

ASX Announcement: Kibaran Adds Graphite to its Tanzanian Exploration Activities

9 May 2012

Highlights:

- Execution of a Heads of Agreement for the acquisition of Tanzgraphite Pty Ltd (TGP), who have secured options over the Mahenge and Arusha projects that are considered prospective for graphite mineralisation.
- Combined ground holding of 1,308 km² covers previously known graphite occurrences and favourable geological settings for the discovery of new graphite deposits.
- Significant increase in land position in Tanzania with a combined ground holding of 2,173km² (previously 864km²).
- Mahenge project hosts the Ndololo, Epanko and Kasita graphite prospects. Graphite with flake sizes ranging between 1.5 and 8.5 mm in size observed at Ndololo and similar graphitic schists observed at Epanko and Kasita.
- Ndololo graphite prospect has a potential Exploration target of between 3.5Mt and 7Mt of graphitic schist grading between 10% and 15.5% Carbon¹. Previous exploration work conducted at Ndololo in 1945 reported results of 15.5% Carbon and 97.5% recovery of flake graphite. TGP has a geological team on the ground and previous work carried out at Ndololo was by the former director of the Geological Survey of Tanganyika (Tanzania).
- Arusha graphite project contains several graphite occurrences within graphitic schists.
- Geological exploration programme continuing and updates on this work will be released over coming weeks.

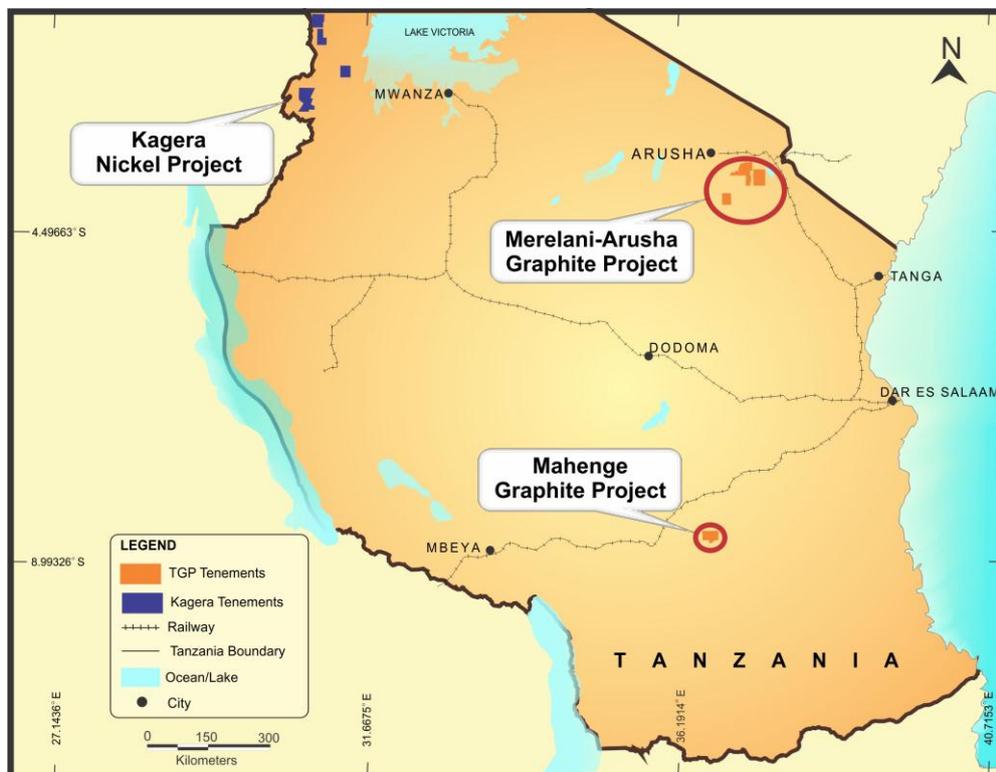


Figure 1 – Location of Tanzanian Project

¹ The potential quantity and grade of the exploration target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource calculated in accordance with the JORC code.

The Directors of Kibaran Nickel Limited (ASX:KNL) (**Kibaran** or the **Company**) are pleased to announce the execution of a Heads of Agreement (**HoA**) for the acquisition of TGP.

