

## ASX ANNOUNCEMENT

18 October 2013

### Coal Off-Take for On Site Beneficiation at Takatokwane

- Walkabout agrees to limited Coal On-Site Off-Take Agreement with Botswana's Ecological Coal Based Industrialisation technology company, Coalswana (Pty) Ltd
- Coalswana (Pty) Ltd will jointly fund Walkabout's Pre-Feasibility and Bankable Feasibility Study for an integrated Mine and Ultra Clean Coal Energy Fuel Beneficiation Facility at an estimated cost of around US\$10m
- Parties to formalise Long Term On-Site Off-Take Agreement (LTOOA) by 31 May 2014
- Walkabout to retain sole Export rights after satisfying the LTOOA requirements
- Walkabout remains Ring-Fenced from beneficiation technical and financial risk

Perth-based African focussed coal and base metals explorer Walkabout Resources Ltd (ASX:WKT) has signed a memorandum of agreement (MoA) with technology company, Coalswana (Pty) Ltd (CSW) to complete an integrated Pre-Feasibility and Bankable Feasibility study at Walkabout's Takatokwane Coal Project in Botswana.

Under the MoA, CSW undertakes to fund the integrated studies and Mining Licence Application. In return for funding obligations by CSW, Walkabout will issue to CSW a 5-year Convertible Note, the conditions of which are detailed in the attached Appendix 1.

Walkabout has Botswana's largest coal asset and previously announced a 6.8 billion tonne JORC Inferred Resource and a 748 million tonne Indicated Resource of good quality thermal coal at the Takatokwane Coal Project.

The integrated studies will include the exploration, resource drilling and engineering to complete the final resource classifications, mine planning design and the optimised detailed development programme for the Ultra Clean Coal Energy Fuel (UCCEF) production facility.

*"The securing of an On-Site Off-Take partner at Takatokwane while retaining the rights to export Off-Take is a major step forward for the Takatokwane Project,"* said Walkabout Managing Director Allan Mulligan.

*"While studies still need to confirm the optimal commercial and technical viability of the UCCEF process configuration, the multiple development options for Takatokwane coal significantly reduces risk and enhances project economics,"* said Mr Mulligan.

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### About Coalswana (CSW):

CSW is a Botswana Ecological Coal Based Industrialisation first conceived in 2003 and established to progress the industrialisation of Botswana's coal endowment through the employment of Ultra Clean Coal Energy Fuel (UCCEF) production which will include, inter-alia, multiple energy, rural electrification, gasification, liquid fuels and associated by-products.

### About Walkabout Resources (ASX:WKT):

Perth-based Walkabout aims to explore and develop coal, copper and platinum projects in resource friendly Botswana and Tanzania. Walkabout's growth strategy of pursuing a pipeline of projects that have a low capex and early cash flow include Takatokwane - the largest thermal coal asset in Botswana with an Inferred Resource of 6.88 Bt, the Kigoma copper and Makete PGE projects in Tanzania.

ENDS

Details of Walkabout Resources projects are available at the Company's website, [www.wkt.com.au](http://www.wkt.com.au)

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### Appendix 1

#### The Rationale and Functions of the Agreement

Walkabout's development strategy for Takatokwane is heavily weighted to the mining and export of coal to local, regional and international markets. The conversion of low grade coal and middlings product to syngas and energy products is a capital intensive and market sensitive process, which involves significant research and development.

For securing at commercial rates, from Walkabout's operating entities, access to long term on-site low grade coal supplies, CSW will fund Walkabout's feasibility costs.

#### Walkabout's Contribution to the Agreement

- Walkabout will provide the overall Programme Development Management for the integrated Pre-Feasibility Study and the Bankable Feasibility Study with the exception of the engineering, process and technological aspects of the UCCEF Industrial Energy Farm Facility.
- Walkabout must ensure that each of Takatokwane's two JV partners, where applicable, also enter into the Agreement with CSW.
- Walkabout will provide CSW with access and land use.

#### Coalswana's Contribution to the Agreement

- CSW shall provide scientific and technological guidance for conducting those studies in respect of the coal quantity, quality and the UCCEF Industrial Energy Farm Facility.
- Fund the Feasibility Studies and Mining Licence Applications.

#### The Parties Joint Responsibilities

- It is the intention of the Parties that Walkabout will build, own and operate a facility at Takatokwane Coal Mine to extract and supply coal product to CSW for the purposes of providing coal fuel feedstock for an On-Site UCCEF Industrial Energy Farm Facility to be constructed and operated by CSW.
- The terms and conditions of the coal supply will be agreed in an On-Site Off-Take Agreement to be finalised between the parties before May 31 2014, or such other date as agreed, failing which either party may terminate the MoA.
- The Intellectual Property on the result and information contained in the Pre-Feasibility Studies and the Bankable Feasibility Study will be jointly owned by CSW and Walkabout.
- Walkabout will retain rights to sell the Export Off-Site Coal for which CSW shall first have a right of supply to the UCCEF Industrial Energy Farm Facility.

#### Funding Commitment for the Feasibility Studies

- CSW will be responsible to fund Walkabout's Feasibility Studies.
- Walkabout will submit each work package budget for authorisation and payment by CSW.
- Walkabout will prepare a programme and budget for each six month period for the approval by CSW.

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### Mandatory Unsecured Convertible Note

In order to secure the funds committed by CSW to Walkabout's Feasibility Studies, Walkabout will issue CSW with a Mandatory Unsecured Convertible Note which, under certain conditions, will convert to Walkabout shares at a rate of  $4/5^{\text{ths}}$  of the actual expenditure incurred on behalf of Walkabout on the studies.

### Details Regarding the Note

- The Note will be triggered if the Studies conclude it is not commercially feasible because of matters unrelated to the CTG and CTL beneficiation process. The note will NOT be triggered if the CTG and CTL process is not economically or technically viable.
- The Note will be triggered if the long term On-Site Off-Take Agreement is not concluded as a result of omissions by Walkabout.
- The Note will have an expiry date of five years and will not convert if the CSW project proceeds.
- The conversion to Walkabout shares of the liability, if triggered, will be effected at a strike price of 125% of the average daily VWAP during 20 days prior to the relevant conversion date.
- The Note is subject to ASX Listing Rules and must not result in the issue of shares to CSW of a number greater than 19% of the issued capital of Walkabout.
- The Note can be transferred subject to Walkabout's approval.
- The Note will lapse if cash calls are not met by CSW.