Kibaran Resources Limited

(Formerly known as Kibaran Nickel Limited)
ABN 15 117 330 757

Annual Financial Report - 30 June 2012

Kibaran Resources Limited
(Formerly known as Kibaran Nickel Limited)
Corporate directory
30 June 2012

Directors	Simon O'Loughlin	Non-Executive Director and Chairman
	Robert Greenslade	Non-Executive Director
	David Gower	Non-Executive Director
	Andrew Spinks	Executive Director
	John Park	Non-Executive Director

Company secretary	Andrew Bursill
Registered office	Suite 4 - Level 9 341 George Street Sydney NSW 2000
Principal place of business	Suite 4 - Level 9 341 George Street Sydney NSW 2000
Share register	Link Market Services Level 12, 680 George Street Sydney NSW 2000
Auditor	BDO East Coast Partnership Level 10, 1 Margaret Street Sydney NSW 2000
Solicitors	Addisons Lawyers Level 12, 60 Carrington Street Sydney NSW 2000
Bankers	National Australia Bank Level 39, 100 Miller Street North Sydney NSW 2060
Stock exchange listing	Kibaran Resources Limited shares are listed on the Australian Securities Exchange (ASX code: KNL)

Graphite project

In June 2012, the Company executed a Heads of Agreement (HoA) for the acquisition of Tanzgraphite Pty Ltd ("Tanzgraphite"), significantly expanding the consolidated entity's geographical footprint in Tanzania.

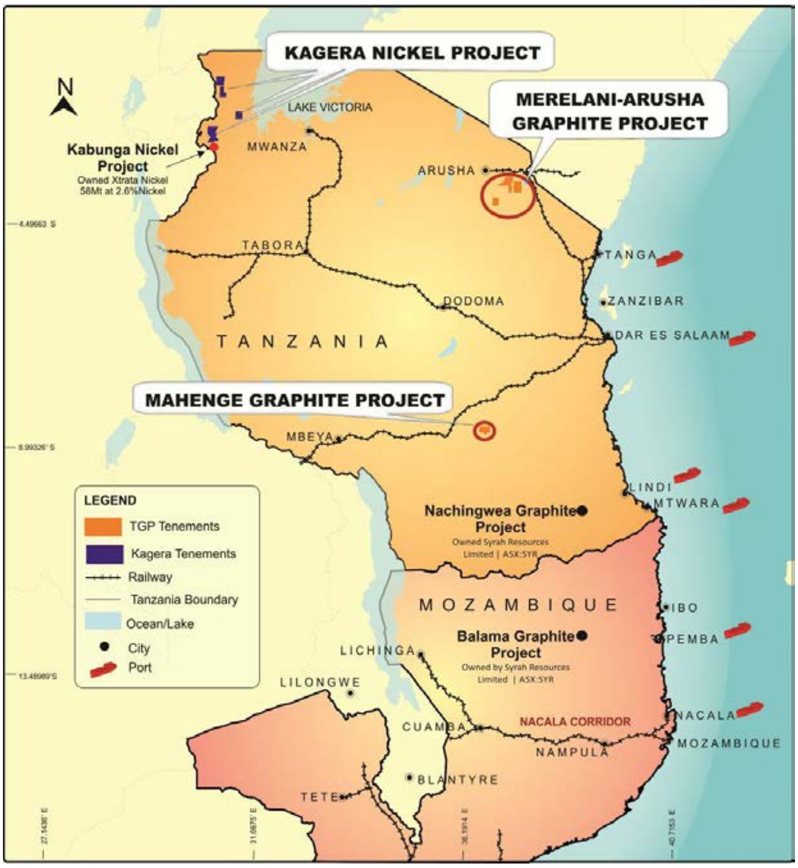
With the acquisition approved by shareholders in July 2012, Tanzgraphite's two highly prospective graphite projects as shown in Figure 2 below, Mahenge and Merelani-Arusha, have already begun to show considerable promise from interim metallurgical testwork and rock chip sampling.

The combined ground holding in these two projects of 1,308km2 covers previously known graphite occurrences and favourable geological settings for the discovery of new graphite deposits.

The Mahenge graphite project is the most prospective of the tenements. The Mahenge graphite project consists of two tenements covering an area of 325.5 km2, located 245km south-west of Morogoro. The Mahenge project hosts the Ndololo, Epanko and Kasita graphite prospects. Previous exploration and technical work undertaken on this tenement during the 1940's reported course flake graphite, grading 15.5% carbon and an estimated recovery of 97.5%.

The Merelani-Arusha graphite project consists of seven tenements covering an area of 973.4 km2, the project is located 55km south-east of Arusha.

Tanzania is an emerging province for the occurrence and development of graphite and our early results from metallurgical testwork have recently demonstrated the potential of the Company's projects.



<u>Kagera Nickel project</u>

The Kagera Nickel Project is located in western Tanzania. The key tenements are located approximately 10km north-east of the Kabanga Nickel Deposits of Xstrata Nickel / Barrick Gold (one of world's largest undeveloped high grade nickel sulphide deposits) which is presently undergoing feasibility studies.

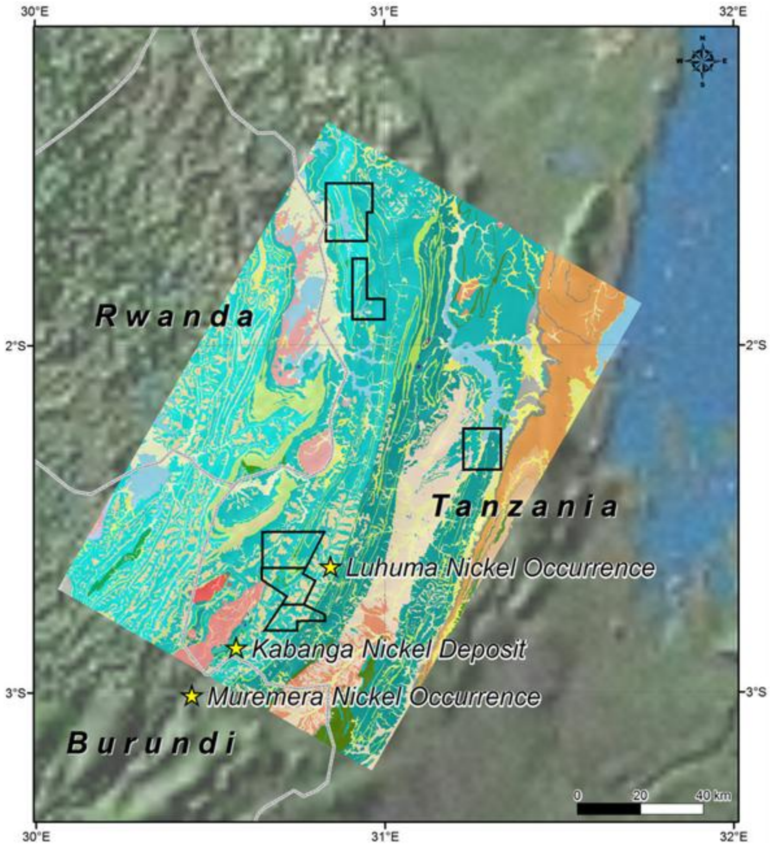
The project comprises a large land position covering 864km^2 along the western border of Tanzania. The Kabanga-Musongati mafic-ultramafic belt occurs in the Meso-proterozoic Kibaran Orogenic Belt which extends 350km along a northeast-southwest trend, exposed in Burundi, Rwanda, southwest Uganda and northwest 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).

