EXPLORING AND DEVELOPING GRAPHITE IN TANZANIA

Founded on Nickel and Growth through Graphite
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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 2,173km$^2$.
• Exploration and development strategy in place.
• Potential to become a major graphite producer.
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

<table>
<thead>
<tr>
<th><strong>ASX Code</strong></th>
<th>KNL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share Price</strong></td>
<td>$0.18</td>
</tr>
<tr>
<td><strong>Shares on issue</strong>¹</td>
<td>58.2m</td>
</tr>
<tr>
<td><strong>Market Cap</strong>²</td>
<td>$10.5m</td>
</tr>
<tr>
<td><strong>Cash in Bank</strong>³</td>
<td>$1.4m</td>
</tr>
<tr>
<td><strong>Performance Shares</strong>⁴</td>
<td>38.4m</td>
</tr>
<tr>
<td><strong>Options</strong>⁵</td>
<td>12.2m</td>
</tr>
</tbody>
</table>

### 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 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

+80 mesh, 94-97% C graphite (US$/tonne)

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.

Source: Metal Investment News
CURRENT GRAPHITE PRODUCTION

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

Source: USGS Mineral Commodity Summary 2011
# GRAPHITE GRADE (%TGC)

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

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

Source: Company’ websites and announcements
# GRAPHITE FLAKE SIZE

<table>
<thead>
<tr>
<th>Grade</th>
<th>Size</th>
<th>Price at 94-97% C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>177 microns</td>
<td>$2,500 - $3,000</td>
</tr>
<tr>
<td>Medium</td>
<td>150 - 176 microns</td>
<td>$2,200 - $2,500</td>
</tr>
<tr>
<td>Fine</td>
<td>&lt;149 microns</td>
<td>$2,000 - $2,400</td>
</tr>
</tbody>
</table>

**Notes for table:** 1000 micron = 1 millimetre | Prices are indicative only and based on data compiled by Industrial Minerals (www.indmin.com) as at June 2012

Large Flake
(>177 micron)

Mahenge Graphite
East Africa - Graphite Occurrences

- Compelling geological setting.
- High metamorphic terrain – Unique (Merelani Tanzanite Mine).
- Multiple graphite occurrences.
- Large flake and high grade.
- Available and educated workforce.
- 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:

<table>
<thead>
<tr>
<th>Prospect</th>
<th>No. Samples</th>
<th>Min (% TGC)</th>
<th>Max (% TGC)</th>
<th>Average (% TGC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ndololo</td>
<td>22</td>
<td>0.05</td>
<td>29.9</td>
<td>14.9</td>
</tr>
<tr>
<td>Epanko</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>20.8</td>
</tr>
<tr>
<td>Kasita</td>
<td>3</td>
<td>6.2</td>
<td>16.5</td>
<td>13.0</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>0.05</td>
<td>29.9</td>
<td>14.9</td>
</tr>
</tbody>
</table>
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.

Geological plan and section of the Ndololo prospect (after Mr G.M Stockley, 19450)
• 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.
MERELANI-ARUSHA GRAPHITE PROJECT

- 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 2,173km\(^2\).
• 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.

<table>
<thead>
<tr>
<th>Project</th>
<th>Prospect</th>
<th>Holes (No.)</th>
<th>Metres (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mahenge</td>
<td>Ndololo</td>
<td>4</td>
<td>600</td>
</tr>
<tr>
<td></td>
<td>Epanko</td>
<td>1</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Kasita</td>
<td>5</td>
<td>750</td>
</tr>
<tr>
<td>Merelani-Arusha</td>
<td></td>
<td>6</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>16</strong></td>
<td><strong>2,500</strong></td>
</tr>
</tbody>
</table>
INFRASTRUCTURE BENIFITS

• 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

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder Meeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Development Graphite Exploration                 |     |     |     |     |     |     |
| Metallurgical sample analysis                    |     |     |     |     |     |     |
| RC Drilling                                      |     |     |     |     |     |     |
| Drill hole analysis (assays) and Interpretation  |     |     |     |     |     |     |
| Resource Estimation                              |     |     |     |     |     |     |
| Scoping Study                                    |     |     |     |     |     |     |
| Diamond Drilling (subject weather)               |     |     |     |     |     |     |

| 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.