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Kibo Mining* - Speculative Buy at 3.375p with a 10p target price

Kibo Mining has an extensive portfolio of gold interests in Tanzania in the Lake Victoria Goldfields, the home to a number of world class gold projects and in the newly emerging goldfields in eastern Tanzania. The understanding of gold occurrences in Tanzania has been turned on its head in recent years following the discoveries made by Canaco Resources in the East of the country. The realisation that gold is now being found in younger rocks echoes what has been found in Western Australia at the Tropicana Deposit (5 million ounce gold resource) which was discovered in 2006. In recent presentations the board has pointed out the apparent parallel between Tanzania and Western Australia; and in both these countries gold has been found in Proterozoic rocks on the edge of older Archaean rocks. The potential is good in Tanzania as the country remains under explored compared with areas like the Yilgarn Block and the surrounding regions in Western Australia. The company is expected to list on the Johannesburg Stock Exchange in May which will put Kibo on an exchange at the heart of Africa where investors probably best understand the opportunities in Tanzania.

Key Data	
EPIC	KIBO
Share Price	3.375p
Spread	3.125p - 3.625p
Total no of Shares	341,259,208
Market Cap	£11.52 million
12 Month Range	1.5p - 5.55p
Market	AIM
Website	www.kibominig.com
Sector	Mining
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The company quietly slid onto AIM last year without raising any funds but with a total JORC resource of in excess of half million ounces gold in the Lake Victoria Goldfields at the Itetemia and Luhala projects. The Itetemia project lies just 5 kilometres away from African Barrick's Buyanhulu Gold Mine which has a gold resource of around 12 million ounces. Kibo's focus of attention at Itetemia is the Golden Horseshoe Reef Gold Deposit which has been shown to be economically viable as a stand-alone open pit project at current gold prices; although the economics become far more compelling when using second hand equipment and further still by trucking the ore to Bulyahulu should such an arrangement be negotiable. On this basis the Net Present Value is \$28.7 million (~£18 million) and the Internal Rate of Return leaps to almost 85% using \$1,300 an ounce gold and a fairly tough 12% discount factor.

Since its IPO, Kibo has made solid progress. Last September the company raised £250,000 at 2p in September, new directors were appointed, and there was further evaluation of the Iteemia project together with successful drilling on the Luhala project. There was also on-going work at the Haneti and Morogoro projects. Recently, Kibo has begun to make waves with a transformational deal whereby Kibo has more than doubled its licence area in Tanzania to over 18,000km² and in this move gained strategic positions in both the Lake Victoria Gold Fields and the emerging gold district in eastern Tanzania; as well as bringing in a powerful strategic partner in the shape of the Mzuri group which already has a successful record of mineral exploration in Tanzania. There is little doubt that Mzuri can offer the company the benefit of its business network and infrastructure within the country. Now that the pieces have been assembled to create an impressive enlarged business, the stock begs the attention of investors.

There are plenty of good reasons to buy the shares now. Firstly the board is highly experienced and consists of proven mine finders including Christian Schaffalitzky, Louis Coetzee and Des Burke and, secondly, Tanzania is one of the most politically stable places in Africa; and not only is the country highly prospective for a variety of metals but also there is a real chance of turning an exploration licence into a mining licence as is evidenced by the number of operating mines that have come on stream in the past twenty years. Thirdly, the company has a big ground position in the traditional good greenstone territory near producing mines and infrastructure. And to cap it all, Kibo enjoys a strategic position in a new gold area in eastern Tanzania which looks to be where the future of gold exploration is in the country, and after the experiences of Canaco Resources, Morogoro looks like an awfully good address.

Looking ahead it is possible for projects in this new emerging gold district in eastern Tanzania to be awarded quiet racy valuations even at a pre-JORC resource stage. There has been a scramble for licences in this area on the back of discoveries made by both western companies and artisanal miners. Active in this region is Canaco Resources which trades on an Enterprise Value of £523 million and although it has yet to define a JORC resource, has announced some staggering drill intersections. This does illustrate the level of interest that exploration work in the East of Tanzania is attracting; but at this stage we have approached the matter of valuing Kibo's interests in this area from a more cautious stand point. Going forward a good intersection could really captivate the imagination of investors.

GE&CR's valuation of Kibo is largely based on its JORC resources in the Lake Victoria Goldfields using peer group comparisons. The sum of the parts valuation works out at £34.1 million which equates to a price per share of 10p (based on 341.259 million shares). Our stance is **speculative buy** with a 10p target price.

