

KIBARAN RESOURCES LTD REVIEW OF OPERATIONS

During the year, the Company made significant advance on its Epanko deposit within the Mahenge Graphite Project in south-east Tanzania. The work completed has confirmed that the Epanko graphite is large flake with 'expanded' properties – graphite with these key attributes commands a premium price in the graphite market.

Highlights of the Year:

- Delineation of a maiden Inferred JORC Mineral Resource for the Epanko deposit: 14.9Mt at 10.5% TGC, for 1.56Mt of contained graphite. This estimate is the highest grade Mineral Resource Estimate (graphite) delineated in Tanzania to date
- Completion of independent mineral processing test work by a large European graphite trader, with excellent metallurgical results
- Commencement of discussions with the European graphite trader regarding a potential partnership or off-take agreement
- Commissioning of two other metallurgical test work programs, which remain Pending:
- Bench-scale metallurgical test work to optimise feasibility study parameters (Mintek Laboratory)
- Further 'expanded graphite' test work by a leading manufacturer of carbon-based products
- Commissioning of a Scoping Study for the Epanko deposit
- Completion of trenching and costean sampling, with high-grade flake graphite encountered. Best result: 117m at 10.0% TGC

While graphite exploration in Tanzania remains the Company's foremost priority, work also continued on the secondary focus Kagera Nickel Project located in western Tanzania. The Company views the Kagera Project as a future growth asset and is committed to unlocking the project's true nickel-sulphide (NiS) potential and financial value. Work on the independent Nickel Prospectivity Study during the year highlighted:

- Location of project confirmed to be distal along strike of the Kabanga Nickel Sulphide (NiS) Deposit - the largest, undeveloped high-grade NiS deposit in the world. Owned by Xstrata and in feasibility stage;
- Shanga Nickel Prospect identified as having the potential to host Kabanga-type geological settings;
- New stand-out nickel sulphide EM (electromagnetic) target identified at the Ruiza East Nickel Prospect;
- Location of the highest nickel grade stream sediment sample, collected outside the Kabanga area, identified to be downstream of the Ruiza East Nickel Prospect.
- Agreement secured with BHP Billiton authorising access to their regional airborne EM and aeromagnetic data. Replacement value of combined geological and geophysical data estimated to be over \$12 million.



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MAHENGE GRAPHITE PROJECT (100% KNL)

The Mahenge Graphite Project is located 245km south-west of Morogoro in south-east Tanzania. Work during the year focused on the Epanko deposit, with significant progress being made.

Maiden Inferred JORC Mineral Resource Estimate:

A maiden Inferred JORC-compliant Mineral Resource was estimated for the Epanko deposit of 14.9Mt at 10.5% TGC (Total Graphitic Carbon), for 1,560,000t of contained graphite (see Table 1; as reported on 22 May 2013). This figure outperformed internal expectations and only represents a small footprint (20%) of the known project area.