TGP has secured the rights to a portfolio of strategic graphite properties in Tanzania, East Africa. Tanzania is an emerging province for the occurrence and development of graphite and TGP is early mover in securing its mineral package.

Graphite Projects

TGP have secured options over the Graphite Projects listed below. The combined ground holding in these two projects of 1,308 km² covers previously known graphite occurrences and favourable geological settings for the discovery of new graphite deposits.

The Mahenge Ndololo Graphite Project is the most prospective of the tenements. Previous exploration and technical work undertaken on this tenement during the 1940's reported graphite mineralisation, grading 15.5% carbon and an estimated recovery of 97.5%.



Outcropping flake graphite within graphitic schist at Ndololo prospect

Further details regarding Mahenge Ndololo and the other projects is contained in the Project Summary attached to this announcement.

Consideration

The HoA contains a number of conditions precedent before completion, including KNL legal and technical due diligence and the transaction is subject to review by the ASX in accordance with Chapter 11 of the ASX Listing Rules. KNL and TGP will now work together to negotiate a sale and purchase agreement and to prepare the necessary documentation for a KNL shareholders meeting to approve the issue of KNL shares to the vendors of TGP, which is expected to occur before 31 August 2012.

KNL have agreed to pay the vendors a non-refundable deposit of TGP \$25,000 within 5 days of signing the HoA. On completion of the transaction KNL will provide the vendors of TGP or their nominees with the following consideration:

- \$225,000 in cash; and
- 7.143 million KNL shares issued at \$0.07 per share.

KNL will also reimburse the vendors for any exploration expenditure incurred by TGP from the date the HoA was signed until completion of the transaction, up to a maximum of \$90,000 unless agreed by both parties. The issuance of the KNL shares will be subject to approval by KNL shareholders.

A further 15.93 million Performance Shares will be issued to the vendors of TGP, 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 TGP 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%.

The issue of the performance shares will be subject to shareholder approval and confirmation by the ASX under Chapter 6.1 and 6.2 and the ASX Listing Rules.

In addition to the above consideration, the tenements are subject to option payments payable to the tenement holder. To complete the acquisition of the tenements as follows:

Mahenge Ndololo

- | | |
|---|---------------|
| • 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 Epanko

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

Arusha Merelani

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

The option period noted above commenced on 2 February 2012.

It is noted that neither TGP nor the tenement holders are related parties of the Company for the purposes of ASX Listing Rule 10.1.

Capital Raising

The Company has appointed Taylor Collison to assist it with raising the equity required to complete the transaction and to fund its ongoing exploration requirements for both its Nickel and Graphite projects.

Taylor Collison has agreed to immediately place 5.0 million shares at \$0.07 per share to raise an initial \$350,000 under the Company's 15% placement allowance and will be followed by a rights issue to raise up to \$900,000 at \$0.07 per share. Shareholders will receive further details of the rights issue in coming weeks.

The Company has set a preliminary exploration budget for the next 12 months of \$375,000 in relation to its Kagera nickel project and \$880,000 in relation to the 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 TGP shares has agreed to join the Board of KNL.

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.

Simon O'Loughlin, Kibaran's Chairman said. "These projects present an attractive opportunity for us to participate in the exploration and development of graphite in Tanzania, where the Company already has substantial exploration expertise from its ongoing exploration of Kagera Nickel deposit."

Further details on the proposed transaction will be provided in documentation to be sent to shareholders seeking approval for completion of this transaction and the associated capital raising.

ABOUT KIBARAN NICKEL LIMITED

Kibaran Nickel is an ASX listed exploration company that trades under the symbol KNL. The Company focused on exploring the highly prospective Kagera Nickel project which is adjacent to the Kabanga Nickel Projects which are among the largest undeveloped, high grade nickel sulphide deposits in the world.