Financial records & Forecasts

Year to 30th September	Sales (£000)	Pre-tax Profit (£000)	Earnings per share (p)	Price Earnings Ratio (x)	Dividend (p)	Yield (%)
2007A	0	(41)	(0.08)	NA	0	0.0
2008A	0	(475)	(0.23)	NA	0	0.0
2009A	0	(600)	(0.23)	NA	0	0.0
2010E	0	(800)	(0.30)	NA	0	0.0

Source: Growth Equities & Company Research

* Funds managed by a subsidiary of Rivington Street Holdings, the ultimate owner of GE&CR, own shares in Kibo Mining.



Background

Kibo Mining was established in 2008 to concentrate on exploration and development of gold and nickel deposits in Tanzania. In that year the Company acquired Sloane Developments Ltd which held licence options in the Lake Victoria Goldfields. In 2009, Kibo went on to acquire Eagle Gold Mining Ltd, a holder of nickel/platinum/gold licences in Tanzania.

The shares started trading on AIM in April 2010 with the company having raised funds of £1.25 million in a pre-IPO placing in March 2010 at 1.5p. On flotation, Kibo's principal assets were at Itetemia, Luhala, Haneti and Morogoro which are all in Tanzania. At that stage the Company's budget was £881,000 for the period April 2010 to March 2011 and was to include the following expenditures: £310,000 spent on listing and £283,000 on drilling at three of the properties (Itetemia Gold £163,000, Luhala Gold £73,000 and Haneti Nickel £50,000).

In October 2010, the Company raised £250,000 at 2p per share with the new funds being earmarked for financing the continued exploration in Tanzania along with providing working capital.

In the last days of 2010, Kibo announced a transformational deal which brought in a strategic partner to assist in the Company's exploration efforts in Tanzania. This deal involved an acquisition and a fund raising and should materially improve the long term fortunes of the Company. The agreement saw Mzuri Gold (Mzuri) subscribe for 16.6 million shares at 3p with Kibo acquiring that company's Morogoro Gold subsidiary (the owner of Savannah Mining Limited (100%) and Jubilee Resource Limited (100%)) for £1.7 million paid in shares at 3p each. Part of the deal is that Kibo will seek a listing on the Johannesburg Stock Exchange (JSE) in a move that will be followed by a fund raising which will be underwritten by Mzuri Gold to the tune of £1.1 million. This deal added a large number of new licence blocks and these mineral assets located in northern and eastern Tanzania comprise grass roots early stage projects covering 11,622km².

Overview of operations

Up until the acquisition of Morogoro Gold, the Company had four exploration projects in Tanzania which were Itetemia (gold), Luhala (gold), Haneti (nickel, platinum group elements (PGE) and gold) and Morogoro (gold). Morogoro Gold added both the Savannah projects and the Jubilee projects to Kibo's portfolio, these interests are dealt with separately at the end of this section.

Lake Victoria Gold fields

The Archaean greenstone belts host a series of major gold and nickel deposits which make up the Lake Victoria Goldfields. The Itetemia, Luhala and Haneti projects all lie in this important goldfield which also contains world class gold projects such as: the Geita (AngloGold Ashanti ~23 million tonnes at 4g/t) and Bulyanhulu (Barrick Gold Corp ~16 million ounces at 10g/t).

Itetemia Gold

Kibo has 5 contiguous licences that cover an area of 18km² in the Shinyanga Region in northern Tanzania with access by road from the town of Mwanza 125 kilometres to the north. The Company can earn a 90% interest through option payment and exploration expenditure. The main prospect is the Golden Horseshoe Reef (GHR) and it lies 5 kilometres from African Barrick's Buyanhulu Gold Mine which has a remaining resource of around 12 million ounces. Five mineral resource

estimates have been completed from 1998 – 2008 on GHR, the last by Sloane was a JORC-compliant resource of 422,200 ounces (4.23 million tonnes at 3.1g/t at a 1g/t cut-off grade for 266,200 ounces Indicated and 156,000 ounces Inferred). A preliminary optimisation study by consultants CSA Global suggests that there is development potential for an open pit mine in the shallower part of the resource and later underground mining once the near surface ore has been depleted. A follow-on economic assessment study by consultants Saint Barbara in 2010 established base line development and operating costs for an open-pit development and generated discounted cash flow models for the project. A snapshot of the results of the Saint Barbara economic study is shown in the table below. The results were based on an open pit mining potential of a deposit containing 128,000 ounces of gold, within the GHR, with processing on site (Base Case) or direct shipping to Bulyanhulu for toll milling or ore sale. The viability is seen to improve by using second hand equipment and further still by trucking the ore to Bulyahulu. Gold price sensitivity analysis on the base case scenario apparently shows a NPV of \$11 million (~£7 million) at \$1,300 an ounce gold.