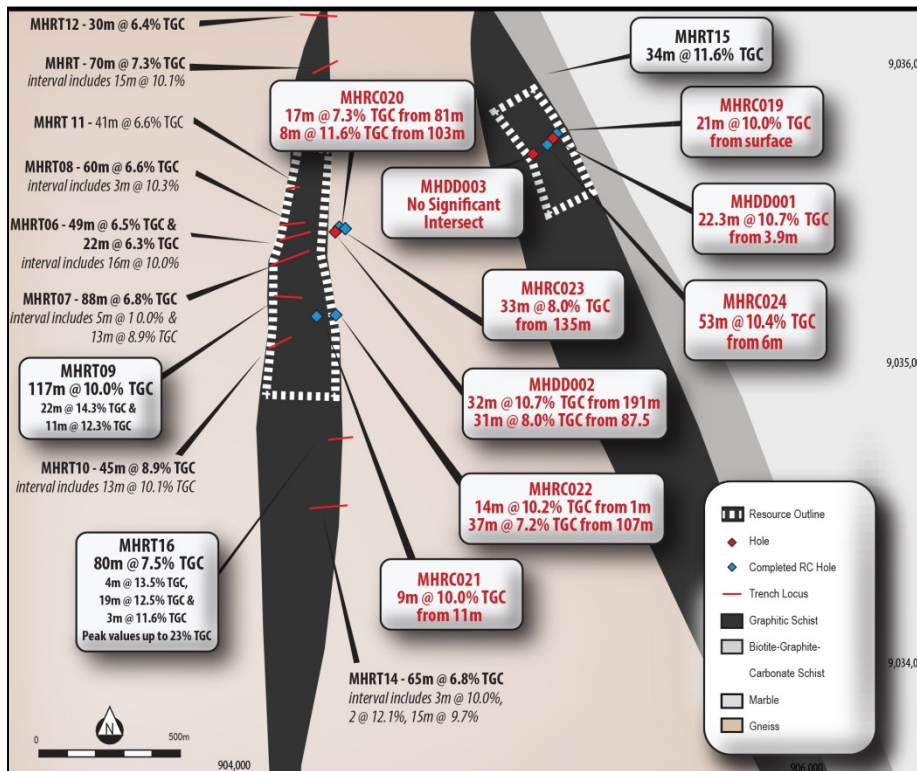
The Estimate was carried out by independent and internationally recognised mineral industry consultancy group, CSA Global Pty Ltd, and was based on data sets compiled through drilling, trenching and other geological activity. Further, the Mineral Resource Estimate was classified in accordance with the JORC Code (2004; Refer Table 1).

Table 1: Mineral Resource Estimate

Mineral Resource Classification	Tonnage (Mt)	Grade (%TGC)	Contained Graphite (t)
Inferred	14.9	10.5	1,560,000

Notes for table 1:

- Tonnage figures contained within Table 1 have been rounded to nearest 1000. % TGC grades are rounded to 1 decimal figure.
- The Mineral Resource is quoted from blocks where the TGC (%) grade is greater than 8%.
- Abbreviations used: Mt = 1,000,000 tonnes



Importantly, as the current Resource Estimate reflects only a small portion of the project area and mineralisation remains open in all directions, there is significant potential for achieving further Resource growth. This notion is supported by the trenching activity carried out to date.

Also of note, the Company believes that the Mineral Resource Estimate is the highest grade graphite Resource yet to be delineated in Tanzania and that the grades appear to be either comparable, or better than other past graphite producing operations in the East African region.

Figure: Epanko deposit showing the area of the Mineral Resource estimate footprint.

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Comparison with Neighbouring Past Graphite Producers:

The results obtained to date for the Epanko Prospect are comparable or better than other past graphite producing operations in the East African region. Notable comparisons include:

Tanzania:	8.3% TGC from the Merelani Tanzania Mine
Mozambique:	9.5% TGC from the Ancuabe Mine and 6.0% TGC from the Satemua

Independent metallurgical test work programs:

Kibaran commissioned the undertaking of three independent metallurgical test work programs on samples of Epanko graphite mineralisation. The three programs were:

- Bench-scale feasibility test work by Mintek Laboratory in South Africa;
- Graphite 'expandability' test work by one of the world's leading manufacturers of carbon-based products; and
- Mineral processing and design by another European graphite trader (EGT)

The results by the EGT were received during the year – the results of programs one and two remain pending and are expected in the coming months. Key findings to t date.

Highly favourable mineral processing test work results (program three):

- Flotation achieved greater than 96% recovery of graphitic carbon, with concentrate grading 93% fixed carbon
- Flotation yielded large flake graphite (detailed results in Table 2):
- 73.8% measured greater than 106 microns (μm)
- 21.6% measured in the +300 micron (μm) fraction
- The recovered flake graphite is clean, with no visible natural mineral impurities
- The graphite concentrate is amenable to standard metallurgical recovery processes
- The recovered product is considered marketable

The result regarding large flake size is significant as the market value of graphite increases with flake size, and there is also a shortage of this product in the current graphite market.

