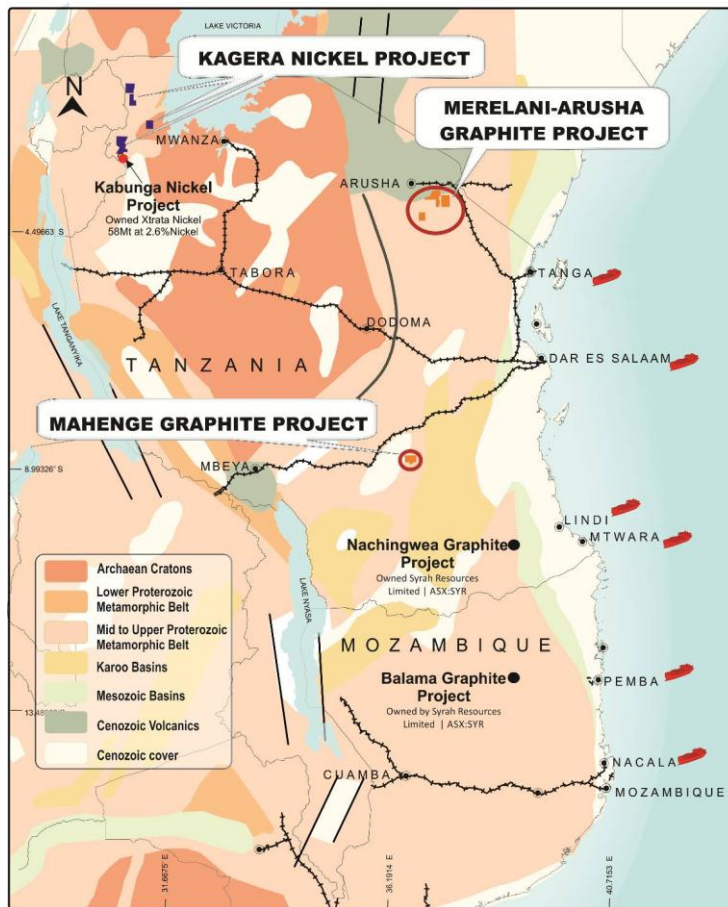
The geological mapping has observed graphitic schist over 1.5 km long with 200m average width has been mapped within the permit. The graphitic schist is striking at ESE and shallow dipping to the west with average dips of 38 degrees.

*Pictured left: Outcropping flake graphite from Merelani-Arusha project.*

*Figure below: Merelani-Arusha project showing sample locations including 50kg metallurgical sample.*



## EAST AFRICA - GEOLOGICAL SETTING



Based on a geological review, the largest and best quality flake graphite deposits predominantly occur within metasediments (refer figure, left and reference to Proterozoic Metamorphic Belt), particularly containing dolomitic units, in high grade metamorphic terranes. The Mozambique belt which extends from north eastern Tanzania down through Mozambique contains these metasediments.

Graphite occurrences in Tanzania are known in the north (e.g Merelani Tanzanite Mine), the south east (e.g. Nachingwea) and central (e.g. Mahenge) region of Tanzania, and in north-east Mozambique (e.g. Balama).

*Figure: East Africa Geological Interpretation showing known graphite occurrences*

(Geological map of the world reference: Bouysse Ph. 2000. Geological Map of the World, Old World sheet, CGMW/CCGM & BRGM)

The figure above provides a regional geological framework of East Africa comprises the Achaean blocks of the Tanzanian and Zimbabwean cratons, surrounded by Proterozoic age metamorphic belts.