Gold price US\$1,300 Discount rate: 12%	Net Present Value (NPV) US\$ million	Internal Rate of Return (IRR)
Base Case	11.01 (£7 million)	24%
Using second-hand equipment	17.47 (£11 million)	34.7%
Toll mill or sale to Bulyanhulu	28.72 (£18 million)	84.8%

The Itetemia Project needs further engineering work and geotechnical studies but has been shown that it could be a stand-alone project at a gold price of \$1,300 – \$1,400 an ounce gold, under \$1,200 an ounce that is questionable. The upside is at depth rather than along strike; so the plan would be to develop a small open pit to a depth of 150 metres which may then be followed by an underground mine.

Luhala Gold

This project consists of three contiguous licences that cover an area of 28km² in the Mwanza Region, which is located within the Buhungukira greenstone belt. The property lies 65 kilometres south of Mwanza. The Company can earn a 100% interest through option payment and exploration expenditure. A JORC Inferred resource of 111,900 ounces of gold (1.86 million tonnes at 1.9g/t using a 1g/t cut-off grade) was estimated from five separate mineralised areas on the Kisunge (Central, Eastern and Southern) and Shilalo Hills (South and South-West).

In August 2010, the results of drilling on the eastern side of Kisunge Hill, which represented follow-up drilling on one of a number of targets the Company had identified, were announced. In all, 12 Reverse Circulation holes were drilled to depths of between 60 to 150 metres on six lines over a strike length of 500 metres. Gold mineralisation was encountered in half the holes with the best intersections being 8 metres at 2.99g/t and 2 metres at 2.03g/t gold. These results confirmed the continuation of the Kisunge East mineralised structure at shallow depth further to the east of past drilling. The gold grades found at Luhala are on a par with those found at African Barrick's Tusker Deposit which lies 40 kilometres away and which the board believe is located on the same regional fault structure and with a similar geology. The Tusker (Nyanzaga) Deposit has a resource of around 4 million ounces at 1.3g/t. There looks to be a good potential of increasing the resources at Luhala by further drilling.

Haneti Project

This project contains a total of 21 licences and licence applications covering an area of 7,100km² where the Company is exploring for nickel, platinum group metals and gold in the Haneti-Itiso Ultramafic Complex and the Londoni Greenstone Belt. There are a number of other nickel, platinum and gold prospects in the area including two projects that are either contained in Kibo's licence area or lie on the edge. A major terrain boundary/thrust front passes right through the centre of this licence block. Within the licence area lie the Haneti Hills (Mwaka Hill, Mihanza Hill and Kwahemu Hill) where a multi-element geochemical anomaly at Mwaka Hill has been trenched and sampled. On the western edge of the licence area lies the Londoni Greenstone Belt which hosts Shanta Mining's Singida Project, 1 million ounces at 1.5g/t, and recent regional mapping by Kibo's geologists seems to indicate that this structure may well extend into the lease area.

Exploration work to date at Mwaka including soil sampling work revealed a 50-1,200 parts per billion (ppb) gold-in-soil anomaly which overlaid a 4,000 – 7,400 parts per million (ppm) nickel-in-soil and 55-300 ppm copper-in-soil anomaly. On 7 April 2011, the company updated investors on its exploration efforts. Trenching and soil sampling was focused on the Mwaka, Mihanza and Kwahemu Hills area where previous work had returned high nickel and gold values in rock and soil. At Mwaka Hill, a 269 metre trench found nickel values in excess of 1,000 ppm (0.1%) and the best intersection was 93 metres at 0.4% nickel. At Mihanza Hill, 80 metres yielded similar nickel values with average grade over the trench of 0.27% nickel; added to which there was 3 metres at 0.5g/t gold. Whilst at Kwahemu Hill, infill soil sampling programme over an area of 2.5km by 1.5km, where previous regional soil sampling had found high gold and nickel values in soil, indicated a strong linear nickel anomaly with values over 0.1% nickel. This work was planned to help select drill sites to be drilled later on in the year.