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PROJECT SUMMARY

The tenement listing currently under contract by TGP is as follows:

PROJECT	TENEMENT ID	APPLICATION DATE	GRANT DATE	AREA (km ²)
Mahenge Ndololo	HQ-P 24975	15/12/2011	Pending	292.41
Mahenge Epanko	HQ-P 25260	21/02/2012	TBA	32.55
Arusha Merelani	HQ-P 24782	18/11/2011	Pending	121.40
	HQ-P 24783	18/11/2011	Pending	197.10
	HQ-P 24784	18/11/2011	Pending	60.50
	HQ-P 24785	18/11/2011	Pending	132.64
	HQ-P 24786	18/11/2011	Pending	190.90
	HQ-P 24789	18/11/2011	Pending	92.99
	HQ-P 24790	18/11/2011	Pending	187.50

Mahenge Graphite Project

The Mahenge graphite project consists of 2 tenements and covers an area of 325.5 km² and is located 245 km SW of Morogoro. Morogoro has population of 0.2 million and is located 190 km west of Dar es Salaam. It is the capital of the Morogoro Region and has good infrastructure including a railway. The Mahenge project hosts the Ndololo, Epanko and Kasita graphite prospects. The Ndololo prospect is located 15km north of Epanko and Kasita.

The Ndololo prospect was first recognised in early 1930's. A geological paper titled "Ndololo Graphite Deposit" dated 1945 by Mr G.M. Stockley provides the first geological description and discussion of metallurgical results of the prospect. The paper was published within the Geological Survey of Tanganyika Mineral Resources Pamphlet No. 44. Mr Stockley was formerly a director of the Geological Survey of Tanganyika (Tanzania).

The Ndololo graphite prospect stretches from close to the top of the scarp on the Mahenge road and descends gradually to the old road to the south and was represents (refer Figure 2).

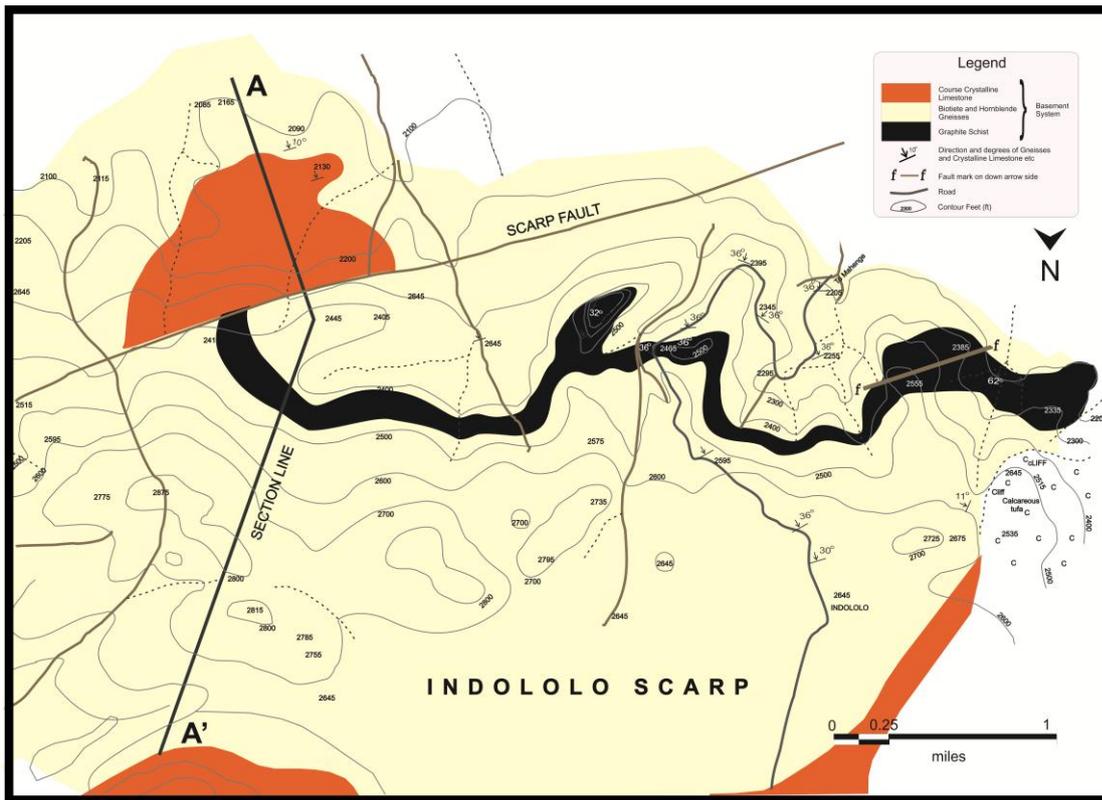


Figure 2 - Geological plan of the Ndololo prospect (after Mr G.M Stockley, 1945)

