This is a replacement prospectus dated 5 December 2013. It replaces a prospectus lodged by U&D Coal Limited with ASIC on 20 November 2013 for an initial public offering of up to 250,000,000 New Shares at an issue price of A$0.50 each to raise up to A$125 million (subject to a Minimum Subscription of A$50 million) together with the 250,000,000 attaching Options as detailed in this Prospectus.

This Prospectus is an important document and should be read in its entirety. You should seek professional advice if you have any questions about the Shares being offered under this Prospectus, or any other matter relating to an investment in the Company.

An investment in the Company should be considered speculative.
Important Notices

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

U&D Coal Limited (UND or Company) is a public company incorporated in Australia. This is a replacement Prospectus dated 5 December 2013 and was lodged with ASIC on that date. It replaces a prospectus dated 20 November that was lodged with ASIC on that date (the Original Prospectus).

A summary of the material differences between the Original Prospectus and the Replacement Prospectus is as follows:

• Additional disclosure on the risks associated with (a) the timing for first coal production; and (b) the target production levels, from both the MDS and Broughton Projects;

• Further confirmation in Section 1 that the Options will not be listed for quotation on the ASX;

• Additional disclosure in Section 1.1 on estimates for funding the capital needs of the MDS Project; and

• Inclusion of additional disclosure in the pro forma balance sheet in Section 10.4 to show the effect of raising the Minimum Subscription.

References to ‘Prospectus’ in this document are references to this Replacement Prospectus.

This Prospectus expires on 19 December 2014 (Expiry Date). No Shares or Options will be allotted, issued, transferred or sold on the basis of this Prospectus after the Expiry Date.

The Company has applied to the ASX for admission to the Official List and for Official Quotation of the Shares on issue as at the date of this Prospectus and the Shares issued under the Offer.

Neither ASIC nor ASX takes any responsibility for the content of this Prospectus. Admission to the Official List is in no way an indication of the merits of the Offer or the Company.

Offer

This Prospectus contains an offer of up to 250,000,000 fully paid ordinary shares at an offer price of $0.50 per Share to raise up to $125 million, with a Minimum Subscription of $50 million, together with attaching Options offered for no additional consideration on the basis of three attaching Option parcels for every 4,000 Shares issued and allotted.

Before deciding to invest in the Company, investors should read the entire Prospectus. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Shares and Options offered under the Prospectus. The Offer does not take into account the investment objectives, financial situation or particular needs of individual investors. You should carefully consider the risks (set out in Section 6) that impact on the Company in the context of your personal requirements (including your financial and taxation position) and, if required, seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser prior to deciding to invest in the Company. No cooling-off regime (whether provided for by law or otherwise) applies in respect of the acquisition of Shares and Options under this Prospectus.

Forward-Looking Statements

This Prospectus contains forward-looking statements, statements identified by the use of the words “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “intends”, “targets”, “outlook”, “guidance”, “forecasts”, “may”, “will”, or “should” and similar.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of the Company, its Directors and its management. They are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

An investment in Shares and Options is subject to investment risks and other known and unknown risks and factors, many of which are outside the control of the Company. These
include the various risk factors set out in Section 6 of this Prospectus.

**Electronic Prospectus**

The Prospectus is available in a paper version and in electronic version. The electronic version of this Prospectus may be viewed and downloaded online at www.udcoal.com.au or at the Sponsoring Broker’s website, www.afssec.com.au. Any other information available on this website does not form part of this Prospectus.

The Offer pursuant to this Prospectus is available to persons receiving an electronic version of this Prospectus within Australia. The Company is entitled to refuse an application for Shares and Options under this Prospectus if it believes the Applicant received the Offer outside Australia in non compliance with the laws of the relevant foreign jurisdictions.

There is no facility for online applications. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access the Prospectus from within Australia, or any jurisdiction outside Australia where the distribution of the electronic version of this Prospectus is not restricted by law. Persons who access the electronic version of the Prospectus must ensure that they download and read the entire Prospectus.

The Shares and Options to which this Prospectus relates will only be issued on receipt of an Application Form that was issued together with the Prospectus.

Applications must be made by completing a paper copy of the Application Form. The Company will not accept Application Forms electronically.

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to a hard copy of this Prospectus or accompanies the complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a paper copy of this Prospectus by contacting the Company’s registered office on +61 7 3188 9101 with their request. Questions relating to the Offer may also be directed to the Sponsoring Broker on +61 3 9013 0630.