During the year, the initial scout phase of diamond drilling was completed. A total of 3,190.7m of drilling was completed in eight diamond drill holes. Seven of the eight drill holes were completed on the Shanga trend which is an eight kilometer long series of geophysical anomalies that was interpreted to represent the extension of the Kabanga trend to the south. One hole was drilled on the extensive Nyamahwa Target area. See Figure 1 below for drill hole locations. Unfortunately no mineralization of economic interest was intersected by the drill holes.

The best results from these holes were 7.0m grading 0.11% Ni from 94m- 101 m in drill hole SHF-07.

Based on the new information, along with the geophysical and mapping results, it is interpreted that the rocks related to the Kabanga deposits enter the Property to the northwest of this area where an interesting geophysical and structural target has been identified by the recent field program.



Funding

On 25 May 2012, the Company issued 4,992,887 shares at a price of $0.07 per share through a share placement to professional and sophisticated investors to raise $349,500. The Company also made a non-renounceable rights issue of one new ordinary share for every 3 ordinary shares to raise $900,000. The rights issue closed on 2 July and shares were subsequently allotted post year end. Proceeds from these issues were to assist the Company in funding its acquisition of Tanzgraphite Pty Ltd and ongoing exploration requirements for both its nickel and graphite projects.

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 promulgates 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.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Kibaran Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2012.

Directors
The following persons were directors of Kibaran Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Simon O'Loughlin
Robert Greenslade
David Gower
David Argyle (resigned 13 July 2012)
Andrew Spinks (appointed 20 July 2012)
John Park (appointed 12 September 2012)

Principal activities
During the financial year the principal continuing activity of the consolidated entity consisted of exploration and evaluation of its tenements in mineral resources.The consolidated entity is focused on exploring the highly prospective Kagera Nickel project which is adjacent to the Kabanga Nickel Projects which are among the largest underdeveloped, high grade nickel sulphide deposits in the world.

The consolidated entity has recently completed the acquisition of Tanzgraphite Pty Ltd which has the rights to the Mahenge and Arusha projects in Tanzania that are considered prospective for graphite mineralisation.

Dividends
There were no dividends paid or declared during the current or previous financial year.

Review of operations
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $3,825,424 (30 June 2011: $1,410,402).

The review of operations is presented before the directors' report.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
Post 30 June 2012, the Company changed its name to Kibaran Resources Limited. The Company also announced the completion of the transaction to acquire Tanzgraphite Pty Ltd following shareholder approval. Tanzgraphite have secured options over the graphite projects – Mahenge and Merelani-Arusha. The rights to the tenements are subject to option payments, payable to the tenement holder.

The acquisition of Tanzgraphite was completed on 20 July 2012 following approval by shareholders, on the following terms:

• $225,000 in cash;
• 7.143 million KNL shares; and
• 15.93 million performance shares, with each performance share converting into 1 ordinary share in the Company 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 Tanzgraphite 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%.

In July 2012 , the Company raised a further $900,000 through its non-renounceable rights issue announced prior to the year end. Under the 1 for 3 entitlement issue, 12.8 million new shares were allocated following shareholder

On 18 September 2012, the Company announced it has placed 8.745 million ordinary shares with institutional and sophisticated investors at an issue price of $0.35 per share to raise $3.1 million.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Simon O'Loughlin
Title:	Non-Executive Director/Chairman
Qualifications:	BA (Acc), Law Society Certificate in Law
Experience and expertise:	Simon O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. He has obtained extensive experience in the corporate and commercial law fields while practicing in Sydney and Adelaide. More recently, he has been focusing on the resources sector. Simon also holds accounting qualifications. He has comprehensive experience with companies in the small industrial and resources sectors.
Other current directorships:	Neurodiscovery Ltd, Goldminex Ltd, Aura Energy Ltd, Petratherm Ltd, Chesser Resources Ltd, WCP Resources Ltd and Australia Oriental Minerals NL.
Former directorships (in the last 3 years):	World Titanium Resources Ltd, Avenue Resources Ltd, Living Cells Technologies Ltd and Strzelecki Metals Limited.
Special responsibilities:	None
Interests in shares:	1,078,575
Interests in options:	500,000

Name:	Robert Greenslade
Title:	Non-Executive Director
Qualifications:	BA (Ec)
Experience and expertise:	Robert Greenslade is a Managing Director, Mining and Metals, Corporate Advisory for Standard Chartered Bank since 2011. Prior to this, he was a founding director of Adelaide based boutique corporate advisor, Gryphon Partners Advisory specializing in resource transactions which was acquired by Standard Chartered Bank in 2011. Prior to 2002, Robert Greenslade was Group Executive Corporate for Normandy Mining Ltd heading up the company's corporate division. Following the takeover of Normandy Mining Ltd by Newmont Mining Corporation Inc, he was appointed Vice President of Newmont Capital Ltd responsible for the Group's Australian and Asian Pacific corporate and business development activities.
Other current directorships:	None
Former directorships (in the last 3 years):	Ferraus Ltd, Oaks Hotel and Resorts Ltd
Special responsibilities:	None
Interests in shares:	2,900,001
Interests in options:	1,500,000

Name:	David Gower
Title:	Non-Executive Director
Qualifications:	P. Geo
Experience and expertise:	David Gower has over 20 years of experience in exploration with Falconbridge Ltd, Noranda Inc (now X-Strata PLC) most recently as General Manager of Global Nickel and PGM Exploration. He was a member of the Senior Operating Team responsible for mining projects with Falconbridge Ltd. He has led exploration teams which were responsible for brownfields discoveries at Raglan, Sudbury and Matagami - Canada, Falcondo - Dominican Republic, and greenfield discoveries at Araguaia Nickel in Brazil, Kabanga Nickel Deposit in Tanzania and El Pilar copper in Mexico.
Other current directorships:	Alamos Gold Inc, Forbes & Manhattan Coal Corp, Apogee Silver Ltd and Castillan Resources Corp.
Former directorships (in the last 3 years):	Allana Potash Corp and Knight Resources Ltd
Special responsibilities:	None
Interests in shares:	166,667
Interests in options:	1,500,000

Name:	David Argyle
Title:	Non-Executive Director
Qualifications:	MBA
Experience and expertise:	In August 2007, David Argyle was appointed President and Chief Executive Officer of Dynamite Resources Ltd which subsequently merged with Avion Resources Corp in February 2009. Prior to joining Dynamite Resources Ltd, he was the Managing Director of Tau Mining Ltd. David Argyle brings with him 20 years experience in senior management positions on mining and chemical projects in China, South East Asia, Central Asia and Australia. He holds a degree in Commerce from with the University of Western Australia and an MBA from the University of Michigan.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	278,583
Interests in options:	1,000,000

