



KIBARAN NICKEL LIMITED

QUARTERLY REPORT TO 31 MARCH 2011

Highlights:

- ✓ Kibaran Nickel acquired 100% interest in the Kagera Nickel project in late 2010.
- ✓ Mobilization for field work commenced in January, 2011, starting with establishment of a fully functional field camp including satellite communications. The base of operations is located in the village of Rulenge.
- ✓ Grid establishment for the geophysical surveys has been ongoing since February 17 and 120 kilometers of line have been completed to date.
- ✓ The Company initiated Surface TDEM (Time Domain Electro Magnetic) surveys over priority targets in mid-March under a contract with Crone Geophysics and Exploration Ltd. PEM system. This is the system that was used by Xstrata Nickel to explore and successfully discover new nickel sulphide deposits on the adjacent Kabanga Project. The survey continues
- ✓ Two high conductance targets have already been identified for diamond drill follow up.
- ✓ Re-evaluation of the 2008 VTEM airborne survey data has identified numerous priority airborne targets for evaluation.
- ✓ The contract for Diamond drilling has been awarded to Layne Drilling Tanzania Ltd. And will commence on May 02nd.

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 is located along the western border of Tanzania within the Kabanga-Musongati mafic-ultramafic belt which contains important Ni sulphide ores at Kabanga Nickel Deposits (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 Kagera Nickel Project comprises a large land position covering more than 800 square kilometers (Prospecting Licenses and Applications) along the western border of Tanzania. The Kabanga-Musongati mafic-ultramafic belt occurs in the Meso-proterozoic Kibaran Orogenic Belt which extends 350km along a northeast-southwest trend, exposed in Burundi, Rwanda, southwest Uganda and northwest Tanzania. The intrusions were emplaced into pelitic sediments of the rift basin that accumulated during the early rift phase of the Kibaran orogeny and contain important Nickel sulphide ores at the Kabanga Nickel Deposit (Tanzania) and reef-type PGE concentrations at Musongati (Burundi).

The Surface TDEM Survey commenced on March 19, 2011. At April 20, 60 kilometers of the planned 100 kilometers of surveying had been completed. Based on the review of the airborne data it is likely other areas will be surveyed upon completion of the initial program. The Crone Pulse EM system is evaluating targets identified by the previous airborne and geological mapping / geochemical surveys



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and provides precise targets for diamond drill follow up. Anomalies have been identified at the Shanga target as follows:

- a) Target 1: High conductance target showing Late-time response on Crone PEM system Crone anomalies coincide with strong B-field Airborne VTEM anomalies, Anomalous Ni/Cr geochemical rock sample anomalies and a Magnetic feature. The conductor extends 750 meters along strike with a stronger conductance section extending for 300 meters in the center. Gossans have been identified at the up dip projection at surface. Center top of the conductive plate is located at approximately 100 meters depth based on the geophysical modeling.
- b) Target 2: A high conductance target identified from the ongoing surface Crone PEM Step response survey. Conductor, extending for 600 meters dipping N-NW, is associated with a Magnetic feature and strong VTEM B-field anomalies and coincides with anomalous Ni Soil sample.

The Crone system will remain on site in order to conduct Borehole PEM surveys in support of the upcoming drill program. Surface surveying is expected to continue until July 2011. A re-evaluation of the airborne survey data completed by Castillian Resources Corp. in 2008 has resulted in identification of numerous additional airborne conductors that merit follow up.

The initial diamond drill contract for a minimum of 3000 meters of diamond drilling has been awarded to Layne Drilling Tanzania Ltd. based in Mwanza, Tanzania. Diamond drilling is expected to commence May 2, 2011. Mobilization and set up are in progress. The initial drill holes will be on conductors identified at the Shanga target which is closest to the Kabanga property boundary (Figure 3 and Figure 4).

Target areas were 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.

Land Holding

The Kagera Nickel Project consists of 4 (four) granted Prospecting Licences (PLs) totalling 578 sq km in area. In addition, the company holds 2 (two) applications for PLs covering 284 sq km area that are located to the north of the Kibaran Orogenic Belt containing historical stream sediment anomalies from the United Nations Development Program carried out in the 1970's and 6 (six) applications over relinquished areas from the PL 4985/2008 that was renewed with a 50% reduction from its original area. The original applications for PLs of the Kagera Nickel Project area were submitted by Castillian Resources (Tanzania) Limited, which was a wholly owned subsidiary of Castillian Resources Ltd. (Canada). In October, 2010 Kibaran Nickel Ltd. acquired 100% interest in Castillian's Kagera Nickel Sulphide Project and purchased its Tanzanian subsidiary which holds all granted licences and applications.