**Foreign Investors**

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and does not constitute an offer in any place in which, or to any person to whom, it would be not be lawful to make such an offer. Persons who come into possession of this Prospectus should seek advice on and observe any restrictions on accepting an offer or distributing the Prospectus. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Shares and Options have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States or to US Persons (as defined in Regulation S under the US Securities Act).

The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by the Applicant to the Company that there has been no breach of any applicable laws and that all necessary approvals and consents have been obtained.

**Applications**

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or attached to, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Detailed instructions on completing the respective Application Forms can be found on the back of the Application Forms. The acceptance of an Application Form and the allocation of Shares and Options are at the discretion of the Company.

**Privacy**

When making an Application, you will be required to provide personal information to the Company, Sponsoring Broker, and/or the Share Registry. The Company, Sponsoring Broker, and/or the Share Registry will collect, hold and use your personal information in order to assess the Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

If you become a Shareholder, the Company may also use or disclose information to inform you about matters that the Company thinks may be of interest to you. If you do not want information to be used for this purpose, you should contact the Company as set out below.

Company and tax law requires some of the information requested to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, or at all.

The Company, Sponsoring Broker and/or the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers, including the:

- Share Registry for ongoing administration of the register;
- Sponsoring Broker; and
- printers and the mailing house for the purposes of preparation and distribution of statements for handling of mail, and as otherwise authorised under the Privacy Act 1988 (Cth).

Under the Privacy Act 1988 (Cth), you may request access to personal information held by (or on behalf of) the Company by telephoning or writing to the Company as follows:

Peter Edwards, Company Secretary, U&D Coal Limited, Level 1, 37 Bandl Street, BTP, Eight Mile Plains, QLD 4113, or by phone on +61 7 3188 9101.

**Currency**

References in this Prospectus to currency are to Australian dollars unless otherwise indicated.

**Glossary**

Certain terms and abbreviations in this Prospectus have defined meanings that are explained in the Glossary to this Prospectus.
Defined terms are generally identifiable by the use of an upper case first letter.

**Exposure Period**

In accordance with Chapter 6D of the Corporations Act, the Prospectus is subject to an initial exposure period of 7 days from the date of lodgement of the Prospectus with ASIC. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds.

Applications for Shares and Options under this Prospectus will be not be processed by the Company until after the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

A paper copy of this Prospectus will be made available upon request during the Exposure Period. This Prospectus (without the Application Form) may also be viewed online at www.udcoal.com.au during the Exposure Period.

**Maps and Diagrams**

Maps, photographs and diagrams used in this Prospectus are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Photographs and diagrams used in this Prospectus are therefore illustrative only.

**Company Website**

Any references to documents included on the Company’s website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference into this Prospectus.

**Competent Person’s Statement**

The information in this Prospectus that relates to the Meteor Downs South coal resources (part of Orion Downs) is based on information compiled by Mr Mai Blaik of JB Mining Services. The reporting is in compliance with the 2012 JORC Code. Mr Sides is a qualified Geologist, a member of the Australian Institute of Geoscientists and has sufficient experience relevant to the type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee (JORC Code). Mr Blaik has given his consent for the inclusion of this information in the Prospectus and has reviewed all statements pertaining to this information in the form and context in which it appears.

The information in this Prospectus that relates to the Broughton coal resources is based on information compiled by Mr Phillip A J Sides of JB Mining Services. The reporting is in compliance with the 2012 JORC Code. Mr Sides is a qualified Geologist, a member of the Australian Institute of Geoscientists and has sufficient experience 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 Australasian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee (JORC Code). Mr Sides has given his consent for the inclusion of this information in the Prospectus and has reviewed all statements pertaining to this information in the form and context in which it appears.

The information in this Prospectus that relates to the Rockwood coal resources (part of Orion Downs) is based on information compiled by Mr Phillip A J Sides of JB Mining Services. The reporting is in compliance with the 2004 JORC Code. Mr Sides is a qualified Geologist, a member of the Australian Institute of Geoscientists and has sufficient experience 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 Australasian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee (JORC Code). Mr Sides has given his consent for the inclusion of this information in the Prospectus and has reviewed all statements pertaining to this information in the form and context in which it appears.

The technical and geological related information in this Prospectus is based on information compiled by Mr Darren N Walker who is an employee of U&D Mining. Mr Walker is a qualified Geologist, a member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy and has sufficient experience 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 2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee (JORC Code). Mr Walker has given his consent for the inclusion of this information in the Prospectus and has reviewed all statements pertaining to this information in the form and context in which it appears.