Name:	Andrew Spinks
Title:	Executive Director
Qualifications:	B.App.Sc (Geol), Grad. Dip (Mining), W.A Quarry Managers Certificate
Experience and expertise:	Andrew Spinks is a geologist with over 20 years professional experience in nickel, 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. He is a co-founder of Tanzgraphite Pty Ltd and was responsible for the strategy, target generation and acquisitions of that company. Mr Spinks has had extensive board experience. He is currently Non-Executive Director of Tabora Pty Ltd and has served as Chairman, Managing Director and President of Central Iron Ore Limited.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	5,214,386 ordinary shares and 11,151,000 performance shares
Interests in options:	None

Name:	John Park
Title:	Non-Executive Director
Qualifications:	B.Sc Hons, Fellow of Australasian Institute of Mining, CP(man), Member of AIME
Experience and expertise:	John Park brings over 40 years of experience in technical, financial and management aspects of the minerals industry to the Kibaran Board. John Park has held executive and board positions for a number of UK, Canadian and Australian listed and unlisted companies, including Selection Trust, BP Minerals, Cluff Resources and Longview Capital Partners. He was a founder and executive director of the highly successful TSX-listed SAMAX Gold, since acquired by Anglogold-Ashanti, which developed and operated the Merelani graphite mine in Tanzania in the late 1990s. John Park played a key role in the design and build of the Merelani graphite plant and was author of the leading technical paper on Merelani graphite, which established the commercial recovery of graphite. He was also a founder director and chairman of AIM-listed African Eagle Resources until the end of 2009. The company discovered the Myabi gold project and is currently developing the Dutwa nickel project, both in Tanzania.
Other current directorships:	None
Former directorships (in the last 3 years):	African Eagle Resources and Tasman Goldfields
Special responsibilities:	None
Interests in shares:	20,000
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary
Andrew Bursill was appointed as the Company Secretary on 24 February 2011. Andrew is a Chartered Accountant and principal of Franks & Associates Pty Ltd, Chartered Accountants, with more than 10 years experience as a Director and Company Secretary of numerous publicly listed entities. In addition to his appointment at Kibaran Resources Limited, Andrew is currently Company Secretary of Argonaut Resources NL, Aguia Resources Limited, Site Group International Limited, MOKO.mobi Limited and Elk Petroleum Limited and several other unlisted public and private companies.

Meetings of directors
The number of meetings of the company's Board of Directors held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Simon O'Loughlin	4	4
Robert Greenslade	3	4
David Gower	4	4
David Argyle	4	4

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:
A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

Alignment to shareholders' interests:
- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of
- attracts and retains high calibre executives

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

ASX listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting.

Executive remuneration
The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

The long-term incentives ('LTI') includes share-based payments and options. Options are awarded to executives over a period of three to five years based on long-term incentive measures. These include increase in shareholders value relative to the entire market.

Consolidated entity performance and link to remuneration
The Board has a policy of granting incentive options to executives with exercise prices at and/or above market share price (at the time of agreement). As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the consolidated entity increases sufficiently to warrant the exercising the incentive options granted. Other than service based vesting conditions, there are no additional performance criteria on the incentive options granted to executives.

Voting and comments made at the company's 29 November 2011 Annual General Meeting ('AGM')
The company received in excess of 75% of 'for' votes in relation to its remuneration report for the year ended 30 June 2011. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B Details of remuneration

The maximum current aggregate non-executive directors fee limit stands at $300,000 per annum. Certain directors are granted options as a key component of their remuneration in order to retain their services and provide incentive linked to the performance of the consolidated entity.

Amounts of remuneration
Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Kibaran Resources Limited are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Kibaran Resources Limited:

- Simon O'Loughlin
- Robert Greenslade
- David Gower
- David Argyle

2012	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Options $	Total $
Non-Executive Directors:							
Simon O'Loughlin	35,000	-	-	-	-	-	35,000
Robert Greenslade	36,000	-	-	-	-	-	36,000
David Argyle	30,000	-	-	-	-	-	30,000
Executive Directors:							
David Gower	88,575	-	-	-	-	-	88,575
	189,575	-	-	-	-	-	189,575

2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Options $	Total $
Non-Executive Directors:							
Simon O'Loughlin	26,250	-	-	-	-	64,000	90,250
Robert Greenslade	26,875	-	-	-	-	-	26,875
David Argyle	15,000	-	-	-	-	116,000	131,000
David Brookes*	5,000	-	-	-	-		5,000
Stephen Evans*	1,375	-	-	-	-	-	1,375
Executive Directors:							
David Gower	52,278	-	-	-	-	174,000	226,278
	126,778	-	-	-	-	354,000	480,778

* Retired 13 September 2010

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2012	2011	2012	2011	2012	2011
Non-Executive Directors:						
Simon O'Loughlin	100%	29%	- %	- %	- %	71%
Robert Greenslade	100%	100%	- %	- %	- %	- %
David Argyle	100%	11%	- %	- %	- %	89%
Executive Directors:						
David Gower	100%	23%	- %	- %	- %	77%

C Service agreements

The consolidated entity did not have any service agreements with respect to the Key Management Personnel.

D Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012.

Options
There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2012.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2012.

E Additional information

The earnings of the consolidated entity for the three years to 30 June 2012 are summarised below:

	2010 $	2011 $	2012 $
Loss after income tax	(90,220)	(1,410,445)	(3,825,424)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2010	2011	2012
Share price at financial year end ($A)	0.25	0.17	0.20
Basic earnings per share (cents per share)	(0.54)	(5.01)	(11.27)

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Kibaran Resources Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
22/10/2010	21/10/2014	$0.20	1,500,000
22/10/2010	21/10/2014	$0.20	1,500,000
22/10/2010	21/10/2014	$0.20	500,000
24/03/2011	24/03/2015	$0.25	1,000,000
24/03/2011	24/03/2015	$0.25	1,500,000
31/03/2011	31/03/2015	$0.25	500,000
31/03/2011	31/03/2015	$0.25	200,000
31/03/2011	30/09/2015	$0.35	500,000
31/03/2011	30/09/2015	$0.35	200,000
31/03/2011	31/03/2016	$0.40	500,000
31/03/2011	31/03/2016	$0.40	200,000
31/03/2011	31/03/2015	$0.30	600,000
			8,700,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Kibaran Resources Limited were issued during the year ended 30 June 2012 on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
21/09/2010	$0.20	150,000

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The amount of insurance premium paid was $8,000.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration
During the year the audit was transferred from PKF Adelaide to BDO East Coast Partnership (formerly PKF East Coast Practice). BDO East Coast Partnership was appointed by the directors in accordance with section 327C(1) of the Corporations Act 2001.

Auditor
BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Andrew Spinks
Executive director

28 September 2012
Sydney

Tel: 61 2 9251 4100
Fax: 61 2 9240 9821
www.bdo.com.au

Level 10, 1 Margaret St
Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF KIBARAN RESOURCES LIMITED

As lead auditor of Kibaran Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect Kibaran Resources Limited and the entities it controlled during the period.