Morogoro

The Morogoro project consists of a single prospecting licence covering 87km² on a grass roots gold exploration project which lies 170 kilometres west of Dar Es Salaam and 30 kilometres south of the regional town of Morogoro. Kibo has the right to earn a 90% interest in the prospecting licence by funding exploration. In 2007, the Company undertook a regional geological reconnaissance survey of the Uluguru Mountains and discovered this unexplored gold mineralised district which has been the subject of artisanal alluvial and hard rock mining. The probable source of the gold mineralisation is a major NW-SE trending fault system called the Ruvu Nappe thrust fault complex that bisects the property. The project area has recently been significantly increased with the acquisition of the Jubilee tenements discussed below.

The exploration plan here looks to be quite methodical as, following a regional stream sediment survey over the licence and adjoining ground, anomalous values will be followed up by soil sampling and probably ground geophysics. The plan is to identify targets which Kibo will drill as soon as possible.

Savannah Tenements

These mineral assets total 2,716km² of licences which are split up into six blocks in the Lake Victoria Goldfields in the Mwanza, Shinyanga and Kagera regions; with most of these blocks being fairly close to existing mines or gold occurrences. Savannah has delineated a number of anomalous gold values for follow-up work from its exploration efforts which have largely consisted

of early stage soil sampling, pitting and trenching surveys where the focus has been to build up a Geographical Information System (GIS). Further exploration work such as detailed surface geochemical surveying will be needed to pinpoint drill targets.

Jubilee Tenements

The Jubilee mineral assets are situated between the regional centres of Morogoro and Dodoma in central and eastern Tanzania. The licence areas total 8,906km². The mineral assets cover younger Proterozoic age rocks than those in the north in the Lake Victoria Goldfields. These younger rocks have been attracting interest from investors and exploration companies alike as they are not traditionally associated with gold occurrence in Tanzania; and have been uncovered due to recent discoveries by artisanal miners. The Acquisition and Placing document mentions that the prospectively of this region of Tanzania has been further enhanced by the discovery of the Magambazi prospect by Canadian-listed Canaco Resources Ltd in 2009 which reported encountering thick gold intersection near the town of Handeni. Jubilee has two licence blocks, the Dodoma Block (4,000km²) SW of Handeni and the Morogoro Block (4,900km²) which is contiguous with Kibo's existing Morogoro project. There seems to have been little systematic previous exploration activity on the licences with work by Jubilee to date concentrated on building the GIS database. This has involved stream sediment sampling in the SE tenements of the Dodoma Block next to the area reserved for artisanal mining and on the Morogoro Block in the vicinity of the Ruvu Nappe.

Strategy for growth

Going forward the Company has a strong strategic partner in Mzuri, which Kibo is well with as it acquired the Haneti property from an associated company in 2008 and uses a related service company to manage its licence portfolio in Tanzania. Kibo's Non-Executive Director Louis Coetzee, is the Chief Operations Officer at Mzuri. It is not just the properties that Mzuri has but also the infrastructure as Mzuri has logistics companies, an exploration management business and a long tradition of successful operation in Tanzania. Mzuri is part of a large group that has been operating in Tanzania for some time and it was involved in a successful joint venture with Great Basin Gold (currently developing gold mines in South Africa and America) into which it vended a subsidiary. Part of the recent deal with Mzuri requires that the Company list on the JSE which will put Kibo on an exchange at the heart of Africa where investors understand the opportunities in Tanzania. The listing on the JSE is expected in May which will be followed by a placing to raise between £1.5 and £2.5 million, £1.1 million of which is underwritten by Mzuri .

2011 exploration will start in April/May to coincide with the start of the dry season which runs to October/November although in some places in the country exploration is possible all year round. This year, Kibo looks set to begin to unravel the opportunities within its burgeoning portfolio. Sensibly, the exploration plan for 2011 involves the geological evaluation of the entire project portfolio including existing and newly acquired projects to prioritise funding on areas deemed most likely to support economic mineral discovery. The board will seek to relinquish low priority licences areas and consolidate larger blocks of ground close to artisanal mining activity and known mineral occurrences. There will also be a focus on areas where drill targets can be established quickly.

At present, the majority of Kibo's value lies within the resource based projects and this could be improved by further work at both Itetemia and Luhala. At Itetemia, the board is expected to continue to progress development options for the GHR deposit which looks like it will involve bulk

metallurgical testing and further pre-feasibility work. The optimum solution at Iteemia would be either toll milling or an off-take agreement with an existing operating mine; and so the team has been talking with local mines but is also in early discussions with banks concerning the financing of a stand-alone development. Further drilling at Luhala is being designed with a goal of increasing the resource and certainly the exploration work in 2010 revealed a number of other targets to pursue on this project.