The information in this Prospectus that relates to Proven and Probable Reserves at U&D’s Meteor Downs South Project is based on a mine plan, a mine schedule and costs prepared by The Minserve Group Pty Ltd. Mr Jeff Jamieson was responsible for the report’s preparation and the reserve statement therein. He is both a Fellow of the Australian Institute of Mining and Metallurgy, and a Chartered Professional (Mining) and is a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Jamieson consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which it appears.

**Disclaimers**

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer.

Except as required by law, neither the Company nor any other person warrants the future performance of the Company nor any return on any investment made under this Prospectus.
Table of Contents

Chairman's Letter ........................................................................................................... i

1. Investment Overview and Details of the Offer ............................................. 1

2. Industry Overview ............................................................................................. 21

3. Business Overview .......................................................................................... 31

4. Tenements and Projects Overview ................................................................. 59

5. Directors and Management ........................................................................... 81

6. Risks .................................................................................................................. 91


9. Tenements Report .......................................................................................... 167

10. Financial Information ..................................................................................... 201

11. Investigating Accountant's Report .............................................................. 211

12. Additional Information ................................................................................ 219

Public Offer Application Form ............................................................................. 241
5 December 2013

Dear Investor,

As Chairman and on behalf of the Board of Directors, I have great pleasure in inviting you to become a Shareholder in U&D Coal Limited (Company). The Directors believe that the Offer represents an exciting opportunity to invest in a company that intends to develop its coal assets located in Queensland into emerging coal producing assets.

The Company’s corporate vision is to deliver quality assets to market and create a sustainable foundation for long term growth. To achieve this, our Company aims to:

- build on its high quality coal assets;
- engage high calibre people and management team;
- collaborate with business partners to deliver tangible outcomes;
- carry out rapid and responsible exploration;
- undertake our projects responsibly; and
- build a foundation by developing a sustainable business stream.

Although our Company is relatively new, our cornerstone shareholders comprise a significant coal enterprise from China and two sophisticated international investors. In addition, the Directors believe that the Company’s coal assets are regarded as promising with significant exploration investments having been incurred and committed by the Company.

The Company has two exciting flagship projects. Its strategy is to bring these two near term mining projects to production in the shortest possible timeframe, subject to raising the necessary funds described under the Offer and successfully implementing our project plans.

Our priority is to focus on achieving early cash inflows and developing low start-up capital expenditure projects through to operating mines. We aim to work with committed mining partners and overseas buyers. The cash inflow that we aim to generate from these projects will be used to fund medium to long-term, larger exploration projects and develop these into producing mines that generate long term and sustainable revenue.
The Offer is principally to raise sufficient funds to accelerate the exploration programme of our tenements and also for our objective of rapidly developing our two flagship projects.

The Offer is for a total of up to 250,000,000 New Shares to be issued by the Company to raise up to $125 million at a price of $0.50 per Share with a Minimum Subscription of $50 million, together with attaching Options. Successful applicants will also receive three free Option parcels described in more detail in Sections 1 and 12. The Directors intend that the proceeds of the Offer will be deployed in support of the implementation of the Company’s business plan, provide working capital for the Company and pay the costs of the Offer. Please refer to Section 1.1 for more details on the proposed use of funds raised under the Offer.

This Prospectus contains detailed information about the Offer and the Company’s business plans, as well as important risk factors relevant to a decision to invest in the Company. I encourage you to read it carefully and in its entirety before making an investment decision. An investment in the Company should be considered speculative. You should seek appropriate advice in relation to any investment in the Company from qualified financial, legal, taxation or other independent professional advisers. On behalf of the Board of Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,

Dongsheng Wu
Chairman
U&D Coal Limited
1. Investment Overview and Details of the Offer
Company Overview

U&D Coal Limited ACN 165 894 806 (the Company) is a newly formed public company incorporated in Australia. It was registered as a limited liability public company on 19 September 2013. Following the Offer, the Company will hold a 100% interest in U&D Mining Industry (Australia) Pty Ltd (U&D Mining) ACN 152 892 638, a proprietary limited company incorporated in Australia on 26 August 2011.

The Company’s objectives are to engage in the acquisition, exploration, development and operation of coal mines and to ultimately supply coal product into the export coal market. Refer to Section 2 for more information on the industry in which the Company intends to operate its business. Refer to Section 3 for further information about the Company and its business.