Grant Saxon

Partner

BDO East Coast Partnership

Sydney, 28 September 2012

The Board of Directors ("the Board") of Kibaran Nickel Limited is responsible for the corporate governance of the consolidated entity including its strategic development.

The format of this Section is guided by the ASX Corporate Governance Council's best practice recommendations.

The Company's corporate governance principles and policies are therefore structured as follows:

Principle 1 Lay solid foundations for management and oversight
Principle 2 Structure the Board to add value
Principle 3 Promote ethical and responsible decision making
Principle 4 Safeguard integrity in financial reporting
Principle 5 Make timely and balanced disclosure
Principle 6 Respect the rights of shareholders
Principle 7 Recognise and manage risk
Principle 8 Remunerate fairly and responsibly

With the exception of the departures from the Corporate Governance Council recommendations in relation to the establishment of a nomination committee, policy concerning diversity and its' disclosure, and an audit and risk committee (Recommendations 2.4, 3.2, 3.3 and 4.1), the corporate governance practices of Kibaran Nickel are compliant with the Council's best practice recommendations.

Principle 1: Lay solid foundations for management and oversight
The Board is accountable to the shareholders for the performance of the Company and has overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of the corporate strategy and policy initiatives, is formally managed by the Board.

The key responsibilities of the Board include:

- approving the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives;
- adopting budgets and monitoring the financial performance of the Company;
- overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- overseeing the implementation and management of effective safety and environmental performance systems;
- ensuring all major business risks are identified and effectively managed; and
- ensuring that the Company meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

Principle 2: Structure the Board to add value
The Directors consider the current size and composition of the Board is appropriate given the size and status of the Company. However, as the Company evolves, the composition of the Board is subject to review if appropriate.

The Constitution provides that at every annual general meeting, one third of the Directors shall retire from office but may stand for re-election.

Board composition will be also reviewed periodically either when a vacancy arises or if it is considered the Board would benefit from the services of a new Director, given the existing mix of skills and experience of the Board, which should match the strategic demands of the Company. Once it has been agreed that a new Director is to be appointed, a search will be undertaken, sometimes using the services of external consultants. Nominations would then be received and reviewed by the Board.

It is the role of the Board to oversee the management of the Company and it may establish appropriate committees to assist in this role. The composition of the committees shall be as follows:

- the majority of the members of each committee of the Board will be non-executive Directors;
- each committee will have a charter approved by the Board; and
- each committee will maintain minutes of each meeting of the committee, which will be circulated to all Directors.

At the present time no committees have been established because of the size of the Company and the involvement of the Board in the operations of the Company. The Board takes ultimate responsibility for the operations of the Company including remuneration of Directors and executives and nominations to the Board.

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. In addition, Recommendation 2.2 requires the chairperson to be independent. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, all Non-Executive Directors are considered to be independent. The Board will review the independence of each director in light of interests disclosed to the Board from time to time.

Kibaran Nickel Limited considers industry experience and specific expertise to be important attributes of its Board members and therefore believes that the composition of the Board is appropriate given the size and development of the Company at the present time.

Principle 3: Promote ethical and responsible decision making
The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. Kibaran Nickel Limited intends to maintain a reputation for integrity. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards.

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

Due to the Company's size and nature of operations, there are no women in senior executive positions. The board remains conscious of the requirement to establish reasonable and measurable objectives for achieving gender diversity and identifying key measurable diversity performance objectives for the Board, CEO and senior management.

Principle 4: Safeguard integrity in financial reporting
The Board primary responsibilities in relation to risks and compliance are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Company;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Company's governance policies.

Principle 5: Make timely and balanced disclosure
The Board strives to ensure that shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

The Board strives to provide immediate disclosure to the market of any information concerning the company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Senior Management is responsible for monitoring all information regarding the Company's day to day activities and if a potential disclosure obligation arises.

Principle 6: Respect the rights of shareholders
The Company seeks to ensure that shareholders are well informed of the Company's activities.

Information is communicated to Shareholders through:

- annual and half-yearly financial reports and quarterly reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Company maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

Principle 7: Recognise and manage risk
The Board has identified the significant areas of potential business and legal risk to the consolidated entity. The identification, monitoring and, where appropriate, the reduction of significant risk to Kibaran Nickel is the responsibility of the Board.

The Board reviews and monitors the parameters under which such risks are managed. Management accounts are prepared and reviewed at subsequent Board meetings. Budgets are prepared and compared against actual results.

Principle 8: Remunerate fairly and responsibly
The Chairman and the non-executive Directors are entitled to draw Directors fees and receive reimbursement of reasonable expenses for attendance at meetings. The Company is required to disclose in its annual report details of remuneration to Directors. If all of the Resolutions are passed, the maximum aggregate annual remuneration which may be paid to non-executive Directors is be $300,000. This amount cannot be increased without the approval of the Company's shareholders.

Securities trading policy
Under the company's Guidelines for Dealing in Securities Policy, directors, officers and employees of the company should not trade in the company's securities when he or she is in possession of price sensitive information that is not generally available to the market.

Directors and senior management are likely to be in possession of unpublished price sensitive information concerning the company by virtue of their position within the company. Therefore those persons are restricted from dealing in the company's securities in the thirty day period immediately preceding the release of price sensitive information to the ASX (Non-Trading Period). The Constitution permits Directors to acquire securities in the Company, however Company policy prohibits Directors and senior management from dealing the Company's securities at any time during a closed period. Closed period means the period between:

- 1 January and the day of release Half Year Report to the ASX;

- 1 July and the day of release Full Year Report to the ASX; or

- Any other periods from time to time when the Company is considering matters which are subject to Listing Rule 3.1A as resolved by the Board of the Company.

Directors must advise the Chairman of the Board before buying or selling securities in the Company. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules, the Company advises ASX of any transaction conducted by Directors in the securities of the Company.

The Securities Trading Policy has been issued to ASX.

CEO and CFO certification
The chief executive officer and chief financial officer have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- the company's risk management and internal compliance and control system is operating effectively in all material respects;
- the company’s financial statements and notes thereto comply with the accounting standards; and
- the company’s financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date.

Kibaran Resources Limited
(Formerly known as Kibaran Nickel Limited)
Financial report
30 June 2012

Contents

General information

The financial report covers Kibaran Resources Limited as a consolidated entity consisting of Kibaran Resources Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Kibaran Resources Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Kibaran Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 4 - Level 9
341 George Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 September 2012.