As well as mineral processing and design, the samples were also tested for 'expandability' potential, as the EGT is currently investigating new sources of graphite that are suitable for use in expanded graphite products. Test work found Kibaran's sample to have expanded capability, making it suitable for further processing into expanded graphite. Expanded graphite is highly valued and highly sought after. It is used to produce graphite foils – an inert sealing material that is used in high temperature or high pressure settings, such as high temperature gaskets, bipolar plates in fuel cells and computer heat sinks. It is also considered valuable in the battery market.

These positive metallurgical test work results have led to discussions with the EGT regarding potential partnership or off-take opportunities.

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Table 2: Flotation results per size fraction

Size	Portion of size fraction (%)	Fixed Carbon (%)
> 500 µm	8.4	97.6
> 300 µm	13.2	95.4
> 180 µm	28.6	93.8
> 106 µm	23.6	93.6
> 75 µm	10.4	91.0
< 75 µm	15.8	87.5
Average	100	93.0

Micron (µm) and Millimetre (mm). 1mm = 1000µm and fixed carbon content determined by loss of ignition method (LOI)

Mineral processing test work process:

The mineral processing test work was carried out on a sample of Epanko mineralisation sourced from Trench MHRT09, which returned 117m at 10.0% TGC (Refer to Figure 1 for location). The sample was crushed to less than 1mm and then flotation tested. The average carbon content was reported to be 13.6% carbon and large flakes of up to 3mm were observed before crushing.

A two-stage liberation process was developed by the EGT to separate the graphite. The process includes rougher flotation, two liberation stages, cleaner flotation, dewatering, drying and screening prior to bagging for export.

Scoping Study:

Towards the end of the year, Kibaran commissioned Perth-based group, Intermine Engineering Consultants, to commence a Scoping Study on the Epanko deposit. The purpose of the Study is to assess the viability of a commercial mining operation, based on the initial Inferred JORC-compliant Mineral Resource of 14.9Mt at 10.5% TGC, for 1.56Mt of contained graphite. The Study is still underway, with completion and results expected towards the end of July.

The Study is assessing various throughput tonnages, utilising the inputs obtained from metallurgical test work and what the Company believes are realistic and achievable market pricing estimates for large flake graphite fractions. It is important to note that the purpose of the Study is not to establish the economic viability of the Epanko mining operation with a defined degree of certainty. It is however a key step to moving the project towards pre-feasibility.

Off-take and partnership discussions:

As a result of the work completed during the year, Kibaran is now in discussions with the European graphite trader (EGT) who carried out the mineral processing test work with regards to potential partnership or off-take opportunities. The EGT is in need of new sources of graphite suitable for use in expanded graphite products and their test work has revealed that the Epanko graphite would be a suitable source subject to Kibaran establishing the commercial viability of a graphite operation.

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Ndololo prospect

The Company elected not to extend or execute the option agreement for PL7082/2012. This prospecting licence hosts the Ndololo and Kasita Prospects, within the Mahenge Project area.

The lower than expected graphite results received from exploration work, which included RC drilling, diamond drilling, costeans and geological work, did not support further work or expenditure on the project or the previously defined Exploration Target. The area also occurs in a Forrest Reserve that contributed to delays.

The PL7082/2012 was accessed via an option agreement from ASAB Resource Ltd (Tanzania), as announced 9 May 2012. The company was required to make a payment of US\$1.5m to acquire the project.

MERELANI-ARUSHA GRAPHITE PROJECT

The Merelani-Arusha Graphite Project consists of seven tenements and covers 973.4 km² in an area 55km south-east of Arusha, Tanzania.

The company carried out early stage exploration which has highlighted the project area is located in geological settings favourable for graphite mineralisation.

KAGERA NICKEL PROJECT

The Kagera Nickel Project is Kibaran's secondary focus project. It is located along the western border of Tanzania, covering an area of 864km². The key tenements are located approximately 10km north-east of the Kabanga Nickel deposit, operated by Xstrata Nickel and Barrick Gold. Kabanga is one of world's largest

undeveloped high-grade nickel sulphide deposits and is currently undergoing feasibility studies.

