



26 November 2009

The Manager  
Company Announcements Office  
ASX Ltd  
4th Floor, 20 Bridge Street  
SYDNEY, NSW 2000

## **Acquisition of Ovoot Coking Coal Project in North West Mongolia**

The Directors of Windy Knob Resources Limited ("WKR" or the "Company") are pleased to advise they have agreed to acquire a 100% interest in the Ovoot Coking Coal Project ("Ovoot" or the "Project") in the Khuvsgul province in North-West Mongolia ("Agreement"). The Agreement is subject to, but not limited to, the completion of a capital raising of not less than AUD 2,650,000, a thirty (30) day due diligence period and all necessary shareholder and regulatory approvals.

### **About the Ovoot Coking Coal Project**

Ovoot is potentially a world class coking coal project, located in the Khuvsgul Province in North-West Mongolia and in close proximity to China. Please refer Figure 1 below.

**Figure 1 - Location Map – Ovoot Coking Coal Project**



The Vendors of the Project have completed an initial phase of exploration and test work encompassing 1,881m of diamond drilling, confirming the presence of potentially extensive and relatively thick high ranking hard coking coal. The coal is located in two thick coal seams with a variable width of interburden. Test work has largely focused on the upper coal seam which has an ash content range of 13.2 to 16.8 Ash % (adb), which will require a level of washing to produce an “in spec” saleable product.

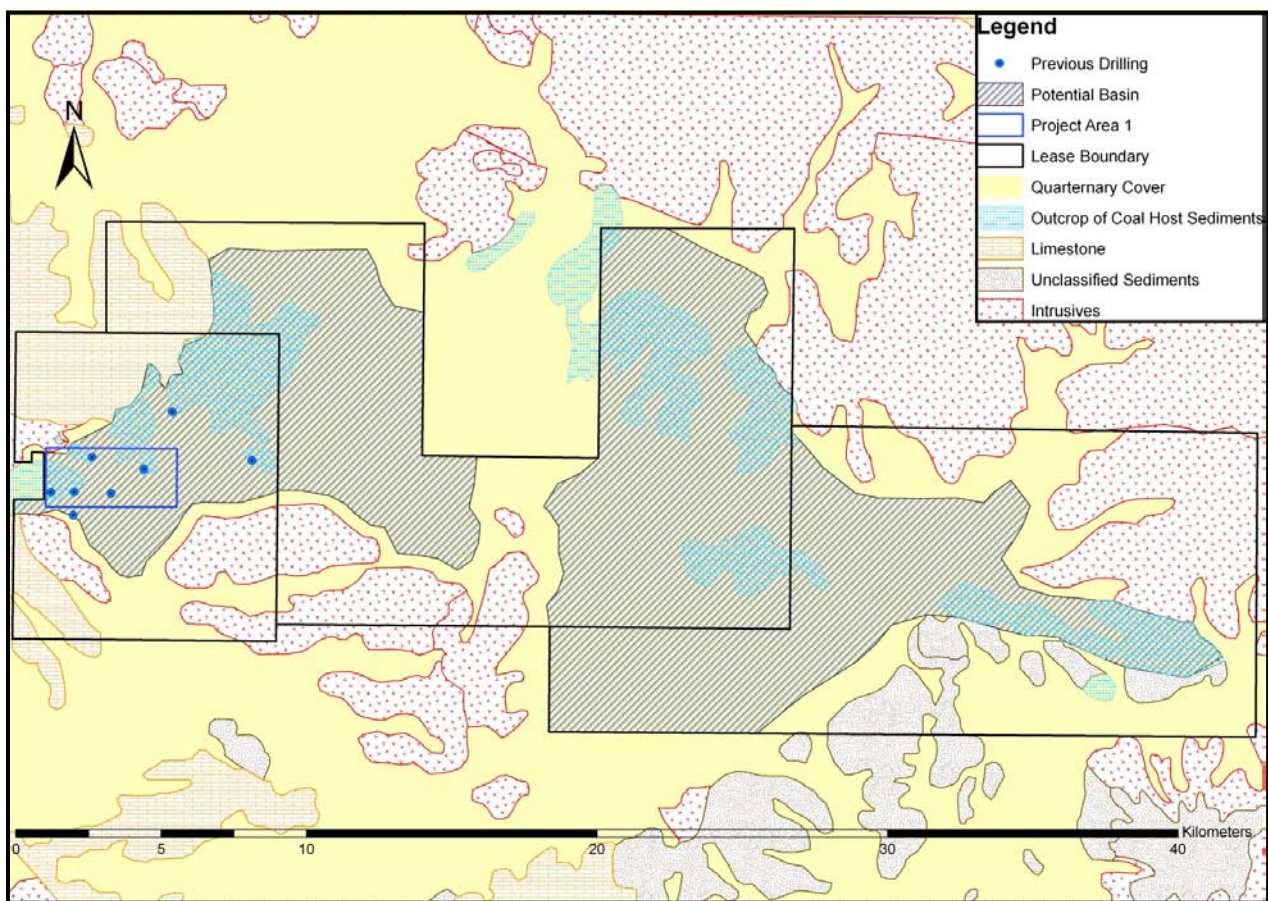
**Table 1 - Coal Test Work Specifications**