Kibaran Resources Limited
(Formerly known as Kibaran Nickel Limited)
Statement of comprehensive income
For the year ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue	4	42,867	166,109
Expenses			
Impairment of exploration and evaluation assets		(3,183,770)	-
Employee benefits expense		(196,917)	(126,948)
Other expenses	5	(487,604)	(398,406)
Share based payment		-	(1,051,200)
Loss before income tax expense		(3,825,424)	(1,410,445)
Income tax expense	6	-	-
Loss after income tax expense for the year		(3,825,424)	(1,410,445)
Other comprehensive income			
Foreign currency translation		-	(8,372)
Other comprehensive income for the year, net of tax		-	(8,372)
Total comprehensive income for the year		(3,825,424)	(1,418,817)
Loss for the year is attributable to:			
Non-controlling interest		-	(43)
Owners of Kibaran Resources Limited	15	(3,825,424)	(1,410,402)
		(3,825,424)	(1,410,445)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	(43)
Owners of Kibaran Resources Limited		(3,825,424)	(1,418,774)
		(3,825,424)	(1,418,817)
		Cents	**Cents**
Basic earnings per share	28	(11.27)	(5.01)
Diluted earnings per share	28	(11.27)	(5.01)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Kibaran Resources Limited
(Formerly known as Kibaran Nickel Limited)
Statement of financial position
As at 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Assets			
Current assets			
Cash and cash equivalents	7	551,549	2,738,400
Trade and other receivables	8	28,996	28,475
Other	9	6,000	27,675
Total current assets		586,545	2,794,550
Non-current assets			
Exploration and evaluation	10	1,329,143	3,022,299
Other	11	25,000	-
Total non-current assets		1,354,143	3,022,299
Total assets		1,940,688	5,816,849
Liabilities			
Current liabilities			
Trade and other payables	12	127,844	527,566
Total current liabilities		127,844	527,566
Total liabilities		127,844	527,566
Net assets		1,812,844	5,289,283
Equity			
Issued capital	13	6,264,714	5,908,229
Reserves	14	1,183,908	1,183,908
Accumulated losses	15	(5,635,778)	(1,804,032)
Equity attributable to the owners of Kibaran Resources Limited		1,812,844	5,288,105
Non-controlling interest	16	-	1,178
Total equity		1,812,844	5,289,283

The above statement of financial position should be read in conjunction with the accompanying notes

Kibaran Resources Limited
(Formerly known as Kibaran Nickel Limited)
Statement of changes in equity
For the year ended 30 June 2012

	Issued Capital $	Accumulated Losses $	Share Option Reserve $	Foreign Currency Translation Reserve $	Non Controlling Interest $	Total equity $
Consolidated						
Balance at 1 July 2010	1,466,803	(402,409)	141,080			1,205,474
Loss after income tax expense for the year		(1,410,402)	-	-	(43)	(1,410,445)
Other comprehensive income for the year, net of tax	-	-	-	(8,372)	-	(8,372)
Total comprehensive income for the year	-	(1,410,402)	-	(8,372)	(43)	(1,418,817)
Transactions with owners in their capacity as owners:						
Issue of share options			1,051,200	-	-	1,051,200
Issued pursuant to share purchase agreement	1,000,000		-	-	-	1,000,000
Issued pursuant to prospectus	4,000,000		-	-	-	4,000,000
Transaction costs	(558,574)		-	-	-	(558,574)
Non controlling interest arising on disposal of interest in Amadori Pty Ltd		8,779	-	-	1,221	10,000
Balance at 30 June 2011	5,908,229	(1,804,032)	1,192,280	(8,372)	1,178	5,289,283

	Issued Capital $	Accumulated Losses $	Share Option Reserve $	Foreign Currency Translation Reserve $	Non Controlling Interest $	Total equity $
Consolidated						
Balance at 1 July 2011	5,908,229	(1,804,032)	1,192,280	(8,372)	1,178	5,289,283
Loss after income tax expense for the year		(3,825,424)	-	-		(3,825,424)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	(3,825,424)	-	-	-	(3,825,424)
Transactions with owners in their capacity as owners:						
Issue of shares	349,502		-	-	-	349,502
Exercise of share options	30,000		-	-	-	30,000
Transactions costs	(23,017)		-	-	-	(23,017)
Non controlling interest		(6,322)	-	-	(1,178)	(7,500)
Balance at 30 June 2012	6,264,714	(5,635,778)	1,192,280	(8,372)	-	1,812,844

The above statement of changes in equity should be read in conjunction with the accompanying notes

Kibaran Resources Limited
(Formerly known as Kibaran Nickel Limited)
Statement of cash flows
For the year ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
Payment to suppliers and employees		(668,972)	(428,903)
Interest received		46,897	211,621
Net cash used in operating activities	27	(622,075)	(217,282)
Cash flows from investing activities			
Payment for exploration		(1,913,761)	(1,692,210)
Net cash used in investing activities		(1,913,761)	(1,692,210)
Cash flows from financing activities			
Share issue		379,502	4,000,000
Share issue in Amadori Pty Ltd		-	10,000
Share buy back in Amadori Pty Ltd		(7,500)	-
Capital raising cost for the share issue		(23,017)	(558,574)
Net cash from financing activities		348,985	3,451,426
Net increase/(decrease) in cash and cash equivalents		(2,186,851)	1,541,934
Cash and cash equivalents at the beginning of the financial year		2,738,400	1,196,466
Cash and cash equivalents at the end of the financial year	7	551,549	2,738,400

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
The consolidated entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

AASB 2010-5 Amendments to Australian Accounting Standards
The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)
The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

AASB 1054 Australian Additional Disclosures
The consolidated entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project
The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

Note 1. Significant accounting policies (continued)

AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation
The consolidated entity has applied AASB 2011-5 amendments from 1 July 2011. These amendments extended relief from consolidation, the equity method and proportionate consolidation where the ultimate or intermediate parent applied not-for-profit Aus paragraphs in Australian IFRSs as adopted in Australia.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
The consolidated entity has applied AASB 2011-9 amendments from 1 January 2012. The amendments require grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation.

Going concern
The financial report has been prepared on the basis of a going concern, notwithstanding the fact that material uncertainties exist, going forward, which may affect the company's ability to continue as a going concern. The consolidated entity incurred a loss for the year after tax of $3,825,424 (2011: $1,410,445) and a net cash out flow from operating activities of $622,075 (2011: $217,282). The company acquires mineral tenements and then applies its expertise to conduct mineral exploration in search of base and precious metals deposits and graphite. In addition to the many uncertainties inherent in the mineral exploration and development industry, the company does not yet have a significant revenue stream and must rely on raising money in the capital markets. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

The financial report has been prepared on the basis of a going concern, as the directors believe that adequate funding will be raised to enable the consolidated entity to pay its debts as and when they become due for a period of twelve months from the date of approving this Report. In the event that the consolidated entity is delayed in raising funding and or committing to development of its core tenements, the consolidated entity may need to either reduce its rate of expenditure or raise additional working capital to ensure that it can continue to meet its obligations as and when they fall due.

Expenditure commitments include obligations arising from annual minimum work obligations for exploration permits. Minimum work obligations, may be subject to negotiation and approval and could be varied, they may also be satisfied by farm-out, sale, relinquishment or surrender.

