



KALGOORLIE-BOULDER RESOURCES LTD

ABN 48 106 732 487

14 October 2005

Release to ASX **ASX Code: KAL**

KALGOORLIE-BOULDER PURCHASES OKLAHOMA OIL & GAS PROJECT

HIGHLIGHTS

- **Acquisition of Oil & Gas Project.**
- **Potential for near term cash flow from initial drilling and rework program.**
- **Exposure to the Caney and Woodford unconventional shale gas play.**
- **Secured agreement with experienced United States based operating partner.**
- **Initial funding requirements secured.**
- **Exploration and development strategy for Gold assets confirmed.**

The Directors of Kalgoorlie-Boulder Resources Limited ('Kalgoorlie-Boulder' or 'Company') are pleased to announce that, through its wholly owned subsidiary, Kal Energy Pty Ltd, the Company has entered into an agreement which, subject to its completion, will see it acquire a 75% Working Interest in oil and gas leases covering 640 acres in Okmulgee County, Oklahoma, in the United States.

The lease area, known locally as the Wilson Prospect, is located approximately five miles north of the City of Henryetta.

This acquisition represents a ground floor opportunity for the Company to participate in the Caney and Woodford shale's gas play, with relatively shallow depths (1,100 to 3,300 feet) to penetrate all potential zones. The project has very similar geology to nearby analog wells and existing wells (located on the leases) which have produced or demonstrated strong hydrocarbon shows. The project is well located, with easy access to existing infrastructure and gas sales lines.

The Company has agreed to enter into a Joint Operating Agreement with Metro, a Louisiana based oil and gas explorer and producer, who will provide specialised drilling, completion and development services to the Company. Metro is currently active on a number of conventional and unconventional oil and gas

projects in the mid west of the United States. The Joint Operating Agreement provides the Company with access to the experience and expertise of Metro as well as access to the entire workforce of Metro without the costs associated with directly employing such a workforce.

Structure of the Transaction

Subject to successful completion, the Company will purchase its interest in the project from Metro. Metro will convey to the Company a 75% Working Interest which equates to a 56.25% Net Revenue Interest in the oil and gas leases. Metro will retain a 25% Working Interest and will be the project operator.

The consideration to be paid by the Company for the acquisition is US\$3,000,000 and is to be paid as follows:

1. US\$300,000 upon execution of a Letter Agreement;
2. US\$1,200,000 to be paid within thirty (30) days; and
3. US\$1,500,000 to be paid over three equal installments, due on December 31, 2005, March 31, 2006 and the final installment to complete the purchase June 30, 2006.

Kalgoorlie-Boulder Free Carried for Stage One

In consideration of the purchase price, Metro will undertake and fund the drilling, reworking, infrastructure installation, and upgrade program, including the following:

1. Drill, complete and tie-in the Wilson #1-10 well to spud into the top of the Wilcox sandstone oil column to facilitate potential oil and gas production.
2. Clean out, treat, and properly equip the existing Wilson #1 well, to enable potential resumption of production from the Gilcrease sandstone.
3. Permit, clean out, and properly equip the existing Wilson #2 well, for conversion to a saltwater disposal well for the prospect.
4. Install the appropriate infrastructure to produce, store, and market hydrocarbons and facilitate the disposal of saltwater and install a natural gas gathering system to transfer natural gas from the tank battery system to the nearest natural gas sales point.

This initial program, which is expected to be completed during the March quarter of 2006, has the potential to deliver modest oil and gas production. The cash flow from this initial production could be used to fund further development in the project area.

Exploration Upside – Gas from Shales

The United States is the world's largest consumer of natural gas. Since the early 1990's 3% plus growth in electricity demand and flat to declining United States and Canadian gas production has squeezed natural gas prices. This has stimulated exploration and innovative approaches to gas field exploitation.

Traditionally, over 90% of United States natural gas has been produced from 'conventional' plays, or stratigraphic traps in reservoir formations. The remainder is produced from 'unconventional' plays including the extensive shale beds that underlie, and are the source rocks for, most of the conventional oil and gas fields.