The best exposures of the graphite-schist are found in the cuttings of the road and on the spurs jutting out from the eroded scarp face. Stockley reported “a trench was dug over a distance of 50 feet on the steep face of the hill side above the motor road and a continuous section of the schist was obtained. From an inspection it appears that the graphite is fairly uniformly distributed throughout the schist with occasional richer streaks and layers”

The graphite mineralisation is hosted by graphitic schist within Neoproterozoic high grade mafic and felsic granulite, gneiss and migmatite, interlayered with amphibolites, marble quartzite and mylonite.

Recent mapping by TGP's geologists has observed and confirmed the presence of coarse graphite with flake sizes ranging between 1.5 and 8.5 mm in size at Ndololo, The graphite is in form of flat plate like crystal with irregular edges disseminated throughout the schist. The graphite is hosted within graphitic schist that is in contact with voluminous marble. The mapping also confirms the dip of the graphitic schist is 36 degrees to the south-east by south and that the angle increases at the eastern end and dips of up to 62 degrees (refer Figure 3).

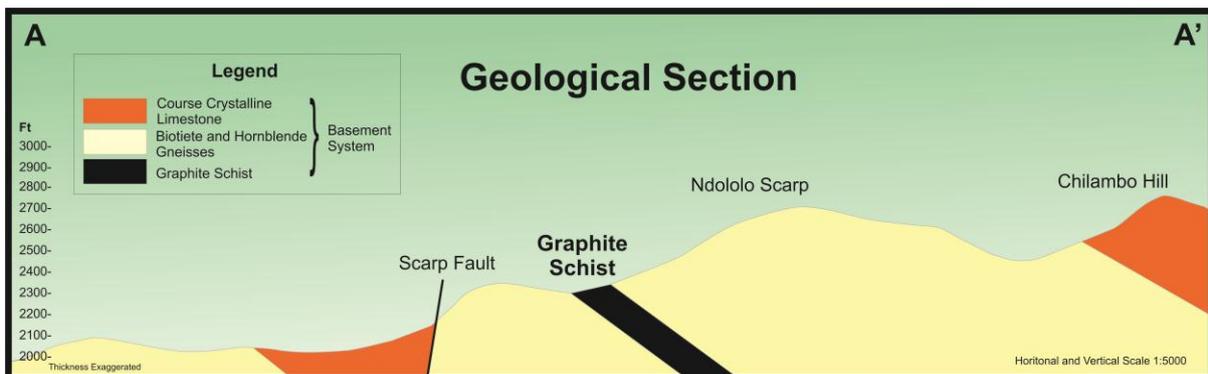


Figure 3 - Geological section of the Ndololo prospect (after Mr G.M Stockley, 1945)

Work carried out by TGP's geologists in conjunction with the technical data provides sufficient information to estimate a potential Exploration Target of between 3.5 million tonnes and 7 million tonnes² of graphitic schist grading between 10% and 15.5% Carbon for the Ndololo prospect based on a technical review of the 1945 report, and follow-up technical analysis and field work identifying a strike length of 5km and projected to a depth of 40m from surface.

The 1945 report also reported the results from a sample taken across the graphite-schist and submitted for crucible-grade flake testwork. The conclusions made from the testwork stated that the sample carries sufficient graphite for commercial exploitation and crucible-grade flake can be extracted. The testwork results are summarised below.

Carbon Content Of Heads	15.7%
Extraction of Graphite	95.7%

TGP's geologists have recognised the potential for further graphite mineralization to occur within the tenement area. The graphitic schist has been mapped at the Epanko and Kasita prospects which are not included in the Ndololo exploration target (refer figure 4).