The Haneti project contains an 80 kilometre long ultramafic target that justifies further attention. The 2011 exploration budget includes flying aeromagnetics over this licence and drilling to follow-up on anomalous surface sampling results in gold and nickel in the Haneti Hills area discovered by last year's exploration efforts. At the western side of the block is the Londoni Greenstone Belt where Shanta Gold has a resource. The plan is to continue mapping as previous work has indicated that there is some greenstone geology continuing into the licence area with basalts and quartz veining which would appear to be clear evidence that such geology extends SE into the licence area.

Crucially, the exploration programme for the current year will also involve regional stream sediment sampling, prospecting and geological mapping surveys over Kibo's increased licence area that is centred on the town of Morogoro. A lot of value could be added if the Company can begin show even the slightest parallel with the experiences of Canaco.

Risks and opportunities

Risks

Geological risks - There are a series of technical risk factors concerning the amount of understanding of the geology of the project areas, the mineralisation style being targeted and the distribution and magnitude of the indicators that have been identified in exploration work.

Mining Act 2010 – Tanzania is reviewing its mining policies that were adopted twelve years ago as politicians believe that the country has not benefitted significantly from the mining sector. This has led to the Mining Act 2010 which has increased the royalty on gold from 3% to 4%, and also requires mining companies to list on the local Dar es Salaam Stock Exchange and that the country's State Mining Company own a holding in any future projects.

Gold price – Gold is seen as a safe haven and in the past decade the price has enjoyed a sustained rise from under the \$300 per ounce mark. The credit crunch, economic downturn and lack of liquidity have helped propel gold to an all-time high. However the global recovery seems now to have begun which might put the gold price under pressure; however the house view is that given the problems in many economies around the world that the price of the yellow metal is likely to remain buoyant.

Future funds –The market for raising funds for small cap companies continues to be difficult especially for businesses such as mineral exploration and biotechnology where early cash flow is unlikely. Some recent fund raising in the resources sector have seen share prices being undermined by incoming investors demanding substantial discounts to provide the necessary capital.

Opportunities

Tanzania – East Africa has had a long history of mining and Tanzania is blessed with an extensive mineral wealth. In Tanzania's Lake Victoria region there are a number of well-known *gold mines such as: African Barrick's Bulyanhulu (~16 million ounces at 10g/t), North Mara (~5 million ounces at 2.4g/t), Buswagi (~4.1 million ounces at 1.4g/t) and Tusker/Nyanzaga (~4.1 million ounces at 1.3g/t) which is undergoing feasibility. Other gold mines include AngloGold Ashanti's Geita Mine (~23 million ounces at 4g/t) and Resolute Mining's Golden Pride (~2.7 million ounces at 2.6g/t). On the nickel side Kabanga (Xstrata/Barrick Gold, 52 million tonnes at 2.6% nickel), and Dutwa (African Eagle Resources plc, 92 million tonnes at 0.88% nickel) are undergoing feasibility studies. Added to this are the new gold opportunities that are opening up to the east of the country.

* Resources quoted are estimated pre-mining gold endowments

Political stability – The board believes that Tanzania is one of the best places in Africa for political stability having embraced open market economic policies in the mid-1990s. Not only is there plenty of prospective ground, but also reasonable licencing terms and with a real chance of turning an exploration licence into a mining licence which has been demonstrated by the number of new mines that have come on stream in the country over the previous two decades.

JORC resource – Kibo has a JORC compliant 534,150 ounces of gold in the Indicated and Inferred categories which is split between two of its projects that lie in the Lake Victoria Goldfields.

Strategic relationship - Agreement with Mzuri which is part of the Cyprus-based Mzuri Capital Group Limited (Mzuri Group). In this deal Kibo has acquired a large portfolio of Tanzanian mineral rights and applications held by Mzuri and with its parent providing a strategic investment into Kibo and supporting the fund raising that will follow the dual listing of Kibo shares on the Johannesburg market.

Management

Christian Schaffalitzky – Non-Executive Chairman (aged 57) - Schaffalitzky is the Managing Director of AIM-quoted Eurasia Mining. From 1984 to 1992, he founded and managed international minerals consultancy CSA Group. He has more than thirty years' experience in minerals exploration and was the founder of Ivernia West plc, where he led the exploration and was instrumental in the discovery and development of the Lisheen zinc deposit in Ireland. More recently he was MD of Ennex International plc, an Irish-quoted mineral exploration company focused on zinc development projects.