During the year the company commenced the Nickel Prospectivity Study. The purpose of the study has been to review the prospectivity of the Kagera Nickel Project. The study was focused on the compilation, re-processing and re-interpretation of historical exploration data from the project area and its surrounds.

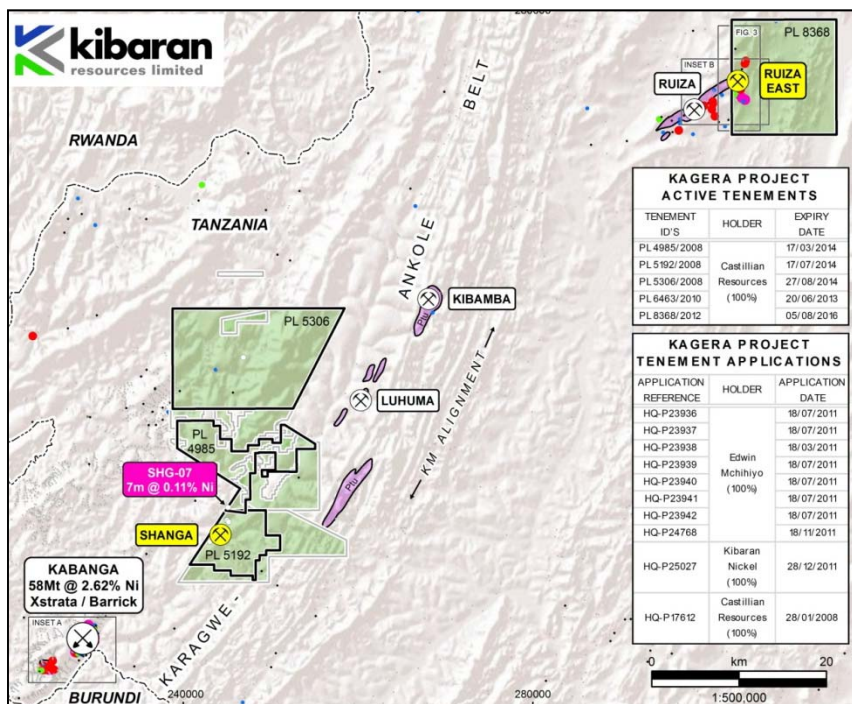


Figure – Kagera Nickel Project prospect map

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Ruiza East Nickel Project

The company identified the Ruiza East prospect as a stand-out nickel Exploration Target, that like Kabanga, can be clearly identified from historical stream sediment data. It is located within the prospecting licence recently granted to Kibaran, immediately east-north-east and along strike from BHP's previously identified Ruiza Prospect, and about 100km north-east of Kabanga.

Analysis of the exploration data reveals that the Ruiza East Prospect is the location within the KAB that most resembles Kabanga in terms of geological setting, magnetic signature, conductivity response and surface geochemical footprint. Further, the highest nickel grade stream sediment sample collected outside the Kabanga area is located downstream of the Ruiza East conductivity anomaly.

Shanga Nickel Project

The Shanga Prospect is located at the southern end of the project area, within the granted Kibaran Prospecting Licence. It is approximately 20km north-east of Kabanga. A seven hole drilling program carried out at the prospect in 2011 focused primarily on testing a 7km-long, north-east striking anomaly – an anomaly identified in 2008 by a VTEM survey flown over the southern part of project area.

Re-interpretation of the drill intersection SHG-07 (7m @ 0.11% Ni, 327ppm Cu, 97ppm Co, 3743ppm Cr and 24% MgO from 94m) supports a Kabanga-type geological setting at the prospect.

BHP geotem data

As outlined in the ASX announcement dated 17 April, 2013, BHP flew a 'GEOTEM' airborne EM and aeromagnetic survey over about two-thirds of the Proterozoic-age Karagwe-Ankole Orogenic Belt in 1992. This covered most of the Kagera project area. Kibaran has recently entered an agreement with BHP Billiton authorising access to, and use of the raw data from the 1992 survey.

Kibaran now has the rights to geological and geophysical data (covering the Kagera project area) that has a combined replacement value estimated to be over \$12 million.