In the event that the consolidated entity is not able to raise sufficient working capital within the time frame required, it may not be able to realise its assets and crystallise its liabilities in the normal course of business at the amounts stated in this financial report.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Note 1. Significant accounting policies (continued)

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kibaran Resources Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Kibaran Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 1. Significant accounting policies (continued)

Foreign currency translation
The financial report is presented in Australian dollars, which is Kibaran Resources Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

Exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset’s fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Significant accounting policies (continued)

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Comparative Figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Employee benefits

Share-based payments
Equity-settled share-based compensation benefits are provided to employees and directors.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1. Significant accounting policies (continued)

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Kibaran Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011)
This revised standard is applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The adoption of the revised standard from 1 July 2013 will require increased disclosures by the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segment being mining and explorations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the type of product and service. The consolidated entity has determined that the reportable operating segments are based on geographical locations as this is the source of the consolidated entity's major assets.

Accounting policies adopted
Unless stated otherwise, all amounts reported to the board of directors, as the chief decision maker, with respect to its operating segment is determined in accordance with accounting policies that are consistent to those adopted in Note 1 to the accounts and the annual financial statements of the consolidated entity.

Types of products and services
The mining and exploration operations of the consolidated entity are predominately in Tanzania. Reportable segments are based on aggregating geographical segments subject to risks and returns of their particular economic environment and based on the nature of the irregulatory environment. Geographical segments are aggregated where the segments are considered to have similar economic characteristics and also similar with respect to the type of product and service.

Note 3. Operating segments (continued)

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities
Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Company as a whole, and are not allocated. Segment liabilities include trade and other payables.

Segment results
Income and expenses are not allocated to operating segments. The information reported to the CODM comprises mainly segment assets and liabilities.

Corporate office activities
Corporate office activities comprise non-segmental revenues and expenses and are therefore not allocated to operating segments.

Operating segment information

2012	Australia $	Tanzania $	Intersegment eliminations/ unallocated $	Consolidated $
Assets				
Segment assets	-	1,329,143	-	1,329,143
Unallocated assets:				
Cash and cash equivalents				551,549
Trade receivables and other assets				59,996
Total assets				1,940,688
Liabilities				
Segment liabilities	116,379	11,465	-	127,844
Total liabilities				127,844

2011	Australia $	Tanzania $	Intersegment eliminations/ unallocated $	Consolidated $
Assets				
Segment assets	-	3,022,299	-	3,022,299
Unallocated assets:				
Cash and cash equivalents				2,738,400
Trade receivables and other assets				56,150
Total assets				5,816,849
Liabilities				
Segment liabilities	66,687	380,386	80,493	527,566
Total liabilities				527,566

Note 4. Revenue

	Consolidated 2012 $	Consolidated 2011 $
Other revenue		
Interest received	42,867	166,109
Revenue	42,867	166,109

Note 5. Expenses

	Consolidated 2012 $	Consolidated 2011 $
Loss before income tax includes the following specific expenses:		
Other expenses include:		
Legal and professional fees	324,749	259,691
Administrative expense	112,914	70,696
Statutory expense	49,941	68,019
Total	487,604	398,406

Note 6. Income tax expense

	Consolidated 2012 $	Consolidated 2011 $
Income tax expense		
Current tax	(144,620)	(133,630)
Deferred tax - origination and reversal of temporary differences	(767)	19,391
Unutilised tax losses not recognised	145,387	114,239
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(3,825,424)	(1,410,445)
Tax at the statutory tax rate of 30%	(1,147,627)	(423,134)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenditure not allowable	1,002,240	308,895
	(145,387)	(114,239)
Deferred tax asset not realised as recognition of criteria in AASB 112 not met	145,387	114,239
Income tax expense	-	-

Note 7. Current assets - cash and cash equivalents

	Consolidated 2012 $	Consolidated 2011 $
Cash at bank and on hand	551,549	689,389
Short term deposits	-	2,049,011
	551,549	2,738,400

Note 8. Current assets - trade and other receivables

	Consolidated 2012 $	Consolidated 2011 $
Other receivables	28,996	28,475

Note 9. Current assets - other

	Consolidated 2012 $	Consolidated 2011 $
Prepayments	6,000	27,675

Note 10. Non-current assets - exploration and evaluation

	Consolidated 2012 $	Consolidated 2011 $
Exploration and evaluation assets	1,329,143	3,022,299

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Exploration and evaluation $	Total $
Consolidated		
Balance at 1 July 2010	-	-
Additions	1,330,089	1,330,089
Expenditure during the year	1,692,210	1,692,210
Balance at 30 June 2011	3,022,299	3,022,299
Additions	1,490,614	1,490,614
Impairment of assets	(3,183,770)	(3,183,770)
Balance at 30 June 2012	1,329,143	1,329,143

In relation to the consolidated entity's nickel projects, an amount of $3,183,770 was written off with regards to specific areas of exploration that have not achieved positive results.

Note 11. Non-current assets - other

	Consolidated 2012 $	Consolidated 2011 $
Other non-current assets	25,000	-

Part consideration for the purchase of Tanzgraphite Pty Ltd completed in July 2012

Note 12. Current liabilities - trade and other payables

	Consolidated 2012 $	Consolidated 2011 $
Trade payables	64,509	452,321
Other payables	63,335	75,245
	127,844	527,566

Refer to note 18 for further information on financial instruments.

Note 13. Equity - issued capital

	Consolidated 2012 Shares	Consolidated 2011 Shares	Consolidated 2012 $	Consolidated 2011 $
Issued capital	38,428,803	33,285,916	6,264,714	5,908,229

Movements in ordinary share capital

Details	**Date**	**No of shares**	**Issue price**	**$**
Balance	1 July 2010	16,571,833		1,466,803
- pursuant to business combination at $0.20		5,000,000	$0.20	1,000,000
- pursuant to prospectus at $0.20		20,000,000	$0.20	4,000,000
Consolidation of shares on a 2 for 1 basis		(8,285,917)	$0.00	-
Transaction cost		-	$0.00	(558,574)
Balance	30 June 2011	33,285,916		5,908,229
Share issue	30 May 2012	4,992,887	$0.07	349,502
Exercise of unlisted options	13 June 2012	150,000	$0.20	30,000
Transaction cost		-	$0.00	(23,017)
Balance	30 June 2012	38,428,803		6,264,714

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Note 13. Equity - issued capital (continued)

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2011 Annual Report.

Note 14. Equity - reserves

	Consolidated	
	2012	2011
	$	$
Foreign currency reserve	(8,372)	(8,372)
Share option reserve	1,192,280	1,192,280
	1,183,908	1,183,908

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 15. Equity - accumulated losses

	Consolidated	
	2012	2011
	$	$
Accumulated losses at the beginning of the financial year	(1,804,032)	(393,630)
Loss after income tax expense for the year	(3,825,424)	(1,410,402)
Non -controlling interest	(6,322)	-
Accumulated losses at the end of the financial year	(5,635,778)	(1,804,032)

Note 16. Equity - non-controlling interest

	Consolidated 2012 $	2011 $
Issued capital	-	10,000
Reserves	-	(8,822)
	-	1,178

Note 17. Equity - dividends

There were no dividends paid or declared during the current or previous financial year.

Note 18. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential advrse effects on the financial performance of the consolidated entity. Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the consolidated entity does not enter into derivative transactions to mitigate the financial risks. In addition, the consolidated entity's policy is that not trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the consolidated entity's operations change, the directors will review this policy periodically going forward.

