



ASX ANNOUNCEMENT

21 October 2014

REVISED DEVELOPMENT AGREEMENT ALLOWS CALLABONNA TO INCREASE STAKE AND SECURE MANAGEMENT CONTROL OF ANSONGO MANGANESE MINE LEASE.

- Callabonna Resources Limited (***the "Company" or "Callabonna"***) (ASX:CUU) is pleased to announce that your Company has varied the original agreement announced on 6 May 2014, to now earn a 51% controlling interest in Ansongo Limited.
- No additional shareholder or regulatory approval is required.
- This move increases the original earn-in potential from 17.2% by a further 33.8%.
- Ansongo Limited is the majority (70.4%) owner and manager of Sahara Manganese Limited that owns Mali Manganese SA (***MMSA***), which in turn owns the Ansongo manganese mining lease in Eastern Mali (***the Project***).
- Callabonna will continue to manage the exploration and development program of the Project and may spend up to \$11.95 million or start production to earn its 51% interest.
- Callabonna will have a pre-emptive right over the remaining 49% interest in Ansongo Limited thereby potentially securing a 70.4% interest in the Project at some future date.
- The other two Project shareholders (through Sahara Manganese Limited) own manganese smelters with off take rights to future production from the Project.
- Plans to commence drilling are well advanced and expected to commence in November.
- A mine scoping study is targeted for the end of 2015.

The Company Chairman Phil Harman stated: "This exciting manganese deposit basically ***"sticks out of the ground"*** (see high grade manganese outcrops pictured in ASX announcement 1 October 2014). Your Company will benefit from lower cost drilling and mining. The occurrence of manganese elsewhere on the 212 km² mine lease shows potential to discover manganese over a distance of some 20 km. The project is located approximately 5 km from the Niger River and adjacent to a good bitumen road with access to the West African coast".

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Ansongo Project Eastern Mali – located 60km from the border region of Burkina Faso and Niger

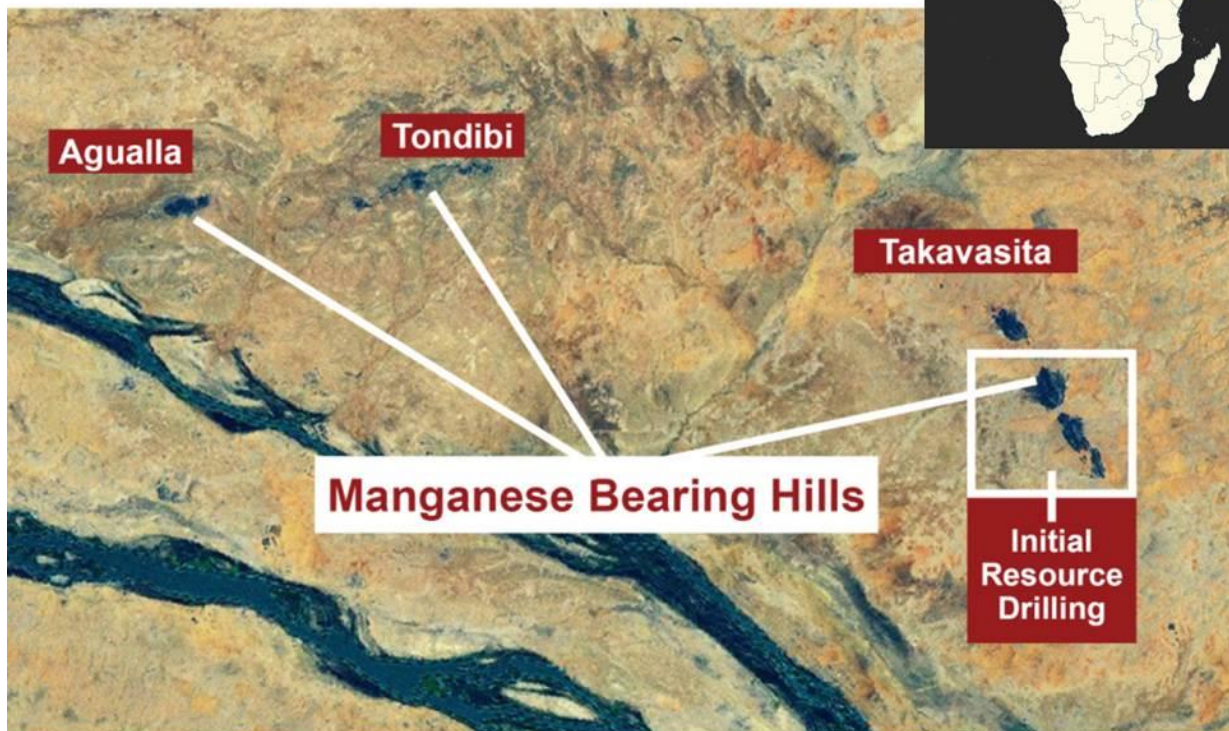


Figure 1. Ansongo manganese mining lease PE 2011/15 of 212 square kilometres

THE TRANSACTION

Under the original Share Purchase and Sale Agreement (**SSPA**), the Company will acquire 17.2% of Ansongo Limited after spending A\$3.5 million or achieving a Maiden Resource (at least 5 million tonnes at 35% MnO) on the Project (compliant with the 2012 edition of 'The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'). The SSPA has been varied (**VA**) to give Callabonna the additional right (but not the obligation) to earn up to a further 33.8% of Ansongo Limited over a 48 month period through Project related expenditure at a rate of A\$1million per 4% interest. The rate of expenditure will be determined by Callabonna and depend on results from the exploration program.

Callabonna will remain the Project manager. The Vendor, who shall remain in control of Sahara Manganese, will seek to ensure that, after a Maiden Resource is declared, the other participants in Sahara Manganese will contribute 30% of the cost of the Project development.

Callabonna intends to develop The Project into a low cost manganese oxide lump producer.

SUMMARY OF THE ANSONGO MANGANESE PROJECT.

The Project is located in Eastern Mali approximately 60km from the borders with Burkina Faso and Niger and connected by good roads to the south-west African coast. Manganese oxide outcrops extensively in the south east part of the mining lease (PE 2011/15, district of Ansongo) in eight hills known as Takavasita that had some previous exploration and limited mining of manganese oxide. Less well explored areas of the Project mining lease also contain manganese in outcrop 15km to the west in hills at Agualla and Tondibi which is as yet unexplored. Manganese carbonate, which is known to occur below the manganese oxide bearing hills, may be a potential future resource.

Up until June 2015 new resource drilling will focus on a 2km Takavasita part of the Project mining lease where an initial Exploration Target has been estimated at 5-15 million tonnes @ 35-45% manganese (see ASX announcement 15 September 2014).

(N.B. the Exploration Target is an estimate of mineralisation where the potential quantity and grade is conceptual in nature, because there has been insufficient exploration to estimate a mineral resource and it is uncertain that further exploration will result in the estimation of a mineral resource).

The further 15km containing outcropping manganese to the west of the Takavasita area, offer excellent future beyond the known resource and will form part of our ongoing exploration program.

For further details please see www.callabonna.com.au with links to ASX releases.

Contact details

For further information please, contact Michael Raetz or Ian Hobson on the numbers listed below.

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Competent Persons Statement

The information in this report that relates to Exploration Results including the Exploration Target is based on information compiled by Michael Raetz, an employee and Director of the Company and a member of the Australian Institute of Geoscientists. Mr Raetz 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. This qualifies Mr Raetz as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Raetz consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.