



12 March 2015

CUU enters binding Term Sheet to acquire prospective gold and copper exploration portfolio

Callabonna Resources Limited (“**Callabonna**” or “**CUU**”) is pleased to announce that it has entered into a binding term sheet (“**Terms Sheet**”) to acquire 100% of the issued share capital of Alice Queen Holding Pty Ltd (“**AQH**”). AQH is a private unlisted company which owns the majority interests (84.5% and 90% respectively) of two exploration projects namely the Horn Island Gold Project (“**Horn Island Project**”) located in the Torres Strait and the Looking Glass Project (“**Looking Glass Project**”) a copper/gold porphyry target which sits within the Lachlan Fold Belt in northern New South Wales.

Implementation of the transaction will, among other things, be subject to the parties each completing due diligence investigations to their satisfaction, shareholder and regulatory approvals and completion of a minimum capital raising of \$2 million with the ability to accept oversubscriptions up to a maximum \$4 million. The parties are now working with their respective advisors to complete due diligence and prepare definitive agreements for the share sale as well as the documentation required to convene a shareholder meeting to seek approval for the proposed transaction. The Terms Sheet contains an indicative target timetable which provides for the execution of definitive documents in early April and a general meeting of shareholders in late May.

AQH’s technical team has extensive experience in minerals exploration projects and is headed by John Holliday and Bruce Fulton. At Newcrest Mining Limited (“**Newcrest**”) John was Chief Geoscientist and a principal discoverer of the Cadia and Marsden porphyry gold-copper deposits in New South Wales. He was also the site manager of Cadia during its exploration stage. Furthermore John was the geological advisor for Newcrest on the acquisition of a number of significant projects including Namosi and Wafi-Golpu. Bruce is the former chief geologist at Porgera gold mine in PNG and is also a councillor on the National Association of Exploration and Mining Companies (AMEC).

The Board of CUU has assessed a number of opportunities to enhance shareholder value since it has become clear that the timeline and pathway to unlocking value at Callabonna’s Ansongo Manganese project has become uncertain. The Board believes the proposed transaction with AQH is an excellent opportunity for Callabonna. It should be noted that Callabonna is not disposing of the Ansongo Manganese project. The Board will continue to monitor and keep shareholders advised of further developments in respect of the Ansongo project.

Registered Office

Level 17, 530 Collins Street
Melbourne VIC 3000

T: +61 3 9618 2590

F: +61 3 9620 5200

E: info@callabonna.com.au

Callabonna Resources Limited - ABN 71 099 247 408

ASX_2015_March_12_Acquisition.docx

In respect of the transaction with AQH Phillip Harman, Chairman of CUU, commented:

“Callabonna is delighted with this proposed transaction. The Horn Island Project is an outstanding brownfields prospect that is ready to be drilled. Due to the restrictions that have previously overlaid the project, it has in essence been in a 25 year time capsule. It is very rare for a brownfields gold prospect like this to be available within Australia and the Board feels it deserves to be thoroughly explored.

With respect to Looking Glass it is an exciting project that compliments Horn Island. To have secured ground within the same geological structure as Cadia from someone that made the Cadia discovery makes this greenfields opportunity equally exciting.”

Horn Island Gold Project, Torres Straits

(84.5% Alice Queen Holding, 8% carried interest to production held by AQH Management, 7.5% carried interest to production held by Kaurareg Aboriginal Land Trust)

The Horn Island Project is a brownfields gold project prospective for gold bearing Carbo-Permian style vein/breccia. The Horn Island Project is comprised within Exploration Permit 25520 (granted 8 October 2014) and Exploration Permit Application 25418.

Gold was discovered on Horn Island in late 1800's and the first bulk mining undertaken in 1907. A more modern operation was established by Augold Pty Ltd in 1987 but was closed in 1989 for reasons which appear to have included the rapid deterioration of the gold price. In 1989 the Queensland government imposed a restriction over the area which precluded any further mining or exploration activity (“RA 295”). AQH has successfully negotiated with the Queensland government to have RA295 repealed to allow exploration to recommence. As part of seeking to implement the transaction Callabonna, in conjunction with AQH, plans to commission a geological review of the historical exploration and mining within the Horn Island Project which it intends to provide to shareholders in connection with seeking approval for the transaction.

Looking Glass Project, Northern NSW

(90% Alice Queen Holding, 10% carried interest to production held by AQH Management)

The Looking Glass Project is a greenfields copper gold porphyry target project located in the Lachlan Fold Belt approx 30km north west of Coonabarabran in Northern New South Wales. The Looking Glass Project is comprised of Exploration Licence 8225 (granted 6 January 2014).