The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange and ageing analysis for credit risk. The consolidated entity manages its exposure to key financial risks in accordance with the consolidated entity's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g.acquisition of a new project) and policies are revised as required. The overall objective of the consolidated entity's financial risk management policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the consolidated entity's financial risks as summarised below.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity’s functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US$ and CAD$ due to its operations in Tanzania. Exploration activity in overseas operations is transacted in US$ and CAD$. The Group manages foreign exchange risk through negotiating preferential foreign exchange rates with its bank including timel settlement to limit exposure to foreign currency exposures.

Note 18. Financial instruments (continued)

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets 2012 $	Assets 2011 $	Liabilities 2012 $	Liabilities 2011 $
Consolidated				
US dollars			1,746	227,527
Canadian dollars			7,996	16,860
	-	-	9,742	244,387

Consolidated - 2012	AUD strengthened % change	AUD strengthened Effect on profit before tax	AUD strengthened Effect on equity	AUD weakened % change	AUD weakened Effect on profit before tax	AUD weakened Effect on equity
AUD to foreign currencies	5%	464	464		(464)	(464)

Consolidated - 2011	AUD strengthened % change	AUD strengthened Effect on profit before tax	AUD strengthened Effect on equity	AUD weakened % change	AUD weakened Effect on profit before tax	AUD weakened Effect on equity
AUD to foreign currencies	5%	12,219	12,219	5%	(12,219)	(12,219)

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity's main interest rate risk arises from bank term deposits. Sensitivity to interest rate risk was not material during the year.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having simialr characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 18. Financial instruments (continued)

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2012	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	64,509	-	-	-	64,509
Other payables	-	63,335	-	-	-	63,335
Total non-derivatives		127,844	-	-	-	127,844

Consolidated - 2011	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables		452,321	-	-	-	452,321
Other payables	-	75,245	-	-	-	75,245
Total non-derivatives		527,566	-	-	-	527,566

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 19. Key management personnel disclosures

Directors
The following persons were directors of Kibaran Resources Limited during the financial year:

Simon O'Loughlin - Non-Executive Director, Chairman
Robert Greenslade - Non-Executive Director
David Gower - Chief Executive Officer
David Argyle - Non-Executive Director

Note 19. Key management personnel disclosures (continued)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2012 $	Consolidated 2011 $
Short-term employee benefits	189,575	126,778
Share-based payments	-	354,000
	189,575	480,778

Shareholding
The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2012	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
S O'Loughlin	600,000	-	-	-	600,000
R Greenslade	2,175,000	-	-	-	2,175,000
D Gower	125,000	-	-	-	125,000
	2,900,000	-	-	-	2,900,000

2011	Balance at the start of the year	Received during the year remuneration	Share purchases	Disposals/ other	Balance at the end of the year
Ordinary shares					
S O'Loughlin	300,000	-	300,000	-	600,000
R Greenslade	1,000,000	-	1,175,000	-	2,175,000
D Gower	-	-	125,000	-	125,000
D Brookes*	587,500	-	-	-	587,500
Stephen Evans*	100,000	-	-	-	100,000
	1,987,500	-	1,600,000	-	3,587,500

* Retired on 13 September 2010

Option holding
The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2012	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
S O'Loughlin	500,000	-	-	-	500,000
R Greenslade	1,650,000	-	-	(150,000)	1,500,000
D Gower	1,500,000	-	-	-	1,500,000
D Argyle	1,000,000	-	-	-	1,000,000
	1,650,000	-	-		1,650,000
	6,300,000	-	-	(150,000)	6,150,000

Note 19. Key management personnel disclosures (continued)

2011	Balance at the start of the year	Balance at the start of the year	Re-consolidated during the year	Granted during the year	Balance at the end of the year
Options over ordinary shares					
S O'Loughlin	-	-	-	500,000	500,000
R Greenslade	-	300,000	(150,000)	1,500,000	1,650,000
D Gower	-	-		1,500,000	1,500,000
D Argyle		-		1,000,000	1,000,000
D Brookes*	-	300,000	(150,000)	-	150,000
Stephen Evans*	-	300,000	(150,000)	-	150,000
	-	900,000	(450,000)	4,500,000	4,950,000

* Retired on 13 September 2010

Related party transactions
Related party transactions are set out in note 22.

Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the company, and unrelated firms:

	Consolidated 2012 $	Consolidated 2011 $
Audit services - BDO East Coast Partnership		
Audit or review of the financial statements	24,500	-
Other services - BDO East Coast Partnership		
Preparation of the tax return	5,000	-
	29,500	-
Audit services - PKF Chartered Accountants, Adelaide		
Audit or review of the financial statements	-	24,500
Other services - PKF Chartered Accountants, Adelaide		
Other services	-	10,000
	-	34,500

During the year the audit was transferred from PKF Adelaide to BDO East Coast Partnership (formerly PKF East Coast Practice).

Note 21. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2012 and 30 June 2011.

Note 22. Related party transactions

Parent entity
Kibaran Resources Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 25.

Key management personnel
Disclosures relating to key management personnel are set out in note 19 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2012	**2011**
	$	**$**
Payment for goods and services:		
Payments to Franks & Associates for accounting, taxation and secretarial services provided	141,424	38,929
Payments to HLB Mann Judd (SA) Pty Ltd for accounting, taxation and secretarial services	5,175	90,002
Payments to Gryphon Partners Advisory Pty Ltd for advice in relation to ASX Listing and acquisition of Kagera Nickel Project	-	65,000
Payments to O'Loughlins Lawyers for legal advice	23,941	113,229

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 23. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2012	**2011**
	$	**$**
Loss after income tax	(4,166,849)	(1,409,969)
Total comprehensive income	(4,166,849)	(1,409,969)

Note 23. Parent entity information (continued)

Statement of financial position

	Parent 2012 $	Parent 2011 $
Total current assets	611,545	4,810,271
Total assets	1,611,545	5,810,271
Total current liabilities	127,844	515,574
Total liabilities	127,844	515,574
Equity		
Issued capital	6,264,714	5,908,861
Share option reserve	1,192,280	1,192,280
Accumulated losses	(5,973,293)	(1,806,444)
Total equity	1,483,701	5,294,697

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2012 and 30 June 2011.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2012 and 30 June 2011.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2012 and 30 June 2011.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Note 24. Business combinations

There was no business combination during the year.

On 21 October 2010, the consolidated entity acquired 100% of Castillian Resources (Tanzania) Limited ("Castillian"), which holds the exploration licenses in Tanzania. The acquisition of the Kagera Nickel Project has given the company a significant licence area in the highly prospective Kabanga-Musongati mafic-ultramafic belt in north west Tanzania. The total cost of the combination was $1,000,000 and comprised the following issue of equity instruments in consideration. The company issued:

- 5,000,000 shares with a fair value of $0.20 each (based on the price of the ordinary shares of the company at the date of the capital raising); and

- 22,500,000 performance rights that will convert into 22,500,000 ordinary shares upon achievement of milestones.

The attributable costs of the issuance of ordinary shares have been charged directly to equity as negative contributed equity. No cash was acquired.