Noel O'Keeffe – **Managing Director (aged 47)** - In all, O'Keeffe has over twenty years' experience in mineral exploration while working on a variety of base metal and gold projects in Ireland, Canada, Australia and Africa. Noel also worked part-time for Irish geological services group, Aurum Exploration Ltd in 2003 and early 2004. In the mid-1990s, Noel was the Exploration Manager with AIM-quoted Ormonde Mining plc in Tanzania; and previously had been a senior geological consultant with BDA Consultants Limited and worked on both government and private sector contracts.

Desmond Burke – Non-Executive Director (aged 64) – Burke is a geologist whose experience includes resource exploration, promotion and financing over a period of forty years. Most recently he was a founder director of AIM-quoted Petroneft Resources plc. In 1995, Des established Ormonde Mining plc and was the CEO until 2000 during which period he raised money for gold and base metal projects in Ireland, Mexico and Tanzania. Throughout the mid-1990s he was a director of ASX-listed Sipa Resources International NL and he played a central role in the discovery, exploration and financing of a significant new copper-zinc mineral field called the Panorama project in the Pilbara region of Western Australia. Des joined the board in July 2010.

Lousi Coetzee – Non-Executive Director (aged 47) – Coetzee has twenty five years' experience in business development and financing. In recent years he has concentrated on the exploration and mining area where he has founded, promoted and developed a number of junior mineral exploration companies based mainly on assets in Tanzania. Louis is currently Chief Operating Officer of Mzuri Group which has coal projects in Tanzania and coal, oil and gas projects in Russia. He is also Chairman and acting Chief Executive Officer of ASX-listed East African Resources Limited which holds uranium exploration projects in Tanzania. Louis joined the board in July 2010.

William Payne – Financial Director, Non-Executive Director (aged 45) – Payne is a Partner at Chartered Accountants Wilkins Kennedy. After gaining an accountancy degree from Exeter University, he went on to train and qualified as a Chartered Accountant whilst with KPMG in London. He became a Partner at WH Payne & Co in 1991 prior to its merger with Wilkins Kennedy in 2003. Payne is a Director of a number of companies including PLUS-quoted Sprue Aegis PLC as well as being Finance Director at AIM-quoted Ariana Resources PLC.

Tinus Maree – Non-Executive Director (aged 48) – Maree is a lawyer by profession. He has served on the boards of a number of public companies including Goldsource Mines Limited, Africo Resources Limited and Diamondworks Limited that have all made significant successful investments in exploration projects in Africa and North America. More recently, Maree has served as the CEO of private investments companies Rusaf Gold Limited and Mzuri Capital Group Limited both of which have successfully developed and sold mineral projects in Tanzania over the past five years. He is also a principal of River Group, who will be sponsors to the listing of Kibo on the JSE, and is responsible for its North American office in Vancouver.

Significant shareholders

Holder	Shares	Percentage
Mzuri Gold Ltd	63,066,667	18.48%
Sunvest Corporation	30,765,867	9.02%
Christian Schaffalitzky	25,336,976	7.42%
Sun Mining Ltd	17,588,334	5.15%
Richard Speir	17,057,893	5.0%
Des Burke	12,000,000	3.52%
Noel O'Keeffe	9,582,577	2.81%
African Eagle Resources plc	8,000,000	2.34%

Financial results

Continuing operations £	1st October to 30 September 2010	1st April 2009 to 30 September 2009
Administration expenses	(487,047)	(57,511)
Write back/(down) of exploration projects	-	14,876
Finance Revenue	2,957	1,380
Loss for the year before tax	(475,090)	(41,255)
Income tax expense	-	-
Loss for the year from continuing operations	(475,090)	(41,255)
Other Comprehensive Income		
Exchange differences on translating foreign operations	(3,296)	(16,206)
Total Comprehensive Income for the year	(478,386)	(57,461)
Loss attributable to: Owners of the Company	(475,090)	(41,255)
	(475,090)	(41,255)
Total Comprehensive Income attributable to: Owners of the Company	(478,386)	(57,461)
	(478,386)	(57,461)
Earnings per share from continuing operations	(0.23p)	(0.03p)
Basic and Diluted loss per share		

Valuation and Conclusion

Kibo has assembled an impressive ground position in the traditional good greenstone territory near producing mines and infrastructure in Lake Victoria where the Company has two resource based projects. In addition the team has built up a holding of licences centred on Morogoro where it looks as though a new goldfield is emerging. In calculating a valuation for Kibo, we have used a sum-of-the-parts valuation.