The Company’s Project Portfolio

The Company currently has two well advanced Bowen Basin mine development projects which are the focus of the Company’s strategy for transitioning to a coal producer in the near term and to start generating cash inflows for the Group. The Company’s most advanced flagship project is Meteor Downs South (MDS), which is located near Rolleston. This project is now at public consultation phase as part of the grant process. Based on the Company’s Project plans and timeframes and if the Company is able to implement the MDS Project plan successfully, the Company believes that the Project could commence coal production in the first half of 2015. The Company’s second flagship project is the Broughton Project located near Nebo. This Project is at the environmental impact studies stage. If the Company is able to implement the Broughton Project plan successfully, the Company believes that the Project could commence coal production in 2016. The Company notes, however, that there can be no guarantee that both these Project plans will be met in accordance with these timelines. There are a number of project specific risks as well as more general risks that could affect the implementation of the Projects, including but not limited to matters such as successfully obtaining mining lease approvals, the potential need for successfully concluding a joint venture in relation to the MDS Project (if only the Minimum Subscription is achieved) and the requirement for further funds in due course to fund the construction of the Broughton Project. Refer to Section 3 for more information on these flagship projects and to Section 6 for a description of the project specific and other risks that could affect the timing and success of these projects and particularly the commencement of coal production.

Key Strengths

- **Bowen Basin coal location**
  The Company’s tenements are located in the coal rich Bowen Basin, covering approximately 4903 km². Bowen Basin coal made up 84% of Australia’s coking coal exports in 2012. The Bowen Basin has existing coal export infrastructure with 5 coal ports serviced by 4 rail systems with export capacity in the process of being expanded.

- **Near Term flagship projects**
  The Directors believe that, subject to raising the necessary funds described under the Offer and subject to successful implementation of the Company’s Project plans and navigation of Project risks, the Company is on the cusp of becoming a mid-tier coal producer and exporter. It has acquired two near term development projects,
# Key Strengths

the first of which is MDS. The Company expects that MDS can be producing coal within 18 months of the Offer. Subject to the Company successfully implementing the MDS Project in accordance with the Company’s Project plans and timeframes, the Group is targeting total production from this mine to be 1.5 Mtpa once this mine is fully operational.

The Company has a complimentary second development project, Broughton. The Broughton Project is less advanced than MDS with a FS in progress. It is also subject to additional risks described in Sections 1 and 6. If the FS supports the Company’s previously completed pre feasibility study including establishing JORC Reserves (JORC Resources are currently 41.5 Mtpa), then subject to successfully implementing the Project in accordance with the Project plans and timeframes including navigating the above risks, the Company believes that the Project could commence coal production in 2016.

- **High calibre people and management team**
  The Company has 21 talented mining and geologically experienced employees, 12 of these experts have significant previous experience with the Group’s tenements. The management team has a balanced set of skills in the areas of geology, mining operations, infrastructure and regulatory, environmental and financial affairs, with the capability of supporting the Company from its exploration to production phase. All senior operational managers have worked, or will have worked previously, in the minerals and mining sector.

- **Cornerstone investors who have provided solid economic support and the potential for access to coal export markets**
  The ultimate parent of the Majority Shareholder is a significant Chinese coal enterprise. The Company sees potential off-take opportunities, access to the China market, and the potential for further investment opportunities from all three of its cornerstone shareholders.

- **Large existing resource base with potential to expand**
  The Company has significant existing JORC Resources in excess of 440 Mt as well as a large portfolio of granted tenements. The Company continues to invest in exploration to uncover further opportunities for development in the intermediate term. The Company will also seek to obtain further prospective opportunities through vacant tenure, acquisition or partnership arrangements with existing tenure holders.

Refer to Section 3 for more information on key strengths of the Company.

# What are the Company’s medium term business objectives

In addition to the two flagship projects, the Company will also be evaluating and continuing mining studies at the Rockwood Project as well as evaluating and assessing potential opportunities across its broad range of 21 existing granted tenements and those that we expect to be granted from the 8 current tenement and MLA applications that are in progress.

The Company’s strategy is to carry out rapid and responsible exploration and mining evaluations to identify a further one to three, open cut mine operation opportunities to bring to production in the next three to five year period.
What are the Company’s medium term business objectives

The Company is looking to build a sustainable business with a view of having at least three operating mines by 2018. The Company is looking to build a foundation by developing a sustainable business stream through building on high quality coal resources and collaborating with business partners to deliver tangible outcomes.

The Company will seek to add further prospective tenements through vacant tenure, acquisition or partnership. The Company recognises that there are opportunities in the current economic climate, and that the Company is well placed to take advantage of these opportunities and to acquire favourable future mining opportunities.

Key Investment Risks

The Company believes that the key risks of investing in the Company are as follows. Refer to Section 6 for a full description of risks.

