



Letter from the Chairman

1 June 2012

Dear Shareholder,

I am pleased to invite you to participate in a 1 for 3 non-renounceable fully underwritten rights issue at \$0.07 per Share to be made by the Company (**Rights Issue**). The enclosed Offer Document outlines the details of the Rights Issue.

The proceeds from the Rights Issue will be used to fund the Company's acquisition of Tanzgraphite Pty Limited (**Tanzgraphite**) as announced on 9 May 2012 and ongoing exploration requirements for both its nickel and graphite projects. On the basis of these commitments, the Board has decided to raise approximately \$900,000, before costs, in new capital by way of a non-renounceable, fully underwritten pro-rata rights issue.

The acquisition of Tanzgraphite is subject to the satisfaction of various conditions precedent including satisfactory completion of legal and technical due diligence, which is currently being undertaken by the Company and its advisors, and the approval by the Company's shareholders of the issue of the ordinary shares and performance shares (**Consideration Shares**) to the vendors of Tanzgraphite. Should the Company not be satisfied by the due diligence outcome, shareholder approval not be forthcoming for the issue of the Consideration Shares or any other condition precedent not be satisfied, the acquisition of Tanzgraphite may not proceed and any capital raised through this Rights Issue will be used as ongoing funding of the Company's existing nickel project.

A personalised Entitlement and Acceptance Form is attached and you will need to complete that Form and return it with payment by the Closing Date and otherwise in accordance with the instructions provided in your personalised Entitlement and Acceptance Form, in order to participate in the Rights Issue. The Closing Date for acceptance and payment is 5.00 pm (Sydney time) on Monday, 2 July 2012.

The New Shares will, from allotment, rank equally with existing Shares. No dividend is expected to be paid on Shares in the Company in respect of the year ending 30 June 2012.

To the extent that you do not take up your pro-rata Entitlement, your interest in the Company will be diluted.

The Company has appointed Taylor Collison as underwriter of this Offer. Further details on the terms of the Underwriting Agreement with Taylor Collison are contained within Section 4 of the Offer Document.

The New Shares proposed to be issued under the Rights Issue will be fully paid and will rank equally with the Company's existing Shares. The Company will make an application to the ASX for official quotation of all New Shares.

The number of New Shares to be issued under the Rights Issue is 12,759,601 which will raise approximately \$900,000, prior to deduction of the costs associated with the Offer. At the conclusion of the Rights Issue the total issued Shares will be 51,038,404.



Shareholders eligible to participate in the Rights Issue as described in the Offer document do not need to take any action at this time. A personalized Entitlement and Acceptance Form will be mailed to the address on the Share Register on or about the Opening Date, being 18 June 2012, and you will need to complete that Entitlement and Acceptance Form and return it with payment by the Closing Date to participate in the Rights Issue.

The Closing date for acceptance and payment is 5.00 pm (Sydney time) on 2 July 2012.

The indicative timetable for the Rights Issue is as follows:

Lodge Appendix 3B with ASX	1 June 2012
Send notice to shareholders, containing details required in Appendix 3B	4 June 2012
“Ex” Date for Entitlement to New Shares	5 June 2012
Record Date to determine your Entitlement to New Shares	12 June 2012
Expected date of despatch of Offer Document and Entitlement and Acceptance Form	18 June 2012
Last day for acceptance and payment in full (Closing Date)	2 July 2012
Securities to be quoted on a deferred settlement basis	3 July 2012
Notify ASX of under subscriptions	5 July 2012
Expected date of allotment and despatch of Holding Statements for New Shares	10 July 2012
First day of trading of New Shares	11 July 2012

The above timetable is indicative only and subject to change. Subject to the ASX Listing Rules, the Directors of the Company reserve the right to vary these dates, including the Opening Date and Closing Date, without prior notice. However, any change in any of the abovementioned dates will be notified to ASX for public disclosure on the Company’s ASX Announcements platform and web-site.

For further information, please contact Andrew Bursill, Company Secretary, on 02 9299 9690.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Simon O'Loughlin', is written over a light blue horizontal line.

Simon O’Loughlin

Chairman