

# **Kibaran Nickel Ltd**

(Formerly Kagera Nickel Limited)

## **and Controlled Entities**

**ABN 15 117 330 757**

**Half Year Report**

**for the half year ended 31 December 2010**

# Contents to Half Year Report

- Directors' Report ..... 3
- Auditor's Independence Declaration ..... 5
- Consolidated Statement of Comprehensive Income ..... 6
- Consolidated Statement of Financial Position ..... 7
- Consolidated Statement of Changes in Equity ..... 8
- Consolidated Statement of Cash Flow ..... 9
- Notes to the Financial Statements ..... 10
  - 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ..... 10
  - 2. SEGMENT INFORMATION ..... 11
  - 3. ISSUED CAPITAL ..... 11
  - 4. SHARE BASED PAYMENTS ..... 12
  - 5. SUBSEQUENT EVENTS ..... 12
  - 6. SUBSIDIARIES ..... 12
- Directors' Declaration ..... 13
- Independent Auditor's Review Report ..... 14

# Notes to the Financial Statements

## FOR THE HALF YEAR ENDED 31 DECEMBER 2010

### Directors' Report

The directors of Kibaran Nickel Ltd submit their report of the consolidated group for the half-year ended 31 December 2010.

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dr David Brookes (Non-Executive Director, Chairman) (retired 13/9/10)  
Mr Robert Greenslade (Non-executive Director)  
Mr Stephen Evans (Non-executive Director) (retired 13/9/10)  
Mr Simon O'Loughlin (Non-Executive Director, Chairman) (appointed 13/9/10)  
Mr David Gower (Non-executive Director) (appointed 13/9/10)  
Mr David Argyle (Non-executive Director) (appointed 13/9/10)

#### Operating result

The Company's loss for the half year to 31 December 2010 after providing for income tax amounted to \$613,640 (2010 : \$70,035)

#### Review of Operations

During the half-year ended 31 December 2010, the company completed the acquisition of 100% interest in the Kagera Nickel Sulphide project of Castillian Resources Corporation. The Kagera Nickel Project comprises a large land position covering 864 square kilometres along the western border of Tanzania. The Kabanga-Musongati mafic-ultramafic belt occurs in the Meso-proterozoic Kibaran Orogenic Belt along 350km with northeast-southwest trend, exposed in Burundi, Rwanda, southwest Uganda and northwest Tanzania. The intrusions were emplaced into pelitic sediments of the Karagwe-Ankolean Supergroups that accumulated during the early rifting phase of the Kibaran orogeny and contain important Ni sulphide ores at Kabanga Nickel Deposit (Tanzania) and reef-type PGE concentrations at Musongati (Burundi).

The key claims are located approximately 10 km northeast of the Kabanga Nickel Sulphide Deposits of Xstrata Nickel / Barrick (one of world's largest undeveloped high grade nickel sulphide deposits) which is presently undergoing feasibility studies. On 28 October 2010, the company completed its capital raising of \$4 million ordinary share capital. Subsequently, the technical team was assembled and an initial exploration budget of US\$3.25 million was approved by the Board. The program will see focused TDEM (Time Domain Electro Magnetic) Surveys completed over the priority areas identified by the previous airborne and geological/geochemical surveys. The TDEM surveys will allow for precise targeting for the planned diamond drilling program.

Field work by Kibaran Nickel commenced on the Property in the first quarter of 2011. The exploration camp has been re-established at the village of Rulenge and is being expanded to accommodate contractors. Contracts for satellite communication have been signed and the system is being installed. Line cutting crews have been in the field and have completed lines over two of the priority targets. A contract has been signed with Crone Geophysics & Exploration Ltd. Of Canada to complete the Time Domain Electromagnetic (TDEM) surveys over the priority target areas. This was the same system used successfully in the Tembo Deposit discovery by Xstrata Nickel on the Kabanga Property immediately south of the

## **Notes to the Financial Statements**

### **FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Kibaran Nickel project area. The system has been shipped to Tanzania and will mobilize to the Property as soon as it clears customs formalities which can take up one to two weeks. Diamond drill tenders have been forwarded to three diamond drilling companies and the contract for drilling will be awarded by March 15, 2011. The status of the property remained unchanged at March 30, 2011.

Priority targets have been selected for systematic exploration including a 7 km trend of EM conductors (late channel) with associated magnetic anomalies, geochemical anomalies and gossan striking northeast along the trend from Kabanga, named the Shanga target. The Napingwe target which occurs several kilometers north of the Shanga target is also being surveyed in preparation for the initial drill program. Targets have been previously covered by geochemical soil grids by Castillian Resources Corp. and systematic mapping of areas underlain by mafic - ultramafic rocks led to discovery of a number of the gossan occurrences which are interpreted to represent weathered remnants of sulphide-rich ultramafic rocks and are similar in character to gossans that occur in association with the Kabanga nickel deposits.