- **MDS Project Risk**
  There are a number of risks associated with the MDS Project that could materially and adversely affect the profit margin, cash flow and overall financial position of the Company. These include the ability of the company to negotiate the following agreements on commercially acceptable terms:
  - port and rail access
  - land compensation agreement with landholders
  There are risks associated with the grant of the mining lease, project delivery and capital levels raised that may adversely affect profits and cash flows. These include:
  - restrictions on the mining lease that reduce the mineable coal reserves.
  - that the mining lease or the required environmental approvals are not granted within the expected timeframe, or with onerous conditions.
  - whether the company can deliver the project in lines with the feasibility study.
  - should the Company only be able to reach the Minimum Subscription of $50 million, there is no assurance that it will be able to successfully enter into a JV agreement or obtain alternative funding to commence the MDS Project.

- **Broughton Project Risk**
  The Broughton Project is not as advanced as the MDS Project and while the Company has not completed a feasibility study in regards to the project, it has identified the following specific risks that could adversely affect the profit margin, cash flow, the overall financial position of the Company and the ability of the Company to complete the project:
  - port and rail access
  - that the mining lease or the required environmental approvals are not granted within the expected timeframe, or with onerous conditions
  - there can be no assurance that project funding will be available on satisfactory terms or at all.

- **Operational Risks**
  There are a number of operational risks that have been identified that could adversely affect the profit margin, cash flow and overall financial position of the Company:
Key Investment Risks

- the accuracy of JORC Code estimates of coal resources and reserves.
- the high level of Inferred Resources within the Company’s projects means that there is significant uncertainty that they cannot be converted to the status of a Reserve.
- the need of the Company to meet legislative requirements and maintain its MLs, licences and permits
- the negotiation of port and rail access at commercially acceptable terms and that infrastructure providers meet future transportation demand with a reliable infrastructure network and reliable infrastructure operators.
- that JV agreements on mining operations are not in line with Company objectives and that relationships with JV partners are strained and difficult. That contractual arrangements with third party contractors does not deliver expected outcomes, or that the contractor under performs and that the Company will be successful in securing compliance with in the terms of each contract.
- that the Company may not be able to comply with some or all of the conditions associated with tenement licences and may therefore lose those tenements. There is also a risk that consents and approvals may not be able to be obtained on time or on acceptable commercial terms, which may have an adverse effect on the Company.
- there is a risk that Directors’ or senior management may leave the Company and cannot be suitably replaced, or that as the Company grows it is unable to recruit suitable qualified personnel.

- Exploration, evaluation and development risks
  - there is no assurance that exploration will result in the discovery of economic deposits. Exploration and development activities could be affected by several factors including, geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.
  - there is no guarantee that the Company will be able to secure sufficient future development capital or funding, so as to be able to maintain legal title to its tenements and to obtain all required approvals for its planned activities.
  - the Company has used estimates and assumptions, which by their nature are subject to significant uncertainties and accordingly, there is a risk that actual costs may materially differ from these estimates and assumptions.
  - the Company’s Existing Shareholders will have a period of up to 24 month escrow on Shares they hold, which will adversely impact the liquidity of the Company’s Shares. The Majority Shareholder may exert substantial influence over the management on matters relating to the Company.
  - overlapping tenements could potentially prevent, delay or increase the cost of the future development of the Company’s projects as consents and agreements may be required.
  - land access is governed by Queensland government legislation and is critical for exploration and development to succeed. There is a risk that the Company will not be able to reach a satisfactory agreement with landholders which could delay projects or activities.
  - there is a risk that the Company’s tenements may contain some sites of cultural heritage significance, which would need to be avoided during field exploration programs. It is possible that some areas containing an economic resource may also contain sacred sites, in which case they may remain unexploited.
Key Investment Risks

- there is a risk that the Company’s tenements may be subject to native title, which may affect the Company’s ability to secure prospective exploration and development areas as well as the requirement for negotiation prior to the grant of any MLs. All these factors may have a material adverse impact on the Company’s expected timeframes.

- there is no assurance that the Company can procure access to water and power on commercially acceptable terms and in a timely basis for its mining projects.

- there is no guarantee that the Company will be able to obtain adequate insurance cover on commercially acceptable terms, or that the Company can cover all items it wants to insure. The company may incur liabilities to third parties (in excess of any insurance cover or statutory reserves).

- there is no guarantee that the Existing Shareholders will continue to fund the growth and future capital needs of the Company. In fact, they may want to decrease their respective investments in the Company over time. Further future investments may involve diversification. Growth may bring substantial demands on management and any failure by the Company to successfully manage any future growth opportunities will adversely affect its financial performance and consequently your investment.

- Industry related risks

  - there is a risk that any coal identified by the Company may not be of sufficient quality to develop commercial mining operations, or that the coal produced may differ from expectations, or that the coal price is lower than expectations, or that the demand for coal is adversely affected by market conditions.