## METALLURGICAL TESTWORK DEMONSTRATES SIGNIFICANT MINERALISATION

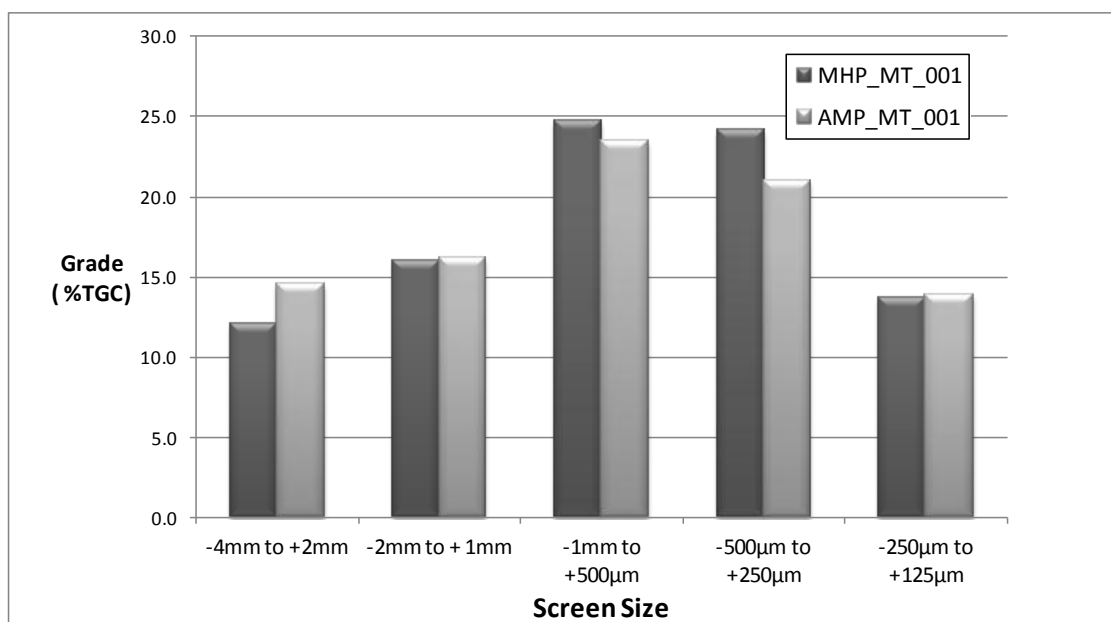
Metallurgical samples taken from the Ndololo prospect (Sample MHP\_MT\_001) and Arusha graphite project (Sample AMP\_MT\_001) have returned the following high head grade results.

Project	Sample	Total Graphitic Carbon (%)
Ndololo Prospect, Mahenge Project	AMP_MT_001	17.1
Merelani-Arusha Project	MHP_MT_001	14.6

Sizing analysis shows the highest total graphite carbon grade is in the 0.5mm (+500 micron) fraction, indicating the presence of coarse graphite flakes for both the Ndololo and Merelani-Arusha project.

Screen Size	MHP_MT_001		AMP_MT_001	
	Grade (% TGC)	Distribution (% TGC)	Grade (% TGC)	Distribution (% TGC)
+4mm	6.9	0.3	7.4	0.3
-4mm to +2mm	12.0	23.0	14.5	31.8
-2mm to + 1mm	16.0	20.8	16.2	19.8
<b>-1mm to +500µm</b>	<b>24.7</b>	<b>24.5</b>	<b>23.5</b>	<b>21.5</b>
-500µm to +250µm	24.1	18.6	21.0	15.0
-250µm to +125µm	13.7	7.0	13.9	6.8
-125µm	10.3	5.8	7.6	4.8

**Notes:** Micron (µm) and Millimetre (mm). 1mm = 1000µm



**Figure 5 : Sizing analysis for Ndololo and Merelani-Arusha project.**

The interim results from these metallurgical samples corroborate the historical reported analysis (9 May 2012 announcement) where conclusions from the testwork stated that the sample carries sufficient graphite for commercial exploitation and crucible-grade flake can be extracted. The historic results reported 15.5% Carbon and 97.5% recovery of flake graphite.

The head grade analysis also shows that a significant amount of vanadium is also present.

Sample	V <sub>2</sub> O <sub>5</sub> (%)
AMP_MT_001	<b>0.12</b>
MHP_MT_001	<b>0.11</b>

The presence of vanadium is in line with other graphite occurrences in East Africa. Further analysis and testwork will be carried out to determine its mineralogy.

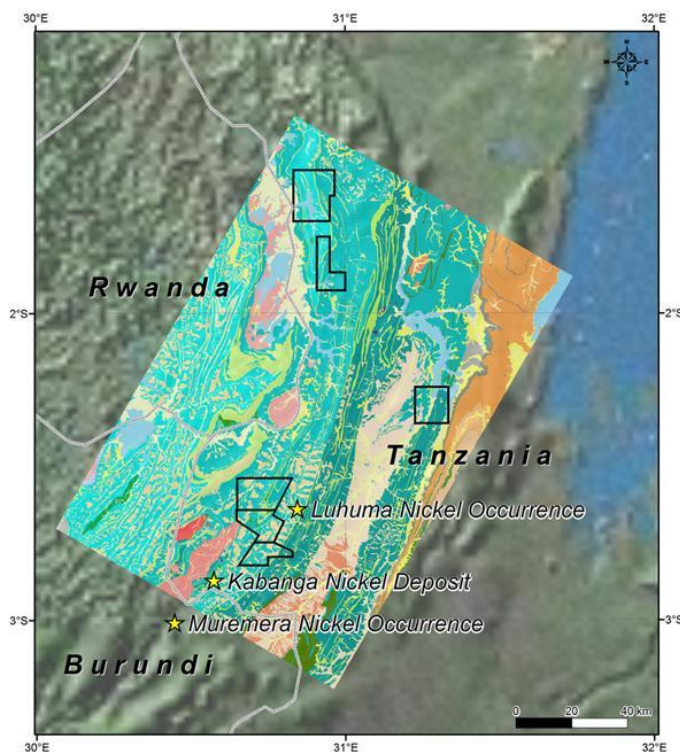
Flotation testwork will follow once the liberation size is determined. Optical mineralogy is being used to determine liberation size and is currently being undertaken. The mineralogy and flotation results will determine the ability to produce a clean concentrate.