Specifications	Total Moisture %	Ash % (adb)	Total Sulphur %	Gross Calorific Value % (adb)	CSN
Average Of Test Results	2.03	13.8	0.88	7181	7 - 9

**Geology**

The Ovoot coal mineralisation is located on the western edge of a large Lower Jurassic aged sedimentary basin, interpreted to extend over an area of 820 square kilometres, which provides multiple exploration targets. The basin is understood to have been relatively tectonically stable, with only minor faulting and folding. Coal mineralisation is hosted within a shallow dipping syncline structure, dipping towards the east. Figure 2 highlights the Lease Boundary overlying the Ovoot Basin and the drill hole locations.

**Figure 2 - Ovoot Geology Map**



## Previous Exploration

The Project Vendors completed an eight diamond drill hole program (DH-200 to DH207) for 1,881m as part of a program to target the potential resource size and metallurgical coal qualities at the Ovoot Coal Project. Four holes intersected the coal horizon (DH-200, DH-201, DH-203 and DH-204), two holes failed to reach the coal horizon (DH-202 EOH at 82m and DH-207 EOH at 520m) and two holes intersected basement before the coal horizon (DH-205 and DH-206 EOH at 148m each).

The intersected coal horizon consists of one to two coal seams, ranging in combined thickness of 6m to 45m. Drill holes DH200 – DH203 were drilled into the interpreted hinge zone of the syncline intersecting the thicker coal seams. DH-204 was drilled on the northern limb of the syncline, approximately one kilometre north of DH-201, and returned a single 6m thick coal seam.