  - there is a risk that coal being produced may be subject to conditions and events beyond the control of the Company which could adversely affect the financial outcomes with regards to production and costs.

  - the coal industry is highly competitive both locally and internationally. There is a risk that the Company will face strong competition on price, capacity, coal quality and characteristics, and transport capability. New technologies or practices may also lead to greater use of lower quality coals or other carbon sources in substitution for the coals produced by the Company.

  - there is a risk that the estimates of costs based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and other factors are understated.

  - despite intentions to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, there is a risk that the Company could be subject to liability due to environmental risks inherent in its activities.

  - there is a risk that the Company may be affected by MRRT legislation and the carbon tax legislation should one or both of these legislations not be successfully repealed by the current government. There is further risk that unforeseen taxes, charges or royalties are levied by governments.

  - there is a risk that any future additional regulations could increase costs or limit the Company’s ability to produce and sell coal. Regulation changes could come from a number of areas including; land use, employee health and safety, mine permitting and licensing requirements, reclamation and restoration of mining properties, air quality standards, water pollution, protection of human health, plant life and wildlife, discharge of materials into the environment, surface subsidence from underground mining and the effects of mining on groundwater quality and availability.
Key Investment Risks

- As the Company’s coal sales revenue will predominantly be derived in US Dollars and RMB and costs will predominantly be denominated in Australian dollars, the Company will be exposed to foreign exchange rate risk. Generally speaking, an increase in the strength of the Australian dollar against the US Dollar and RMB, will have an adverse effect on profits and cash flow. The Company may hedge its exchange rate exposure, but there is no guarantee that hedging will be effective or not result in an adverse financial impact.

  - General risks
    - A deterioration in general economic conditions may adversely affect the operating and financial performance of the Company. Changes in business and economic factors, include interest rates, exchange rates, inflation, changes in national demographics, changes in government fiscal, monetary and regulatory policy both domestically and globally and changes to accounting or financial reporting standards. A slowdown and contraction of global demand of coal or an economic slowdown in China will also have an adverse and material impact on the Company.

You should be aware that there are risks associated with any investment listed on ASX. Investment returns are influenced by general market factors and the price at which the Shares will be trading on ASX may be affected by variations in the local and global market for listed companies and for mining and resources companies in particular. Accordingly, there is a risk that the price of the Company’s Shares will fluctuate.

The Offer

The Offer is an offer of up to 250,000,000 New Shares in the Company at the Offer price of $0.50 per Share to raise up to $125 million, subject to a minimum subscription of $50 million.

The Shares will be issued (on payment of the Offer price) as fully paid ordinary shares and will, once issued, rank equally with each other and the Existing Shares.

The minimum subscription is for 4,000 Shares. Each parcel of 4,000 Shares comes with three free Option parcels. The Options will not be listed for official quotation on ASX and therefore will not be publicly tradable. The Option tranches are as follows:

- Within the first year from the Listing Date – Applicants will have a call option to exercise at 50 cents up to 30% or 1,200 Shares for each parcel of 4,000 Shares. Any unexercised Options from this tranche will expire at the end of the first year.
- Within the first 2 years from the Listing Date – Applicants will have a call option to exercise at 70 cents up to 30% or 1,200 Shares for each parcel of 4,000 Shares. Any unexercised Options from this tranche will expire at the end of the second year.
- Within the first 3 years from the Listing Date – Applicants will have a call option to exercise at 90 cents up to 40% or 1,600 Shares for each parcel of 4,000 Shares. Any unexercised Options from this tranche will expire at the end of the third year.

A summary description of the rights and liabilities attaching to the Shares is set out in Section 12.1
Important Dates

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of this Replacement Prospectus</td>
<td>5 December 2013</td>
</tr>
<tr>
<td>Opening Date</td>
<td>6 December 2013</td>
</tr>
<tr>
<td>Closing Date</td>
<td>5pm AEST on 31 January 2014</td>
</tr>
<tr>
<td>Allotment of Shares and Options under the Offer</td>
<td>10 February 2014</td>
</tr>
<tr>
<td>Expected date for despatch of holding statements</td>
<td>12 February 2014</td>
</tr>
</tbody>
</table>

Note: This timetable is indicative only. All dates and times are references to AEST. The Company, in consultation with the Sponsoring Broker, may decide to vary the dates, including closing the Offer early or extending the Offer Period, without notice. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

Persons wishing to apply for Shares and Options should complete the Application Form attached to the Prospectus, and send the completed form together with the Subscription Amount to the address shown on the form so that it is received prior to the Closing Date.