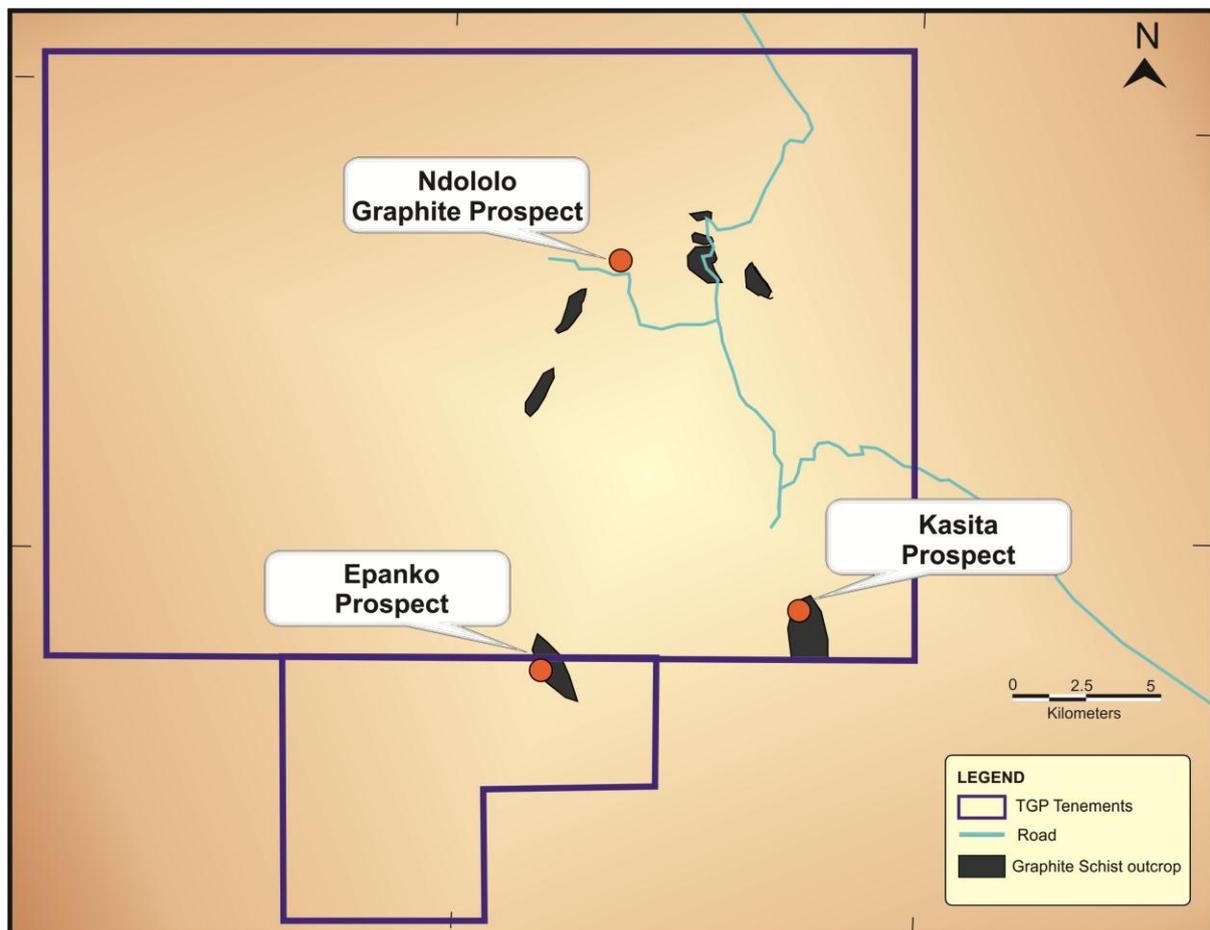


Figure 4 – Mahenge Graphite project.

² The potential quantity and grade of the exploration target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource calculated in accordance with the JORC code.

Arusha Graphite Project

The Arusha graphite project consist of 7 tenements and covers an area of 973.4 km², the project is located 55 km SE of Arusha. Arusha is a city in northern Tanzania. It is the capital of the Arusha Region, which claims a population of 1.3 million. The primary industry of the region is agriculture and gemstones.

The Arusha province is best known for the occurrence of Tanzanite which occurs in boundinaged pegmatite veins and hydrothermally altered graphite - bearing diopside gneiss (refer Merelani Tanzanite Mine). Tanzanite is the blue/purple variety of the mineral zoisite (a calcium aluminium hydroxy silicate) which was discovered in the Merelani Hills of Northern Tanzania in 1967 and is used as a gemstone. During 2002 the mine conducted feasibility studies on the recovery of graphite that was associated with the Tanzanite's.

