



WESTERN MANGANESE LIMITED

15 November, 2012

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WMN Enters Agreement to Acquire Four Thermal Coal Tenements

The board of Western Manganese Limited (“WMN”) is pleased to announce a significant development in acquiring interests in non-manganese projects. During the previous two quarters, WMN has been actively looking at project acquisition opportunities in coal.

On November 14, 2012 WMN entered into a Master Agreement to acquire up to 100% shares of PT Pratama Energy Alam Tujuh (“**PEAT**”), PT Adi Mecha Kontekindo (“**AMK**”), PT Samboja Perdana Agung (“**SPA**”), PT LB Prima Coal (“**LBPC**”), (collectively referred to as the “**Companies**”), which represents ownership of four thermal coal tenements with a combined area of 5,000 hectares in Penajam Paser Utara, East Kalimantan (“**Penajam Paser Utara Project**”).

Key Transaction Highlights

- **High coal quality potential**
 - PEAT, AMK, and SPA are exploration licenses located within the Pamaluan and Pulau Balang geological formation with bituminous coal at potentially high calorific values.
 - LBPC is a production license, located within the Balikpapan geological formation with sub-bituminous coal at potentially economic calorific values.
- **Advantageous Location**
 - The area has simple logistics and transportation requiring short road hauling, followed by short barging to the coal terminal as well as being easily accessible for exploration and operations.
 - The Penajam Paser Utama Project comprises of four close mining business areas located approximately 35km northwest in a direct line from Balikpapan in the province of East Kalimantan, Borneo Island.



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- **Comparatively low acquisition cost**
 - WMN has locked in a valuation significantly below market terms paid in comparable acquisitions.
 - A maximum of 10,000,000 WMN Shares to be issued on the completion of the transaction (only if WMN acquires all four tenements) and an additional US\$0.20 per ton paid upon proving coal reserves delineated and defined in accordance with the JORC code.
- **Clean and clear status**
 - PEAT, AMK, and SPA holds clean and clear status.
 - LBPC has fulfilled all the criteria for clean and clear status, and will be included in the next round of clean and clear announcements by the Ministry of Energy and Mineral Resources of the Republic of Indonesia.
- **Competitive deal structure**
 - Under the deal structure, WMN will not pay any consideration upfront. WMN has 90 days exclusivity and the rights to conduct early exploration and due diligence to decide whether the tenements are attractive and have coal resources and reserves potential.

Penajam Paser Utara Project, East Kalimantan – Tenements Details



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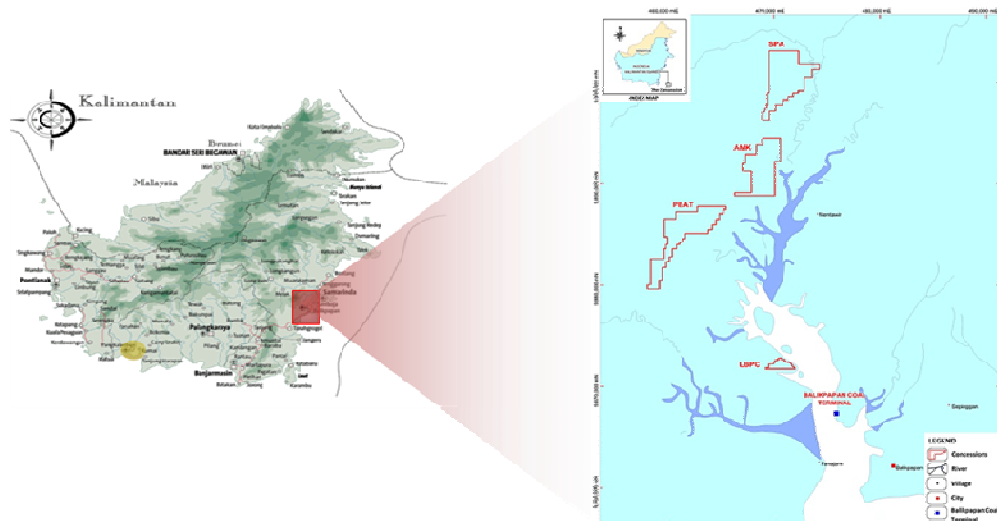


Figure 1: Map of Tenements Locations in East Kalimantan, Indonesia

Geology Overview

As indicated on the regional geological map published by the Directorate General of Geology and Mineral Resources, the project area forms part of the Kutai Basin which is dominated by the Pamaluan Formation (Tomp), Pulau Balang Formation (Tmpb) with minor Quaternary Alluvial Deposits (non coal bearing sediments). Coal bearing formations in this area occur in both the Pamaluan and Pulaubalang Formations. Distribution of coal in those formations is found within anticlinal folds and monoclonal structures where the direction of fold axis is commonly northeast-southwest.