Purpose of the Offer

The purpose of the Offer is to support the implementation of the Company’s business plan and to:

- fund the development of the MDS Project and funding for other development projects
- fund ongoing exploration and resource evaluation
- provide general working capital for the Company; and
- fund the expenses of the Offer and the costs of listing the Company on the ASX. Following the close of the Offer and upon admission to the Official List, if the Company has received the Maximum Subscription of $125 million, the Company intends to apply these funds through to June 2015 as shown below in bold: (The Company has, however, also provided a minimum subscription of $50 million. The use of funds on that basis through to June 2015 is shown in brackets and not in bold):
  - Provide capital for the development of the MDS Project up to $46.2 million / ($0)
  - Provide funding for resource evaluation over the next two years $44.1 million / ($19.8 million)
  - Provide funding for environmental impact studies, mining lease applications, bankable feasibility studies and land access $11.0 million / ($11.0 million)
  - Provide working capital for the Company for the period to 30 June 2015 including interest on loan $13.3 million / ($13.3 million)
  - Pay the costs of the IPO of approximately $10.4 million / ($5.9 million)

The use of funds maybe subject to change as the Company’s projects progress and new circumstances arise. Should the Company only meet the Minimum Subscription of $50 million, the Company intends to explore joint venture opportunities on the MDS Project and reduce its exploration and resource evaluation program subject to further funding. On completion of the Offer the Board believes it will have sufficient capital to achieve its stated objectives and its working capital obligations up to 30 June 2015.

Refer to Section 1.1 of this Prospectus for the use of proceeds table and more information.
<table>
<thead>
<tr>
<th><strong>Offer Costs</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The fees and costs of the Offer, which will be borne by the Company, are estimated to be between $5.9 million and $10.4 million (subject to the final amount raised under this Prospectus), including the costs of the sponsoring broker, accounting, legal, share registry, printing, ASIC and ASX costs and other costs arising from this Prospectus and the Offer. Refer to Section 12.8 of this Prospectus for more detailed information on the costs of the Offer.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Forecasts and Dividend Policy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings of the Company on the basis that the operations of the Company are at developmental and initial commercialisation stage. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare reliable forecasts or projections.</td>
</tr>
</tbody>
</table>

The Directors therefore do not expect that the Company will be in a position to pay any dividends in the short term, and cannot give any assurances concerning the payment of dividends at any time in the future.
The Company will be led by a Board comprising three Executive Directors, one independent Non-executive Director, and three non-independent and Non-Executive Directors.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Dongsheng Wu</td>
<td>43</td>
<td>Chairman</td>
<td>Mr Wu is a Non-Executive Director and is not an independent Director.</td>
</tr>
<tr>
<td>Mr Yinan Zhang</td>
<td>44</td>
<td>Vice Chairman</td>
<td>Mr Zhang is an Executive Director and is not an independent Director.</td>
</tr>
<tr>
<td>Mr Hao Liu</td>
<td>48</td>
<td>Chief Executive Officer</td>
<td>Mr Liu is an Executive Director and is not an independent Director.</td>
</tr>
<tr>
<td>Dr Geoff Dickie</td>
<td>69</td>
<td>Non-executive Director</td>
<td>Mr Dickie is a Non-Executive Director and an independent Director.</td>
</tr>
<tr>
<td>Mr Wei Liu</td>
<td>53</td>
<td>Deputy Chief Executive Officer</td>
<td>Mr Liu is an Executive Director and is not an independent Director.</td>
</tr>
<tr>
<td>Mr Gavin Houghton</td>
<td>45</td>
<td>Non-executive Director</td>
<td>Mr Houghton is a Non-Executive Director and is not an independent Director.</td>
</tr>
<tr>
<td>Mr Wenliang Wang</td>
<td>51</td>
<td>Non-executive Director</td>
<td>Mr Wang is a Non-Executive Director and is not an independent Director.</td>
</tr>
</tbody>
</table>

The Company considers that a Director is an independent Director where that Director is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director’s judgement. The Company has also assessed the independence of its Directors regarding the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles. Mr Yinan Zhang, Mr Hao Liu and Mr Wei Liu are not considered to be independent Directors of the Company under the ASX Corporate Governance Principles due to their respective executive positions in the Company. Mr Dongsheng Wu and Mr Wenliang Wang are not considered to be independent directors of the Company as they are employees of Yima* which as at the date of this Prospectus holds 51% of the issued Shares in the Company. Mr Gavin Houghton is not considered to be an independent Director because he previously indirectly held 20% of the Broughton EPC 818 sold to U&D Mining in 2012. Refer to Sections 5 for further information.