A property licence summary table and plan map of granted licences/applications are provided below in Table 1 and Figure 1.



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Table 1: Prospecting Licenses Summary

Ministry ID	Area (sq. km)	Company	Phase	Date Granted
4985/2008	134.17	Castillian Resources (T) Ltd.	Prospecting License	18/03/2008
5192/2008	98.49	Castillian Resources (T) Ltd.	Prospecting License	18/07/2008
5306/2008	191.79	Castillian Resources (T) Ltd.	Prospecting License	28/08/2008
6463/2010	153.87	Castillian Resources (T) Ltd.	Prospecting License	21/06/2010

The renewal process requires a 50% reduction of the initial area, the retained area for the PL-4985/2008 was selected based on the results of geological, geochemical and geophysical surveys that were executed during the license period. Table 2 presents the initial area of the PL, retained area and relinquished area that was reapplied for. All of the potential target areas and the most favourable geological environments were retained during the reduction process.

Table 2: Prospecting License PL-4985/2008 Renewal Summary

Prospecting License – 4985/2008	Area	Total (%)
PL-4985/2008	134.17	100.00
Retained	66.55	49.60
Relinquished / Reapplied	67.62	50.40



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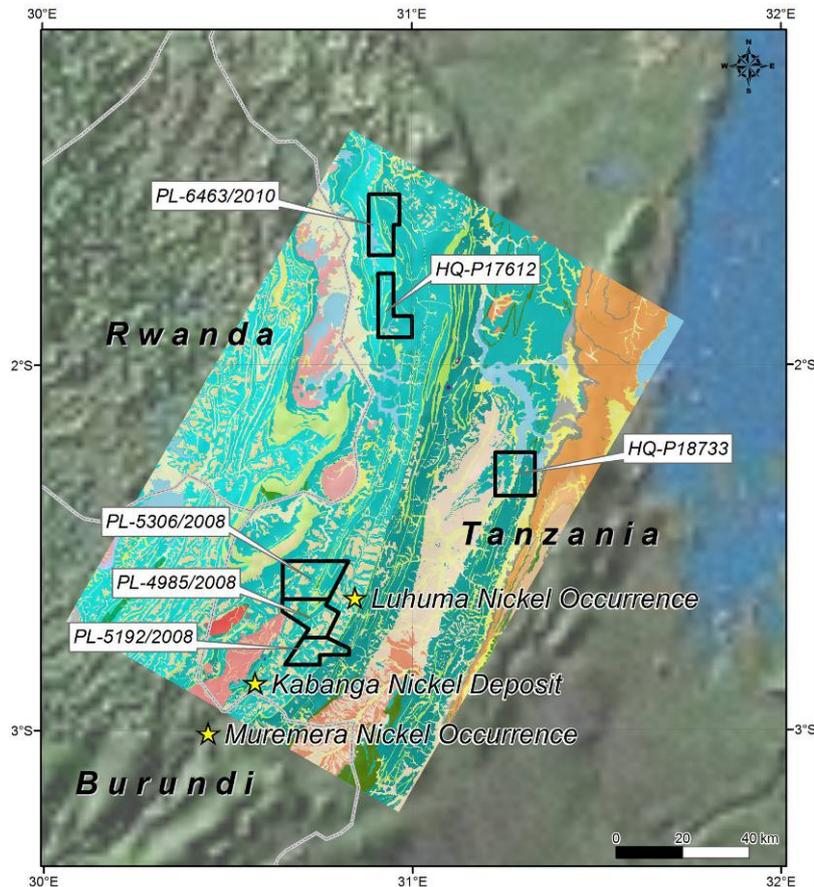


Figure 01: Prospecting licenses and applications over regional geological map

Summary of the Tanzanian Mining Act

Tanzanian prospecting and mining licences are governed by the Mining Act of 1998 and revised in 2010 and are issued and administered by the Ministry of Energy and Minerals headquartered in Dar es Salaam. It is believed that licences and applications existing prior to the November 2010 revisions will be administered under the provisions of the 1998 Act and subsequent licences will be administered under the provisions of the 2010 Act. The following is a summary of provisions of the Mining Act most relevant to Kibaran's activities and the current status of the licences that comprise the Kagera Nickel Project.