Details of the acquisition are as follows:

	Acquiree's carrying amount $	Fair value $
Exploration and evaluation	1,289,392	1,330,089
Liabilities	(330,089)	(330,089)
Net assets acquired	959,303	1,000,000
Goodwill		-
Total purchase consideration		1,000,000
Representing:		
Cash paid or payable to vendor		
Kibaran Resources Limited shares issued to vendor		1,000,000
		1,000,000

The performance shares have not been valued, as their values would depend upon the probabilities of satisfying the agreed milestones which cannot be determined at acquisition date. Since acquisition, no revenue or expenses have been recognised in the consolidated statement of comprehensive income.

Note 25. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding 2012 %	Equity holding 2011 %
Amadori Pty Ltd*	Australia	-	91.00
Tanzanian Exploration Company Pty Ltd (Aust)	Australia	100.00	100.00
Castillian Resources (Tanzania) Limited	Tanzania	99.00	99.00
Kibaran Nickel Tanzania Limited	Tanzania	100.00	-

* Deregistered at year end

Note 26. Events after the reporting period

Post 30 June 2012, the Company changed its name to Kibaran Resources Limited. The Company also announced the completion of the transaction to acquire Tanzgraphite Pty Ltd following shareholder approval. Tanzgraphite have secured options over the graphite projects – Mahenge and Merelani-Arusha. The rights to the tenements are subject to option payments, payable to the tenement holder.

The acquisition of Tanzgraphite was completed on 20 July 2012 following approval by shareholders, on the following terms:

• $225,000 in cash;
• 7.143 million KNL shares; and
• 15.93 million performance shares, with each performance share converting into 1 ordinary share in the Company 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 Tanzgraphite 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%.

In July 2012 , the Company raised a further $900,000 through its non-renounceable rights issue announced prior to the year end. Under the 1 for 3 entitlement issue, 12.8 million new shares were allocated following shareholder

On 18 September 2012, the Company announced it has placed 8.745 million ordinary shares with institutional and sophisticated investors at an issue price of $0.35 per share to raise $3.1 million.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2012 $	Consolidated 2011 $
Loss after income tax expense for the year	(3,825,424)	(1,410,445)
Adjustments for:		
Impairment of non-current assets	3,183,770	-
Share-based payments	-	1,051,200
Foreign exchange differences	-	(8,372)
Interest income	5,556	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(9,402)	7,419
Increase in trade and other payables	23,425	142,916
Net cash used in operating activities	(622,075)	(217,282)

Note 28. Earnings per share

	Consolidated 2012 $	Consolidated 2011 $
Loss after income tax	(3,825,424)	(1,410,445)
Non-controlling interest	-	43
Loss after income tax attributable to the owners of Kibaran Resources Limited	(3,825,424)	(1,410,402)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	33,949,501	28,157,211
Weighted average number of ordinary shares used in calculating diluted earnings per share	33,949,501	28,157,211
	Cents	**Cents**
Basic earnings per share	(11.27)	(5.01)
Diluted earnings per share	(11.27)	(5.01)

Note 29. Share-based payments

During the prior year, the consolidated entity has entered in equity-settled transactions with parties other than employees and has measured the transaction based on the fair value of the instruments received which approximates the fair value of the service. No share-based payment has been recognised in the current year (2011: $1,051,200).

The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Note 29. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/09/2010	09/02/2012	$0.20	150,000	-	-	(150,000)	-
21/09/2010	14/12/2012	$0.20	150,000	-	(150,000)		-
21/09/2010	09/02/2012	$0.20	150,000	-	-	(150,000)	-
21/09/2010	09/02/2012	$0.40	500,000	-	-	(500,000)	-
21/09/2010	09/02/2012	$0.20	150,000	-	-	(150,000)	-
22/10/2010	21/10/2014	$0.20	1,500,000	-	-	-	1,500,000
22/10/2010	21/10/2014	$0.20	1,500,000	-	-	-	1,500,000
22/10/2010	21/10/2014	$0.20	500,000	-	-	-	500,000
24/03/2011	24/03/2015	$0.25	1,000,000	-	-	-	1,000,000
24/03/2011	24/03/2015	$0.25	1,500,000	-	-	-	1,500,000
31/03/2011	31/03/2015	$0.25	500,000	-	-	-	500,000
31/03/2011	31/03/2015	$0.25	200,000	-	-	-	200,000
31/03/2011	31/03/2016	$0.40	500,000	-	-	-	500,000
31/03/2011	31/03/2016	$0.40	200,000	-	-	-	200,000
31/03/2011	31/03/2015	$0.30	600,000	-	-	-	600,000
31/03/2011	30/09/2015	$0.35	500,000	-	-	-	500,000
31/03/2011	30/09/2015	$0.35	200,000	-	-	-	200,000
			9,800,000	-	(150,000)	(950,000)	8,700,000

Weighted average exercise price	$0.25

2011

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/09/2010	09/02/2012	$0.20	150,000		-	-	150,000
21/09/2010	14/12/2012	$0.20	150,000	-	-	-	150,000
21/09/2010	09/02/2012	$0.20	150,000	-	-	-	150,000
21/09/2010	09/02/2012	$0.40	500,000	-	-	-	500,000
21/09/2010	09/02/2012	$0.20	150,000		-	-	150,000
22/10/2010	21/10/2014	$0.20		1,500,000	-	-	1,500,000
22/10/2010	21/10/2014	$0.20		1,500,000	-	-	1,500,000
22/10/2010	21/10/2014	$0.20		500,000	-	-	500,000
24/03/2011	24/03/2015	$0.25		1,000,000	-	-	1,000,000
24/03/2011	24/03/2015	$0.25		1,500,000	-	-	1,500,000
31/03/2011	31/03/2015	$0.25		500,000	-	-	500,000
31/03/2011	31/03/2015	$0.25		200,000	-	-	200,000
31/03/2011	31/03/2016	$0.40		500,000	-	-	500,000
31/03/2011	31/03/2016	$0.40	-	200,000	-	-	200,000
31/03/2011	31/03/2015	$0.30	-	600,000	-	-	600,000
31/03/2011	31/03/2015	$0.35	-	500,000	-	-	500,000
31/03/2011	31/03/2015	$0.35	-	200,000	-	-	200,000
			1,100,000	8,700,000	-	-	9,800,000

Weighted average exercise price	$0.25

Note 29. Share-based payments (continued)

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.65 years (2011: 2.53 years).

Kibaran Resources Limited
(Formerly known as Kibaran Nickel Limited)
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Andrew Spinks
Executive director

28 September 2012
Sydney

Tel: 61 2 9251 4100
Fax: 61 2 9240 9821
www.bdo.com.au

Level 10, 1 Margaret St
Sydney NSW 2000

Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Kibaran Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Kibaran Resources Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kibaran Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Kibaran Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that during the year ended 30 June 2012, the consolidated entity incurred a loss for the year after tax of $3,825,424 (2011: $1,418,817) and a net cash out flow from operating activities of $622,075 (2011: $217,282). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Kibaran Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Grant Saxon

Partner

Sydney, 28 September 2012