Itetemia Project - We have looked at both the results of the optimisation study and peer group comparisons. The optimisation study gave a NPV of £18 million for an open pit with toll milling or sale to Bulyanhulu. This was calculated at a gold price of \$1,300, although sensitivity analysis showed that for the base case the NPV rose by 63% to £11 million at a \$1,400 gold price and would obviously boost the £18 million NPV for the toll milling scenario. In the following tables, peer group comparisons amongst a selection of gold exploration companies that are active in Africa that have already delineated resources but are at a pre-production stage are displayed.

Peer group comparisons African gold exploration companies

Company	Enterprise Value (£m)	JORC resource contained gold (oz)	EV/oz (£/oz)	Comments
Azumah Resources (ASX:AZM)	105.17	1,165,000	90.27	Ghana Kuncke, Bepkong, Julie, Collette, Atikpi and Yagha with a combined total JORC resource of 1,165,000 ounces (646,000 ounces Indicated and 518,900 Inferred)
African Consolidated Resources (AIM:AFCR)	26.35	1,085,000	24.29	Zimbabwe Gadzema greenstone belt gold projects – The Giant Mine property has a current JORC compliant resources of 4.4Mt @ 2.2g/t (300,000oz) and 5km away at the Blue Rock has a maiden JORC inferred resource of 8.5 mt at 1g/t (270,000). Pickstone-Peerless Project has a JORC Resource 10.57mt at 1.5g/t (513,000oz). In all the company has 12 key projects including the which cover exploration for gold, nickel, platinum copper, phosphate and diamonds.
Chalice Gold Mines (ASX:CHN)	70.54	840,000	83.98	Eritrea and Australia Koka Gold Deposit – High grade 840,000 ounce Indicated Resource and 760,000 ounce ore reserves (CIIM Definition Standards) deposit, part of the Zara Project in Eritrea, completed a Feasibility Study, with development targeted to commence in 2011. Gnaweeda Project (30%) – Joint venture gold exploration project in W Australia.

Source: GEGR

Peer group comparisons African gold exploration companies (continued)

Company	Enterprise Value (£m)	JORC resource contained gold (oz)	EV/oz (£/oz)	Comments
GoldStone Resources (AIM:GRL)	15.93	282,608	56.37	Ghana Homase-Akrokerrri Project 282,608 ounces (81% in Measured and Indicated categories). Exploring these licence areas to find extensions of the known orebody.
Hummingbird Resources (AIM:HUM)	82.17	812,000	101.19	Liberia Dugbe Shear Zone (Block F) - NI43-101 resource 552,000 ounces Indicated and 260,000 ounces Inferred. In all holds 15 licences which gives the company a strong position on a significant part of the highly prospective Birimian Greenstone Belt; plus an iron ore project
Luri Gold (TSX-V:LGL)	7.92	808,000	9.80	Zambia Luri Hill Gold Project – For the Dunrobin, Matala and Mata Underground deposits 422,000 oz Indicated, 386,000oz Inferred for a combined 808,000oz. Also exploration potential at the Matala Dome.
Nyota Minerals (AIM:NYO)	65.35	1,380,000	47.36	Ethiopia Tulu Kapi Gold Project has total Inferred JORC resource of 1.38 million ounces gold which is being progressed to pre-feasibility. Also controls the Muremera Nickel Project in Burundi.
Shanta Gold (AIM:SHG)	51.77	2,618,445	19.77	Tanzania Singida has five prospects with a total resource of 1,031,926 ounces (480,546 oz Measured, 149,292oz Indicated & 402,088 oz Inferred). The Preliminary Feasibility Study has been completed and the Company has submitted 3 mining application licences. Chunya total resource 845,519 ounces (357,402 oz Indicated &

				488,117 oz Inferred) – advanced exploration. Mgusu total resource 741,000 ounces gold (127,000 oz Indicated & 614,000 oz Inferred) – advanced exploration.
Volta Resources Inc (TSX:VTR)	161.82	2,936,000	55.11	Bukina Faso, Ghana and Mali. Kiaka Gold Project – NI43-101 compliant resource Indicated 1,384,000 ounces and Inferred Resources of 480,000 ounces. Project being advanced to Pre-feasibility study in 1H 2011. Gaoua Copper-Gold Project – NI43-101 compliant resource includes 1,072,000 ounces of gold and 725 million pounds of copper.
		Average	54.24	

Source: GEGR

Peer group analysis reveals a wide range of Enterprise Value per ounce ranging from Hummingbird Resources in Liberia at £101.19 down to Luri Gold in Zambia at £9.80. We are mindful of the fact that possibly the most comparable peer company Shanta Gold in Tanzania at £19.77 per ounce does have one of the lowest ratings; but are still confident to employ the average figure in calculations. This is because Shanta Gold looks to be quite undervalued trading at a current level of 29.9p. In November 2010 broker Fairfax, which has a good mining team and produces credible research, lifted its target price of the stock to 61p in November 2010; obviously at such a level the EV/ounce figure would be much closer to the peer group average.