Further metallurgical testwork is currently underway at SGS's analytical facility in Johannesburg, South Africa.

## EXPLORATORY DRILLING PROGRAMME UNDERWAY

As previously announced, Kibaran Resources has commenced a programme of Reverse Circulation ("RC") drilling which is currently underway at both graphite projects. The RC drilling programme is expected to take 25 – 30 days with the results of this exploration programme to follow once complete.

## KAGERA NICKEL PROJECT



The Kagera Nickel Project is located in western Tanzania. The key tenements are located approximately 10km north-east of the Kabanga Nickel Deposits of Xstrata Nickel / Barrick Gold (one of world's largest undeveloped high grade nickel sulphide deposits) which is presently undergoing feasibility studies.

The project comprises a large land position covering 864km<sup>2</sup> along the western border of Tanzania. The Kabanga-Musongati mafic-ultramafic belt occurs in the Meso-proterozoic Kibaran Orogenic Belt which extends 350km along a northeast-southwest trend, exposed in Burundi, Rwanda, southwest Uganda and northwest Tanzania.

The intrusions were emplaced into pelitic sediments of the rift basin that accumulated during the early rift phase of the Kibaran orogeny and contain important Nickel sulphide ores at the Kabanga Nickel Deposit (Tanzania) and reef-type PGE concentrations at Musongati (Burundi).

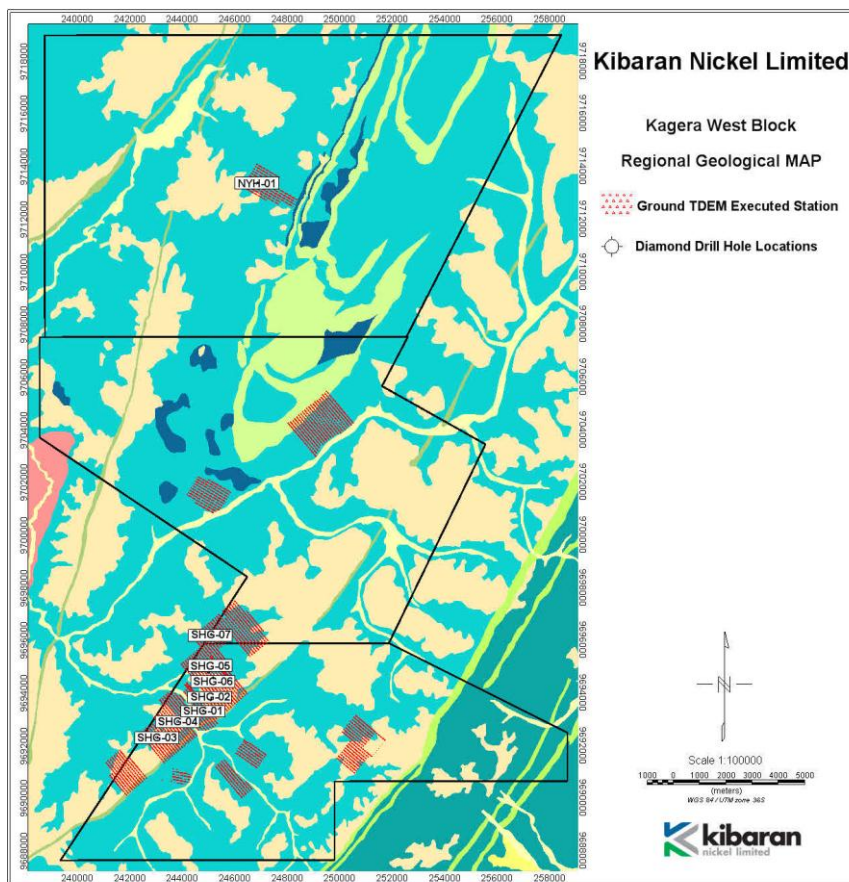
## DRILLING SUMMARY

During 2011, the initial scout phase of diamond drilling was completed. A total of 3,190.7m of drilling was completed in eight diamond drill holes.

Seven of the eight drill holes were completed on the Shanga trend which is an eight kilometer long series of geophysical anomalies that was interpreted to represent the extension of the Kabanga trend to the south. One hole was drilled on the extensive Nyamahwa Target area. See Figure 3 below for drill hole locations. Unfortunately no mineralization of economic interest was intersected by the drill holes.

