



16 April 2012

## Padang Resources executes agreement to acquire 70% interest in Paser Pte Ltd

### Highlights

- Padang Resources Ltd (ASX: PXR) has entered into a Memorandum of Understanding (“**MOU**”) to acquire 70% of Paser Pte Ltd (“**Paser**”).
- Paser has entered into a binding MOU to acquire a 100% joint venture interest in a prospective coal project in East Kalimantan, Indonesia (“**Paser Project**”).
- Paser Project comprises of a 43 hectare production licence (*Izin Ushua Pertambangan Produksi* or “**IUP**”) with all environmental and mining approvals in place.
- Padang Resources has a strong relationship with Indonesian locals and local officials.
- The Paser Project has developed roads and good access to export infrastructure.

Padang Resources Limited (ASX: PXR) (**Padang** or **Company**) is pleased to announce that it has signed an MOU with the shareholders of Paser Pte Ltd (**Vendors**), a company incorporated in Singapore, to acquire 70% of the issued shares in the capital of Paser (**Acquisition**).

Paser has entered into a conditional and binding MOU with PT Gunung Mentari Mining (**PT GMM**), a company incorporated in Indonesia, to acquire a 100% joint venture interest (**JV Interest**) in a coal project in East Kalimantan, Indonesia (**Paser Project**).

Padang believes that the Paser Project has the potential to resume production subject to a positive mining study.



## Overview of the Paser Project

The Paser Project covers a total licence area of approximately 43 hectares and lies within the Tanjung Formation. The prospect area is located  $\pm$  127 Km southwest from Balikpapan (5hr drive). Administratively the prospect area is located in Petangis Village, Batu Engau District, Paser Regency, East Kalimantan, Indonesia. Good quality haul roads exist in and around the concession area with Jetty locations within 14km of concession (Max hauling distance = 14km). Jetty locations are within a short distance to a deep water harbor with an existing operational port nearby (Barge to mother vessel = 30 km or approx 10 hours).

Padang has engaged an independent geologist based in Balikpapan, East Kalimantan who has direct experience in coal mining projects that lie within the Tanjung Formation, Paser Regency. Padang is currently in the process of mobilising a reconnaissance and drilling team to validate the economic viability of recommencing mining. This team will include a competent person for the purposes of the JORC Code who will be instructed to undertake work to prove up the project's resource to a JORC Code compliant standard.

## Acquisition Terms

Under the Acquisition Agreement, Padang will acquire 70% of the issued capital of Paser for the following consideration:

- a) 125,000,000 fully paid ordinary shares in the capital of Padang (Shares);
- b) reimbursement of Paser's expenses in developing the project to date, up to a maximum of US\$350,000; and
- c) \$600,000 cash to be paid as a royalty of US\$12/tonne from production.

The shares referred to above shall be escrowed for a period of 12 months from the date of issue (or longer period if required by ASX).


## Conditions Precedent

Completion of the Acquisition is subject to a number of conditions precedent, including:

- a) the Company completing financial and legal due diligence on Paser and the Company being satisfied with the outcome of those due diligence investigations;
- b) each party obtaining all shareholder and regulatory approvals necessary for the Acquisition;
- c) the entry into a formal binding joint venture agreement to develop the Paser Project between the Vendors and PT GMM, on conditions or on terms satisfactory to Paser;
- d) Padang and the Vendors entering into a formal share sale agreement to fully document the terms of the Acquisition; and
- e) prior to completion of the Acquisition, there being no material adverse change to the business, financial or trading position, assets or liability, profitability or prospects of the Vendors, their business and assets.

These conditions precedent must be satisfied or waived on or before 15<sup>th</sup> June 2012.

The MOU between Paser and PT GMM in relation to the JV Interest provides that the parties will enter into a formal binding joint venture agreement (**Joint Venture Agreement**) in relation to the Paser Project, conditional upon Paser conducting and being satisfied with the outcome



of their legal and technical due diligence investigations in respect of PT GMM and the property of the joint venture. This condition must be satisfied or waived on or before 15<sup>th</sup> June 2012.

The high level terms to acquire the right, title and interest in and to the **IUP 545/6 /Operasi Produksi/EK/V/2011** by way of a Joint Venture are as follows:

- a) Paser to fund all capital and operational commitments and expenses while the project is operated as a joint venture.
- b) Royalty to be paid by Paser to GMM is:
  - US\$ 12 per metric ton for sales, if sale of coal price is equal or above US\$85/tonne (for average calorific of 6,100-6,300 kcal/kg).
  - US\$10 per metric tonne for sales, if sale price is below US\$85 per tonne, and above US\$70 per tonne.
  - If the sale price is below USD\$70 per tonne for three (3) consecutive months, the Royalty will change to a profit sharing on an 80%/20% basis.
  - Beside the Royalty above, Paser will also be responsible to cover all other fees/contributions such as land owner fees, hauling road fee, local government fee, community development fee, certificate of origin fee, estimated at Rp. 60,000/ton (sixty thousand rupiah per ton).
- c) Payment of A\$600,000 (Six hundred Australian dollars) by Paser to GMM as a loan to be repaid out of first profit distributions from production. The A\$600,000 will be paid in three (3) tranches on the achievement of the following milestones:
  - \$200,000 (Two hundred thousand Australian dollars) on completion of satisfactory due diligence as determined by Padang.
  - \$200,000 (Two hundred thousand Australian dollars) on commencement of mining operations.
  - \$200,000 (Two hundred thousand Australian dollars) on first shipment of coal.
- d) Paser to recoup the \$600,000 Australian loan prior to first Royalty payment to PT GMM.
- e) Paser must initiate a boring program from completion of due diligence, with the intention of drilling at least 10 holes averaging 60 metres each, unless otherwise agreed between both parties, but at least 600 metres of boring to catch up 8 coal seams

### **Next steps**

Padang will keep shareholders informed of any material developments regarding the Acquisition.



**Yours faithfully**

*Guy Le Page*

**Guy Le Page**

Non Executive Chairman

About Padang (formerly Palace) Resources Limited

Padang Resources goals are to create a sustainable exploration and development business focused on resource opportunities in the Indonesian resource rich region. Padang has a strong management team which has a track record of acquiring and developing mineral projects in the Asia Pacific region. Padang is aggressively exploring and developing resources in the south-east Asia region, particularly Indonesia. For more information visit [www.padangresources.com.au](http://www.padangresources.com.au)