The Looking Glass Project is targeting porphyry copper-gold and related mineralisation on the northwards continuation of the Molong Volcanic Arc. The Molong Volcanic Arc contains the Cadia Ridgeway gold-copper porphyry deposit and Copper Hill copper-gold porphyry deposit, among others. Historical exploration in this area suggests that new porphyry complexes are unlikely to be discovered on the well-explored, exposed part of the Molong Volcanic Arc. The Looking Glass Project is situated in the undercover northern extension of the Molong Volcanic Arc and has been the subject of no previous exploration.

As with the Horn Island Project, Callabonna plans to commission a geological review of the Looking Glass Project which it intends to provide to shareholders in connection with obtaining the necessary resolutions to proceed with the transaction.

Overview of Proposed Transaction

The Terms Sheet is conditional upon:

- The parties completing an initial due diligence investigation into each other by 30 April 2015.
- AQH procuring that each of its shareholders (as vendors) enter into a binding share sale agreement, on terms consistent with the Terms Sheet, by 30 May 2015 pursuant to which they each agree to sell their AQH shares to CUU.
- CUU obtaining all necessary shareholder and regulatory approvals for implementation of the Terms Sheet, including approvals required under the ASX Listing Rules and the Corporations Act 2001 (Cth) by 30 June 2015. Subject to completion of due diligence Callabonna intends to prepare a notice of meeting to seek the shareholder approvals required to implement the Terms Sheet, which will include an independent expert's report with an opinion as to whether the proposed transaction is fair and reasonable to the existing CUU shareholders.
- CUU conducting and completing a capital raising of between \$2 million and \$4 million (**Capital Raising**) by 30 June 2015. Funds raised through the Capital Raising will (after costs) primarily be applied to an agreed drilling program at Horn Island and further exploration at the Looking Glass Project. The Capital Raising to be conducted by way of a placement of ordinary CUU shares, further details of the forms of the offer will be made available once known.

The dates set out above for satisfaction of the conditions are indicative and AQH and CUU have agreed to act reasonably to agree to extensions to accommodate any delays.

The purchase price payable to the AQH vendors (being the shareholders of AQH) has been agreed at \$6 million which will be satisfied wholly through the issue of 1,333,333,333 (pre-consolidation) ordinary CUU shares. As part of the transaction Callabonna is planning to seek approval for a 1:10 share consolidation and a change of its name to 'Alice Queen Limited'.

On completion of the transaction AQH will have the right to appoint four new directors to the Board of Callabonna, its nominees being John Holliday, Mark Kerr, Andrew Buxton and Bruce Fulton. The Terms Sheet provides that Mike Raetz will resign as a director of Callabonna on completion of the transaction. Further details of the qualifications of the proposed new directors will be set out in the notice of meeting.

Effect on Callabonna

Set out in the attached schedule is a summary of the approximate impact that the transaction will have on the issued capital, assets and liabilities of Callabonna assuming a capital raising of the minimum \$2m. There will be no impact on revenue and the exploration expenditure will increase in accordance with the funds raised.

Callabonna will continue to update shareholders as this transaction progresses and is excited by the prospects that it brings.

Philip Harman

Chairman Callabonna Resources

T:+61 3 9618 2590

Ian Hobson

Company Secretary Callabonna Resources

T:+61 8 9388 8290

Andrew Buxton

Managing Director

Alice Queen Holding Limited

T: +61 3 8669 1408

E: info@alicequeen.com.au

Callabonna Resources Limited	Unaudited balance sheet as at 31 December 2014	Transaction and \$2m capital raising	Working capital and transaction costs	Pro forma
	\$	\$		
Assets				
Current assets				
Cash and cash equivalents	444,843	2,000,000	(350,000)	2,094,843
Trade and other receivables	17,100			17,100
Other	27,517			27,517
Total current assets	489,460	2,000,000	(350,000)	2,139,460
Non-current assets				
Property, plant and equipment	-			-
Intangible Assets	-			-
Available for sale investments	25,599			25,599
Exploration and evaluation expenditure	-	6,000,000		6,000,000
Other	30,000			30,000
Total non-current assets	55,599	6,000,000		6,055,599
Total assets	545,060	8,000,000		8,195,060
Liabilities				
Current liabilities				
Trade and other payables	70,055			70,055
Total current liabilities	70,055			70,055
Total liabilities	70,055			70,055
Net assets	475,005		(350,000)	8,125,005
Equity				
Issued capital	44,600,361	8,000,000		52,600,361
Reserves	256,042			256,042
Accumulated losses	(44,378,998)		(350,000)	(44,728,998)
Total equity	475,005			8,125,005

Proposed capital structure

Current shares on issue	184,500,498	
To be issued following shareholder approval obtained on 2 February 2015	40,000,000	
Acquisition of AQH	1,333,333,333	
Capital raising at \$0.0045	444,444,444	
Sub-total	2,002,278,276	
Consolidation 10:1	200,227,827	