The best results from these holes were 7.0m grading 0.11% Ni from 94m- 101 m in drill hole SHF-07.

Based on the new information, along with the geophysical and mapping results, it is interpreted that the rocks related to the Kabanga deposits enter the Property to the northwest of this area where an interesting geophysical and structural target has been identified by the recent field program.



*Figure: TDEM over Regional Geological Map. The red polygons indicate areas covered by the TDEM survey. Only limited coverage of the large claim was completed in the initial program.*

## CORPORATE

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### **FUNDING SECURED**

During the June 2012 quarter, the Company completed a Placement of approximately 5.0m fully paid ordinary shares to raise \$350,000 to assist with funding ongoing exploration requirements for both the nickel and graphite projects.

Completed post 30 June 2012, the Company raised a further \$900,000 through a non-renounceable rights issue. Under the 1 for 3 entitlement issue, 12.8m new shares were allocated following shareholder approval.

The Company has set a preliminary exploration budget for the next 12 months of \$880,000 in relation to proposed graphite project, including the expected cash acquisition costs of \$480,000, but excluding any payments required to exercise the options noted above.

### **APPOINTMENT OF NON-EXECUTIVE DIRECTOR**

The Company is pleased to advise that Andrew Spinks, one of the vendors of the Tanzgraphite shares has agreed to join the Board of Kibaran Resources.

Andrew Spinks, is a geologist with over 20 years professional experience in nickel, gold, coal, iron ore and diamonds in Australia and Africa. Andrew has performed in diverse roles from grass roots exploration through to senior management in exploration, project development and mining. Andrew is a co-founder of Tanzgraphite Pty Ltd and was responsible for the strategy, target generation and acquisitions of that company. Andrew holds a B.App.Sc (Geol), Grad.Dip (Mining), W.A. Quarry Managers Certificate and is a member of the AusIMM.

**For further information, please contact:**

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**Company Secretary**

Andrew Bursill

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**ABOUT KIBARAN RESOURCES LIMITED**

Kibaran Resources Limited (ASX:KNL) is an ASX-listed exploration company with highly prospective graphite and nickel projects located in Tanzania. The Company recently acquired the rights to the Mahenge and Merelani-Arusha Projects which are considered to be highly prospective for commercial graphite.

Graphite is regarded as a critical material for future global industrial growth, destined for industrial and technology applications including nuclear reactors, lithium-ion battery manufacturing and a source of graphene.

In addition, the Kagera Nickel Project remains underexplored and is among the largest undeveloped, high grade nickel sulphide deposits in the world.

**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.

# 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

KIBARAN RESOURCES LIMITED

ABN

15 117 330 757

Quarter ended ("current quarter")

30 June 2012

### Consolidated statement of cash flows

		Current quarter	Year to date
		\$A'000	(12 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(36)	(2,046)
	(b) development		
	(c) production		
	(d) administration	(130)	(536)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	4	46
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>	(162)	(2,536)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	<b>Net investing cash flows</b>	-	-
1.13	Total operating and investing cash flows (carried forward)	(162)	(2,536)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(162)	(2,536)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	372	372
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (share issue costs)	(23)	(23)
	<b>Net financing cash flows</b>	349	349
	<b>Net increase (decrease) in cash held</b>	187	(2,187)
1.20	Cash at beginning of quarter/year to date	364	2,738
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	551	551

**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	48
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors fees included in 1.23

**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

Nil

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

Nil

+ See chapter 19 for defined terms.

### 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		
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	725
4.2 Development	
4.3 Production	
4.4 Administration	145
<b>Total</b>	<b>870</b>

### 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	551	76
5.2 Deposits at call	-	288
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>551</b>	<b>364</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				
6.2 Interests in mining tenements acquired or increased				

+ 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> (description)	Performance shares Class A 7,500,000 Class B 7,500,000 Class C 7,500,000			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	38,428,803	33,428,803 5,000,000	Fully paid Escrowed to 29/10/12	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,142,887	5,142,887	Fully paid	Fully paid
7.5	<b>+Convertible debt securities</b> (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	Unquoted 3,500,000 2,500,000 700,000 700,000 600,000 700,000		Exercise price \$0.20 \$0.25 \$0.25 \$0.35 \$0.30 \$0.40	Expiry date 21/10/2014 24/03/2015 31/03/2015 30/09/2015 31/03/2015 31/03/2016

+ See chapter 19 for defined terms.

7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

### 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: ..... Date: 31 July 2012  
(Company secretary)

Print name: Andrew Bursill

### 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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+ See chapter 19 for defined terms.