A PL can be applied for directly on open ground. A PL has a maximum size of 200 km² and may be granted for an initial period up to three years (four years in the 2010 Act). An application for a PL must include a proposed work program and details of training and employment opportunities to be offered to Tanzanian citizens. Once a PL is granted, holders must submit quarterly work and expenditure updates and notify the Ministry in the event of any discovery that may have possible commercial value.

A PL may be renewed for up to two subsequent renewal periods of two years each (three and two years each – 2010 Act), which can be applied for not later than one month before the expiry of the PL. Each renewal is subject to a 50% relinquishment of the PL area, with the retained renewal area to be a contiguous block. A further renewal may be applied for and approved only if a Feasibility Study is



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underway. The PL period can total up to nine years under the 1998 Mining Act and up to 11 years under the 2010 Mining Act, prior to a Feasibility Study.

In the event that a PL holder has found a deposit that is deemed uneconomic but which may be potentially of commercial significance in the future, there is provision for a five year Mineral Retention Licence, which may be renewed for one five-year period. If the Retention Licence is granted, it is only over that part of the PL which the Minister anticipates is required to mine the deposit identified by the holder.

A Special Mining Licence (SML) is necessary for mining operations and is granted for the estimated life of the deposit indicated in the feasibility study report, or such period as the applicant may request, whichever period is shorter. Maximum size is limited to what is reasonably required for the operation and the SML must have surveyed perimeters.

An application for an SML must be accompanied by a proposed program for mining operations, a forecast of capital investment, the applicant's environmental management plan and certificate, and the proposed employment and training plan.

The state is entitled to a 4% royalty based on the gross value of the metals produced relating to the extraction of base metals. There is provision in the Mining Act for a negotiated development agreement between the state and SML holder covering the fiscal and operational aspects of a mining operation which may include a free carried interest for the government on development projects exceeding a project development cost of US\$100 million.

PLs do not convey surface rights, but a subsequent SML would. Any resettlement of people or destruction of crops as a result of mining would require compensation to be paid. These amounts are nominal by Western standards.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr David Gower, who is a Member of the Association of Professional Geoscientists of Ontario, Canada and Ms. Isabelle Dumas, Ing. who is a Member of the Association of Professional Geoscientists of Quebec, Canada. Mr Gower and Ms. Dumas are consultants to Kibaran Nickel Limited. Mr Gower and Ms. Dumas have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are 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 ("JORC Code"). Mr Gower and Ms. Dumas consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

KIBARAN NICKEL LIMITED

ABN

117 330 757

Quarter ended ("current quarter")

31 MARCH 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(532) (125)	(870) (297)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	3	105
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(654)	(1,062)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(654)	(1,062)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(654)	(1,062)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		4,000
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (share issue costs)		(400)
	Net financing cash flows		3,600
	Net increase (decrease) in cash held	(654)	2,538
1.20	Cash at beginning of quarter/year to date	4,176	984
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,522	3,522

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	43
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors fees, wages and superannuation

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,500
4.2 Development	
4.3 Production	
4.4 Administration	150
Total	1,650

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	522	176
5.2 Deposits at call	3,000	4,000
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,522	4,176

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	33,285,917	33,285,917	Fully paid	Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	600,000 500,000 3,500,000 2,500,000 700,000 700,000 600,000 700,000		<i>Exercise price</i> \$0.20 \$0.40 \$0.20 \$0.25 \$0.25 \$0.35 \$0.30 \$0.40	<i>Expiry date</i> <i>Exp 29/10/2012</i> <i>Exp 29/10/2012</i> <i>Exp 29/10/2012</i> <i>Exp 24/03/2015</i> <i>Exp 31/03/2015</i> <i>Exp 30/09/2015</i> <i>Exp 31/03/2015</i> <i>Exp 31/03/2016</i>

+ See chapter 19 for defined terms.

7.8	Issued during quarter	2,500,000		\$0.25	<i>Exp 24/03/2015</i>
		700,000		\$0.25	<i>Exp 31/03/2015</i>
		700,000		\$0.35	<i>Exp 30/09/2015</i>
		600,000		\$0.30	<i>Exp 31/03/2015</i>
		700,000		\$0.40	<i>Exp 31/03/2016</i>
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)

Date: 29 April 2011

Print name: Andrew Bursill

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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