#### **Events Subsequent to Balance Sheet Date**

The Company convened a general meeting on 24 February 2011 to seek shareholder approvals for issue of options to directors and consultants, employee share option plan and the change of name. All resolutions were passed on a show of hands.

#### **Auditor's independence declaration**

The auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half year ended 31 December 2010.

Signed in accordance with a resolution of the directors made pursuant to section 306(3) of the Corporations Act 2001.



Simon O'Loughlin  
Chairman  
16 March 2010

**Auditor's Independence Declaration**

As lead auditor for the review of Kibaran Nickel Limited for the half year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kibaran Nickel Limited and the entities it controlled during the half year.



**PKF**  
Chartered Accountants



**P J Whelan**  
Partner

Signed this 16<sup>th</sup> day of March 2011

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## Consolidated Statement of Comprehensive Income

### FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Half-year ended	
		31 Dec 2010 \$	31 Dec 2009 \$
Revenue		62,998	20,106
Share based payments		(448,000)	-
Other expenses		(228,638)	(90,141)
<b>Loss before income tax expense</b>		<b>(613,640)</b>	<b>(70,035)</b>
Income tax expense		-	-
<b>Loss from continuing operations</b>		<b>(613,640)</b>	<b>(70,035)</b>
<b>Total loss for the period</b>		<b>(613,640)</b>	<b>(70,035)</b>
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign operations		-	-
<b>Total comprehensive income for the period</b>		<b>(613,640)</b>	<b>(70,035)</b>
<b>Loss attributable to</b>			
Members of the parent entity		(613,613)	(70,035)
Non-controlling interest		(27)	-
		(613,640)	(70,035)
<b>Total comprehensive income attributable to</b>			
Members of the parent entity		(613,613)	(70,035)
Non-controlling interest		(27)	-
		(613,640)	(70,035)
<b>Earnings per share:</b>		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		(2.66)	(0.07)
Diluted earnings per share		(2.48)	(0.07)

The consolidated statement of Comprehensive Income is to be read in conjunction with the notes to the consolidated interim financial report.

## Consolidated Statement of Financial Position

### AS AT 31 DECEMBER 2010

	Note	Consolidated	
		31 December 2010 \$	30 June 2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,175,867	1,196,466
Trade and other receivables		41,919	51,068
Other current assets		33,000	-
<b>TOTAL CURRENT ASSETS</b>		<b>4,250,786</b>	<b>1,247,534</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets		1,330,090	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,330,090</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>5,580,876</b>	<b>1,247,534</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		97,346	42,060
<b>TOTAL CURRENT LIABILITIES</b>		<b>97,346</b>	<b>42,060</b>
<b>TOTAL LIABILITIES</b>		<b>97,346</b>	<b>42,060</b>
<b>NET ASSETS</b>		<b>5,483,530</b>	<b>1,205,474</b>
<b>EQUITY</b>			
Issued capital		5,908,871	1,466,803
Reserves		580,708	141,080
Retained earnings		(1,006,326)	(402,409)
<b>Parent interests</b>		<b>5,483,253</b>	<b>1,205,474</b>
<b>Minority interests</b>		<b>277</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>5,483,530</b>	<b>1,205,474</b>

The consolidated Statement of Financial Position is to be read in conjunction with the notes to the consolidated interim financial report.

## Consolidated Statement of Changes in Equity

### FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated						
		Issued Capital Ordinary \$	Retained Earnings \$	Share Option Reserve \$	Foreign Currency translation Reserve \$	Non controlling interest \$	Total \$	
<b>Balance at 1 July 2009</b>		1,466,803	(312,189)	141,080	-	-	1,295,694	
Profit attributable to members of the parent entity		-	(70,035)	-	-	-	(70,035)	
<b>Balance at 31 December 2009</b>		1,466,803	(382,224)	141,080	-	-	1,225,659	
<b>Balance at 1 July 2010</b>		1,466,803	(402,409)	141,080	-	-	1,205,474	
Total comprehensive income for the period		-	(613,613)	-	(8,372)	(27)	(622,012)	
Non-controlling interest arising on disposal of interest in Amadori Pty Ltd		-	-	-	-	304	304	
Difference arising on disposal of interest in Amadori Pty Ltd		-	9,696	-	-	-	9,696	
Issue of share options		-	-	448,000	-	-	448,000	
Issued pursuant to share purchase agreement		1,000,000	-	-	-	-	1,000,000	
Issued pursuant to prospectus		4,000,000	-	-	-	-	4,000,000	
Transaction costs		(557,932)	-	-	-	-	(557,932)	
<b>Balance at 31 December 2010</b>		5,908,871	(1,006,326)	589,080	(8,372)	277	5,483,530	