The flag bearer for the gas shales is Devon Energy (NYSE : DVN, market capitalisation US\$26 billion). In 2005 Devon operated 1,700 wells in the Barnett Shale in North Texas. Devon's production from the Barnett Shale surpassed 550 million cubic feet of gas equivalent per day in 2005 (for gross annualised revenue exceeding US\$1.2 billion).

The Barnett Shale has been described as having geological similarities to the Caney and Woodford shales that occur in the Arkoma Basin. These shales occur at favourable depths with relevant maturity for gas production, and are now emerging as the next big 'shale play'.

The Caney and Woodford shales are known to occur within Kalgoorlie-Boulder's lease area, and the Company expects to be able to drill and complete up to 12 wells on unconventional shale targets located on this acreage.

Typically, vertical wells may be drilled on 40 acre units (16 wells per square mile). Potential production is stimulated by creating artificial fracture systems in the shale. The average cost of drilling, fracing and completing a successful well is about US\$500,000.

Several companies are enjoying success exploring and developing the Caney and Woodford shales. This success, combined with the entry to the field of a major United States oil and gas producer (specialising in unconventional formation production), is an endorsement of the regions potential and a quantum step towards the full development of the field.

Kalgoorlie-Boulder is well positioned to participate in the further development of this field.

Funding

Subject to shareholder approval, the Company intends to fund the initial payments under the purchase agreement from a combination of existing cash reserves and a placement of 7.5 million ordinary shares at 20 cents each to raise \$1.5 million (before costs). It is intended to provide one free attaching option with an exercise price of 20 cents each, exercisable on or before 31 July 2008, for every two ordinary shares issued under this capital raising. It is further intended to have these shares and options quoted on the Australian Stock Exchange.

Delta Securities have agreed to manage the placement and will receive a 6% fee on all funds raised from the placement plus 3,750,000 options with an exercise price of 20 cents each, exercisable on or before 31 July 2008.

Asset Portfolio

The Company continues to actively pursue the objective of generating returns for shareholders through the exploitation of existing deposits and the discovery and development of other projects within its existing portfolio of gold and nickel properties. To this end the Company has undertaken a drilling programme on its advanced projects targeting gold and nickel mineralisation. The focus has been on expanding and upgrading the existing gold resources at the Company's Jackpot and Broad Arrow projects and to advance both projects to mining status.

The Company has also expanded its portfolio through a programme of tenement acquisition and project selection. In addition to expanding its portfolio of gold and nickel tenements, the Company has acquired a portfolio of uranium tenements. The Company has also entered into a joint venture with Redport Ltd (ASX: RPT) to explore the Kintyre East Uranium Project. The acquisition of the uranium assets is a strategic move to expose the Company to rising uranium prices as demand continues to outstrip supply.

Strategy

The core strategy of Kalgoorlie-Boulder remains the same as that stated in the company's prospectus, that being to generate returns to shareholders through the exploitation of existing deposits and the discovery and development of other projects to become a successful and profitable exploration and mining company.

The Company is creating value through its entrepreneurial culture and its innovative approach to exploration and development. The Company has taken advantage of strategic opportunities in acquiring a portfolio of assets, with exposure to energy as well as precious and base metals. The Company will maintain its focus on realising the value of these assets in the best interests of the shareholders of the Company. This strategy will continue to evolve with the changing circumstances of the Company.

At closing of this transaction and post the placement of shares and options, Kalgoorlie Boulder will have:

- 69,600 ounce gold resource (Indicated and Inferred Mineral Resource of 333,000 tonnes at 6.5g/t) with near term development potential, located within 10 kilometres of an operating processing plant.
- Oil and gas leases covering 640 acres in Oklahoma with near term production potential, and exposure to the Caney and Woodford shale gas play.
- Uranium tenements in Western Australia and South Australia covering 2,503 square kilometres (including the recently announced joint venture with Redport Ltd to explore the Kintyre East Uranium Project).
- 41 million fully paid ordinary shares, 12.5 million 20 cent options expiring 31 July 2008, and 6 million 30 cent options expiring 31 July 2008 on issue.
- Cash of approximately \$2 million.

Yours faithfully,

Trevor Matthews
Managing Director

For further information please contact :

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The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Lindsay Cahill, who is a Member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Lindsay Cahill is a self employed consultant. Lindsay Cahill 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'. Lindsay Cahill consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.