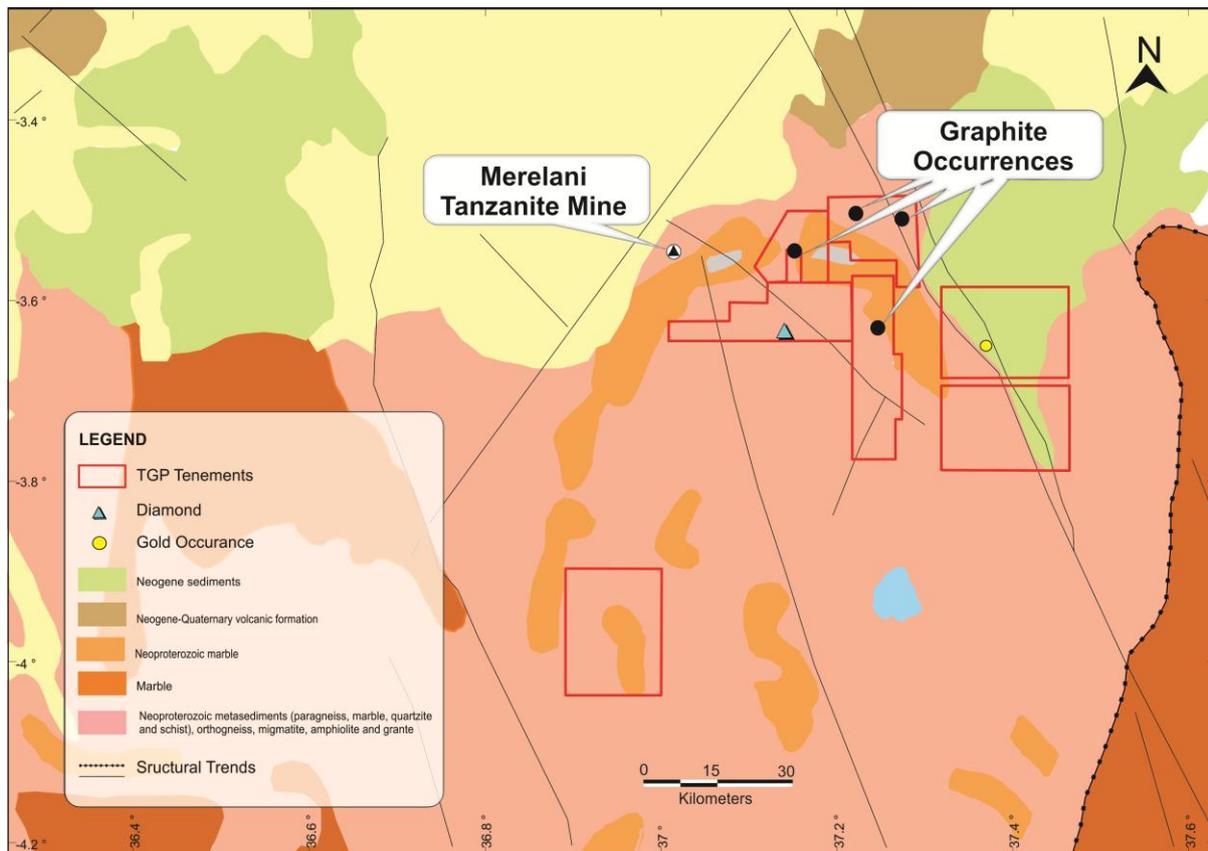


Figure 5 – Arusha Graphite project.

During recent site visits, TGP's geologists have identified several graphite occurrences within the Arusha Graphite Project (refer Figure 5) based on physical observation with the grade unknown. The graphite mineralisation was observed to be hosted by graphitic schist. The area is considered to have significant potential given the size of the tenement holding and presence of graphite schist over large areas.

Geological Exploration Programme

The company plans to provide exploration updates, as TGP's geological team continues its planned geological work programme. TGP currently have a geological exploration team on the ground and is mapping and sampling the Ndololo prospect. Under the terms of the HOA the company has agreed to reimburse TGP exploration costs of up to \$90,000 to the completion date.

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.