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report



## Consolidated Statement of Cash Flow

### FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated	
		Half year ended 31 Dec 2010 \$	Half year ended 31 Dec 2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(241,784)	(87,025)
Interest received		56,765	20,106
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>		(185,019)	(66,919)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration activities		(338,462)	-
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>		(338,462)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		4,000,000	-
Transaction costs of issue of shares		(557,932)	-
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>		3,442,068	-
Net increase/(decrease) in cash and cash equivalents		2,918,587	(66,919)
Net foreign exchange differences			-
Cash at the beginning of the period		1,257,280	1,324,199
<b>CASH AT THE END OF THE PERIOD</b>		<b>4,175,867</b>	<b>1,257,280</b>

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated interim financial report

## Notes to the Financial Statements

### FOR THE HALF YEAR ENDED 31 DECEMBER 2010

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Reporting entity

Kibaran Nickel Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2010 is available upon request from the Company's registered office.

##### b. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2010.

##### c. Significant accounting policies

The accounting policies and methods of computation are the same as those adopted in the consolidated financial report as at and for the year ended 30 June 2010.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

##### d. Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2010.

In the half-year ended 31 December 2010, management reassessed its estimates in respect of:

##### *Carrying value of exploration expenditure*

The Company performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continue to be capitalised under AASB 6 'Exploration for and Evaluation of Mineral Resources' or written off to the statement of comprehensive income. As a result of this review, management has determined that there are no impairments required.

## Notes to the Financial Statements

### FOR THE HALF YEAR ENDED 31 DECEMBER 2010

#### 2. SEGMENT INFORMATION

	Segment Revenue		Segment Result	
	Half Year ended		Half Year ended	
	31-Dec 2010	31-Dec 2009	31-Dec 2010	31-Dec 2009
	\$	\$	\$	\$
<b>Continuing Operations</b>				
Mineral Exploration - Tanzania	-	-	-	-
Finance costs	-	-	-	-
Administration/Corporate	62,998	20,106	(676,638)	(90,141)
Consolidated revenue	62,998	20,106		
Profit before income tax			(613,640)	(70,035)
Income tax benefit			-	-
Profit/(Loss) for period			(613,640)	(70,035)
<b>Assets by segment</b>				
	31-Dec 2010	30-Jun 2010		
	\$	\$		
<b>Continuing Operations</b>				
Mineral Exploration - Tanzania	1,330,090	-		
Administration/Corporate	4,250,786	1,247,534		
	5,580,876	1,247,534		

#### 3. ISSUED CAPITAL

	Consolidated	
	As at 31-Dec-10	As at 30-Jun-10
	\$	\$
<b>Issued capital</b>		
Fully paid ordinary shares	5,908,871	1,466,803
<b>2010</b>		
	Number	\$
Balance at beginning of financial year	16,571,833	1,466,803
Shares issued during the period :		
Issued pursuant to share purchased agreement	5,000,000	1,000,000
Issued pursuant to prospectus	20,000,000	4,000,000
Consolidation of Company Share's on a 2 for 1 basis	(8,285,917)	-
Transaction costs on share issue	-	(557,932)
Balance at end of financial year	33,285,917	5,908,871

## Notes to the Financial Statements

### FOR THE HALF YEAR ENDED 31 DECEMBER 2010

#### 4. SHARE BASED PAYMENTS

The terms and conditions of the grant made during the six months ended 31 December 2010 as follows:

Grant date	Number of instruments	Vesting conditions	Contractual life of options
	3,500,000	Not Applicable	4 years
Fair value at grant date			\$0.128
Share price			\$0.20
Exercise price			\$0.20
Expected volatility			80.0%
Risk-free interest rate			4.84%

#### 5. SUBSEQUENT EVENTS

The Company convened a general meeting on 24 February 2011 to seek shareholder approvals for issue of options to directors and consultants, employee share option plan and the change of name. All resolutions were passed on a show of hands.

#### 6. SUBSIDIARIES

During the period the subsidiary Amadori Pty Ltd issues 10,000 shares to a third party reducing the group's continuing interest to 91%. The proceeds of the issues being \$10,000 were received in cash.

An amount of \$304 (being the proportionate share of the carrying value of the net assets of Amadori Pty Ltd) has been transferred to non-controlling interests. The difference of \$9,696 has been credited to retained earnings.

## Directors' Declaration

In accordance with a resolution of the directors of Kibaran Nickel Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 , including:
  - (i) give a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Simon O'Loughlin  
Chairman

16 March 2010

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KIBARAN NICKEL LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kibaran Nickel Limited, which comprises the consolidated statement of financial position at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2010 or from time to time during the half year ended on that date.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kibaran Nickel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kibaran Nickel Limited is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



**PKF**  
Chartered Accountants



**P J Whelan**  
Partner

Signed in Adelaide this 16<sup>th</sup> day of March 2011