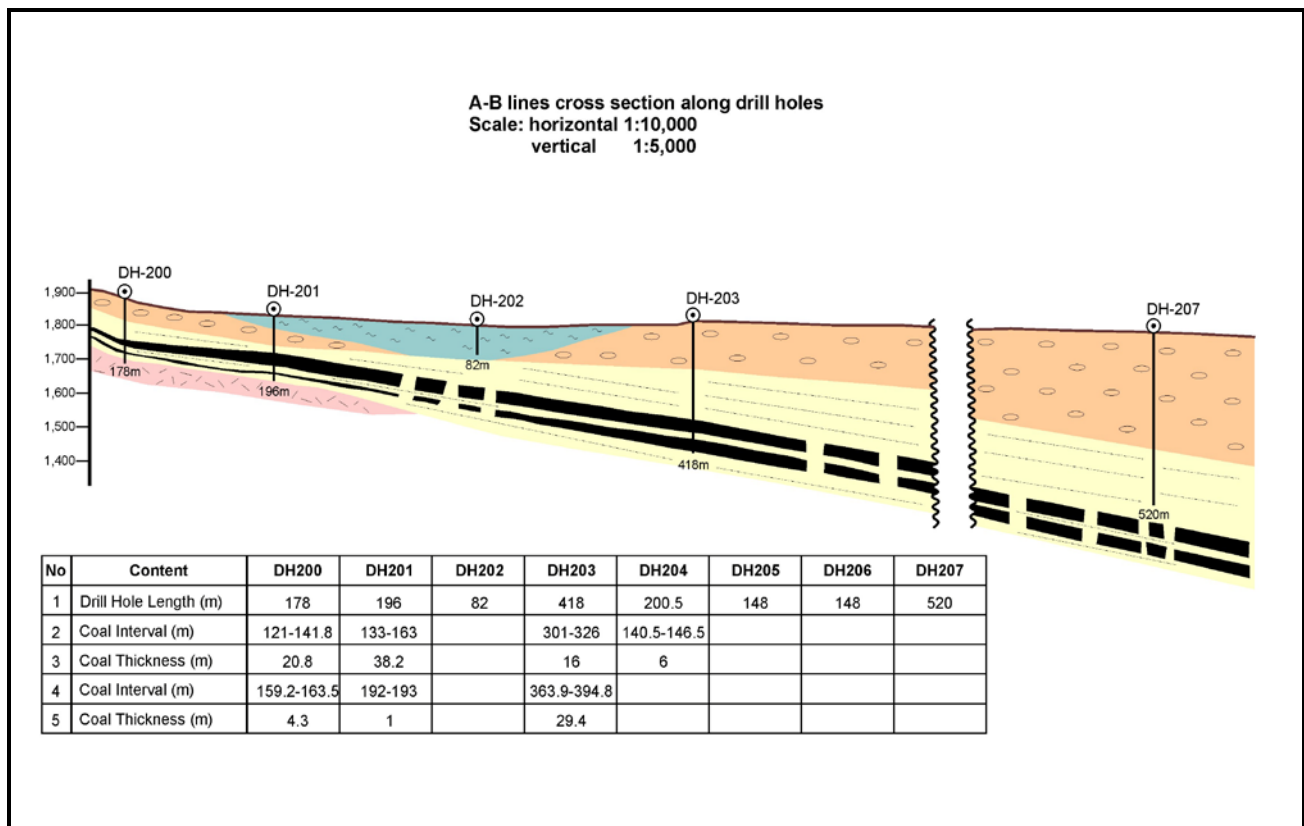
**Table 2 - Diamond Drilling Coal Intersections**

Drill Hole ID	DH200	DH201	DH203	DH204
Drill Hole Length (m)	178	196	412	200.5
Coal Interval (m)	121-141.8	133-163	301-326	104.5-146.5
Coal Thickness (m)	20.8	38.2	16	6
Coal Interval (m)	159.2-163.5	192-193	363.9-394.8	
Coal Thickness (m)	4.3	1	29.4	

The drilling has tested a 2.5 kilometre strike extent of coal mineralisation with holes DH-200 to DH-203 tested a down dip extent of approximately 3 kilometres. The interpreted coal seams dip at 3-7 degrees towards the east with a predominantly flat surface topography. Refer Figure 3.

This work indicates that there is a down dip extension of up to 2.5 kilometres from the western tenement boundary which may be amenable to open pit mining (coal thickness and therefore the strip ratio will determine the economic extent of open pit development). The Project has the potential to establish a large tonnage and high quality coal project. The planned exploration drilling aims to verify the quality and the aerial extent of the coal mineralisation.

**Figure 3 - Cross Section – Diamond Drilling At Ovoot With Coal Intersections**



## **Coal Quality**

Test work on coal samples from the diamond drilling completed indicates that the coal is a high ranking hard coking coal, with low moisture content, low (<1.0%) sulphur content, and high total vitrinite at 91%. Ash content as an unwashed specification is an average of 13.8 Ash % (adb), indicating that the coal will require washing to produce a saleable product.