Kibo has 422,250 ounces of gold in the Indicated and Inferred categories at the Itetemia Project and using the average figure of £54.24 per ounce would give a figure of £22.9 million and we have chosen to adopt this figure as our valuation for the project because \$1,300 and \$1,400 per ounce of figures used in the optimisation study do look to be higher than the long term gold price estimates of most brokers.

Luhala Gold – This project has a JORC Inferred resource of 111,900 ounces of gold which at £54.24 per ounce gives a valuation of £6.1 million.

Haneti Project & Morogoro - The Competent Persons Report (CPR) in the Subscription and Acquisition of Morogoro document has agreed with the £1.7 million price paid for the Savannah and Jubilee tenements (11,622km²). Projects without a resource are not easy to value and in our analysis we have placed double that valuation on Kibo's historic pre-resource stage exploration projects (7,187km²) which although they have a smaller licence area are not as nearly as early stage as the newly acquired territories .

Savannah and Jubilee tenements – We have adopted the purchase price of £1.7 million as a valuation for these tenements.

Sum-of-the-parts valuation of Kibo

Project/subsidiary	Valuation	Per share
Itetemia Gold	£22.9m	6.7p
Luhala Gold	£6.1m	1.8p
Haneti Project & Morogoro	£3.4m	1.0p
Savannah & Jubilee tenements	£1.7m	0.5p
Total	£34.1m	10.0p

Our sum-of-the parts valuation works out at £34.1 million which equates to a price per share of 10.0p (based on 341.259 million shares). On the basis of our analysis, GEGR believes that the CPR prepared by Vermyn Rand Limited written for the JSE listing was fairly conservative. The CPR valued the Kibo's mineral assets at US\$28.5 million (£18.4 million); although its Mineral Asset Valuation actually presented a range of values between zero and US\$39.56 million (£25.5 million). At 3.75p our stance is **Speculative Buy** with a 10p target price.

However, it may be possible for the Morogoro area projects to attract a substantially higher valuation in the future even at a pre-JORC resource stage. There has been a scramble for licences in this area on the back of discoveries made by both western companies and artisanal miners. Activity in the East of Tanzania include two leading exploration companies which are trading on what looks like bumper valuations--Canaco Resources (TSX-V:CAN) and its neighbour Douglas Lake Minerals (OTCBB:DLKM).

Canaco also has exploration interests in Ethiopia, but it is the rapid advancement of the project in Tanzania which really seems to have excited investors. The Handeni Gold District in the east of the country contains apparently numerous discoveries by artisanal miners over several hundred kilometres. Canaco's Handeni Project contains the recent Magambazi discovery where the best intersections include: 59 metres at 4.28g/t gold and 56 metres at 6.34g/t gold. These are obviously spectacular intersections and the excitement they have engendered has sent Canaco's Enterprise Value up to £523 million, although this company has yet to define a JORC resource.

Douglas Lake Minerals is focused on gold exploration in Tanzania and has two projects. The company has recently begun an exploration program on the newly acquired Handeni Gold Project (800km²), which shares a boundary with Canaco's project, where early work has encountered samples as high as 16.8g/t. The company also has a 25% stake in a joint venture at Mkuvia (380km²) where preliminary surveying work outlined a quite small Inferred Resource to JORC Standards. Douglas Lake has an Enterprise Value of £79.8 million and an EV/ounce figure which is right off the scale.

Canaco and Douglas Lake may appear to be trading on stellar ratings; however this does illustrate the level of interest that exploration work in this emerging new gold district seems to be attracting. At this stage we have approached the matter of valuing Kibo's interests in this area from a cautious standard point; however, going forward, a good intersection could really captivate the attention of investors. The stance, at 3.375p is **speculative buy** with a 10p target.

Financial records & Forecasts

Year to 30th September	Sales (£000)	Pre-tax Profit (£000)	Earnings per share (p)	Price Earnings Ratio (x)	Dividend (p)	Yield (%)
2009A	0	(41)	(0.03)	NA	0	0.0
2010A	0	(475)	(0.23)	NA	0	0.0
2011E	0	(600)	(0.23)	NA	0	0.0
2012E	0	(800)	(0.30)	NA	0	0.0

Source: Growth Equities & Company Research

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