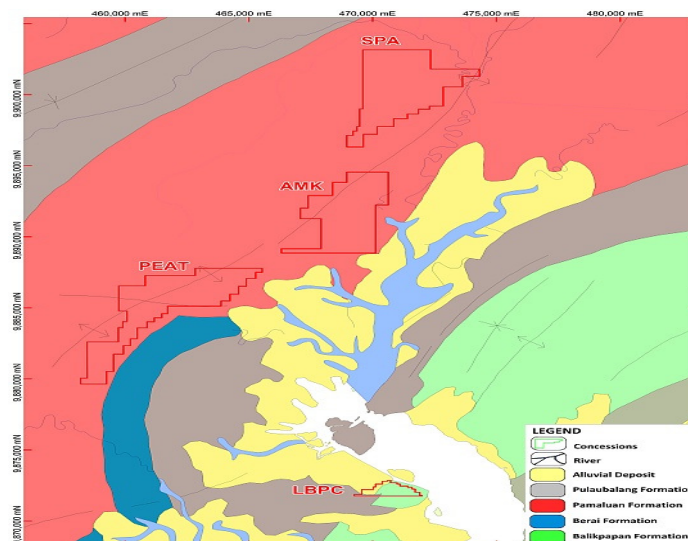





Figure 2: Geological Map of the Tenements

General Characteristics of Pamaluan, Pulau Balang and Balikpapan Formations

<p><i>Characteristics of Pamaluan formation:</i></p> <ul style="list-style-type: none"> - This formation comprises alternating sandstone and claystone, intercalated with limestone. - The age of this formation is Oligocene-Miocene. - The Pamaluan Formation was deposited in a near coastal environment. - Major coal seams are located within this formation. - Coal seams generally range up to 1.5 metres in thickness. - Coal of very high calorific value and minor coking coal also occurs in this formation. - Generally, coal is found in multiple seams. 	 <p>Figure 4a: Pamaluan Coal</p>
<p><i>Characteristics of Pulau Balang formation:</i></p> <ul style="list-style-type: none"> - The Pulau Balang Formation contains a mix of sandstone, grey claystone, tuff, and sometimes conglomerate. - The age of this formation is Miocene. - The Pulau Balang Formation was deposited in a shallow marine environment. - Coal seams which occur in this formation generally have high calorific values. 	 <p>Figure 4b: Pulau Balang Coal</p>
<p><i>Characteristics of Balikpapan formation:</i></p> <ul style="list-style-type: none"> - This formation comprises alternating quartz sandstone, silty claystone and shale with intercalations of marl, limestone and coal. - The Balikpapan Formation was deposited in a littoral to shallow marine environment. - The formation conformably overlies the Pulau Balang Formation of Miocene age. - Coal seams found within this formation generally have moderate to high calorific values. 	 <p>Figure 4c: Balikpapan Coal</p>

Note: These general characteristics do not guarantee that the Company will discover coal with high or economic calorific values on the Penajam Paser Utara Project.



Exploration Program on Tenements

Exploration activity on the tenement areas has been very limited to date. Over the coming months WMN intends to implement initial exploration programs that include a comprehensive mapping exercise to identify the areas with the highest near term development potential. One other key exploration objective will be to detect geological anomalies such as volcanic intrusions that might result in the discovery of expected quality coal within the coal formation as shown in the geological map.

Almost a decade ago, BHP Billiton operated and produced coal in the region south of the LBPC tenement. The area is now mined by local miners under a local mining permit from the head of regency.

The LBPC tenement already has a Production License (IUP- Produksi) and WMN will focus on data reconciliation and verification prior to working on the mine planning and exploitation process aided by profile drilling.

For the other licences mapping will be undertaken with the view to commence profile drilling.

Transaction Details

- WMN signs a Master Agreement to acquire up to 100% shares of the Companies, which holds IUP Exploration and Production Licenses for tenements in Penajam Paser Utara, East Kalimantan.
- WMN has exclusive rights to explore and conduct due diligence for a period of 90 days. WMN shall start due diligence exploration and the field works as soon as possible.
- If WMN decided to pursue the transaction after completion of the due diligence, both WMN and the Companies shall execute the Share Sale and Purchase Agreement, which will govern the final terms and conditions of this transaction.
- The consideration of the proposed acquisition is to be paid in shares of WMN (up to a maximum of 10,000,000 shares assuming all four tenements are acquired) and an additional cash payment equivalent of US\$0.20 per ton of coal upon proving mineable reserves in the Tenements, as defined under the JORC code.

On behalf of the board of directors,

Colin K Locke
Executive Director

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Competent Persons Statement.

The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Varndell is a consultant of Al Maynard & Associates Pty Ltd and has 40 years of experience in exploration and mining in a variety of mineral deposit styles. Mr Varndell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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". Mr Varndell consents to inclusion in the report of the matters based on his information in the form and context in which it appears.



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