## **Tenure**

A Mongolian registered company, Khurgatai Khaikhan LLC, holds 6 granted licences covering 72,400 hectares which overly the Ovoot Basin. The Company intends to purchase 100% of the issued capital of Khurgatai Khaikang LLC ("KK").

## **Future Work**

A program consisting of diamond drilling, core test work, followed with surface geophysics is to be carried out with the objective of providing a JORC Compliant Coal Resource and an indication of the aerial extent of the coal horizon adjacent to the area of previous drilling.

A 2,500m drilling program is anticipated to be sufficient to generate an Inferred JORC Compliant Resource. Exploration activities are expected to commence within the March Quarter 2010.

A comprehensive test work program will be required to confirm the coal quality, as well as provide a representative sample for washability test work. The washability test work will provide an indication of the expected yield to produce a saleable product.

## **Terms of the Acquisition**

The consideration for the acquisition is as follows:

To the Vendor of the Project:

- An Initial Payment of USD 500,000 upon Settlement,
- A Further Payment of USD 3,000,000 on or before 12 months from Settlement (in the event a 100 Mt JORC Compliant Coal Resource is not identified on or before that date which is 12 months from the date of Settlement, the Company may elect not to make the Further Payment). If the Company makes this election it will relinquish the shares in the Mongolian entity that currently owns the Project returning the shares to the Vendor for nominal consideration.
- 150,000,000 Ordinary WKR Shares upon Settlement,
- 30,000,000 WKR Options - the Options have an exercise price of 5 cents and an expiry date 5 years from their Issue Date (the Options will vest following the estimation of a 200 Mt JORC Compliant Coal Resource in relation to the Project being identified prior to their Expiry Date).

To the Project promoters, Red Island Resources Limited:

- A payment of AUD 100,000 within 7 days of Settlement,
- A payment of USD 200,000 within 30 days of Settlement for legal fees and Project introduction success fees,
- 50,000,000 WKR Options - the Options have an exercise price of 5 cents and an expiry date 5 years from their Issue Date,
- 50,000,000 WKR Options - the Options have an exercise price of 5 cents and an expiry date 5 years from their Issue Date, (the Options will vest following the estimation of a 200 Mt JORC Compliant Coal Resource in relation to the Project being identified prior to the Expiry Date).

Under the terms of the Agreement, WKR is committed to spending USD 1,000,000 on the exploration of the Project in the first 12 months following settlement.

## **Placement**

The Company has agreed to an underwritten placement of 100,000,000 Shares at 2.65 cents per Share to raise AUD 2,650,000. Each Share will have a free attaching Option on a one for two basis, the Options have an exercise price of 5 cents and an expiry date 5 years from their Issue Date.

The underwriter of the placement is Big Fish Nominees Pty Ltd, a company associated with proposed director Mr Neil Lithgow. There is no cash fee payable, consideration for the underwriting is 70,000,000 WKR Options. The Options have an exercise price of 5 cents and an expiry date 5 years from their Issue Date (the Options will vest following the estimation of a 200 Mt JORC Compliant Coal Resource in relation to the Project being identified prior to the Expiry Date).

## **Management**

Upon Settlement, the Board have agreed to the appointment of four new Directors, Mr David McSweeney as Non-Executive Chairman, Mr David Paul as Executive Director, Mr Neil Lithgow as Non-Executive Director and Mr Gan-Ochir Zunduisuren as a Non-Executive Director.

Mr Mathew Walker and Mr James Robinson have agreed to resign upon Settlement.

Yours faithfully,



**Mathew Walker**  
Executive Director

### **For further information please contact:**

James Robinson, Company Secretary, Windy Knob Resources Limited, Tel: (08) 6460 4960

Windy Knob Resources Limited website: [www.windyknobresources.com.au](http://www.windyknobresources.com.au)

*The information pertaining to the technical content of this announcement has been reviewed by Mr. Ian Prentice, who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Prentice is employed by Zephyr Consulting Group Pty Ltd and 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 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. Prentice consents to the inclusion in the announcement of the technical information in the form and context in which it appears.*