* Henan Energy and Chemical Group, through Yima, holds 100% interest in KQ.

The following table provides a summary of each of the Director’s experience.
### Name | Experience
--- | ---
**Mr Dongsheng Wu** | Mr Dongsheng Wu is the Chief Accountant of Yima Coal Industry Group and CFO of Henan Dayou Energy Ltd (listed on the Shanghai Stock Exchange). He has a Bachelor Degree in Accounting from China Central University of Finance and Economics and has significant experience in finance and administration. He started his career in the Finance Department of Hanwang Coal Mine for the Jiaozuo Coal Industry Group, before moving to the Coal Industry Administration Bureau. Before joining Yima as Vice Chief Accountant in 2009, Mr Wu was the Vice Director of the Finance Division of the Department of Industry and Information Technology in Henan. Mr Wu became CFO of Henan Dayou Energy Ltd in March 2011 and chief accountant of Yima in September 2011.

**Mr Yinan Zhang** | Mr Yinan Zhang is the Managing Director of ASX listed entity, Australia New Agribusiness & Chemical Group Limited (ASX:ANB). Mr Zhang has more than five year’s experience in the chemical fertiliser industry investment, banking, finance and securities. He has founded a number of industrial companies in the PRC and Australia. Mr Zhang is an Australian resident based in Brisbane. He has lived in Australia for more than five years, during which time he has gained experience in corporate operations in Australia and familiarity with the Australian business environment.

**Mr Hao Liu** | Mr Hao Liu is a coal mining engineer with over 30 years’ experience in the coal industry. Mr Liu first came to Australia in 2011, as a representative of Yima Coal Industry Group, to investigate mining opportunities in Australia. Mr Liu is a Director of KQ (a major shareholder of the Company), and is the founding CEO of the U&D Group. Prior to coming to Australia, Mr Liu had been employed by Yima since 1984. He has held various positions including as deputy chief engineer and manager of the Production Technology department, in the Zhonglianrunshi Xinjiang Coal Mining Co., Ltd; Deputy General Manager in Qinghai Yihai Energy Co., Ltd.; and a general manager of Production Technology and Safety at the Muli coal mine.

**Dr Geoff Dickie** | Dr Geoff Dickie has been involved in mineral exploration, mining, energy, infrastructure, planning and native title for over 40 years both in the private sector and government. He was the Former Queensland Deputy and Assistant Coordinator-General. He was responsible for numerous major infrastructure and economic development projects through the Coordinator-General approval and facilitation processes. He was the inaugural chair of the Queensland Exploration Council. He is a fellow of Australasian Institute of Mining and Metallurgy and holds a Bachelor of Science and PhD in Geology. He was awarded a Public Service Medal by the Federal government in 2012.

**Mr Wei Liu** | Mr Wei Liu has experience in the field of corporate finance and investment banking. Before he joined U&D Mining in 2013, he was a senior manager of China Huarong Asset Management Corporation, a company based in Zhengzhou, PRC. During this period, Mr Liu was involved in debt and equity financing deals involving Yima, Zhengzhou Coal Group, and CITIC Heavy Industrial Co. Ltd.
Mr Gavin Houghton BEcon MEcon (UQ) is an experienced mining executive, having worked across the full portfolio of metals, minerals and mining jurisdictions in his 23 year resources career. After beginning his career with BHP he has held senior executive roles with North Limited and Rio Tinto plc.

Mr Wenliang Wang is a senior engineer who has been employed by Yima from September 1988. He has significant coal mining and geological experience from successive progression through the Yima. He has held the following positions at Xi’an coal mine: General Manager of High pressure hose factory, General Manager of the coal mine. In addition, he was also the director of Human Resource department of Yima. Mr Wang was appointed as the general manager of Yima in September 2013.

### Senior Management

The following table sets out the current senior management team of the Group:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Yinan Zhang</td>
<td>44</td>
<td>Vice Chairman (Executive Director)</td>
</tr>
<tr>
<td>Mr Hao Liu</td>
<td>48</td>
<td>C.E.O. (Executive Director)</td>
</tr>
<tr>
<td>Mr Wei Liu</td>
<td>53</td>
<td>Deputy C.E.O. (Executive Director)</td>
</tr>
<tr>
<td>Mr Peter Edwards</td>
<td>55</td>
<td>Chief Financial Officer and Company Secretary</td>
</tr>
<tr>
<td>Mr Darren Walker</td>
<td>37</td>
<td>General Manager Resource Development</td>
</tr>
</tbody>
</table>

The following table provides a summary of each of the senior management teams’ experience:

<table>
<thead>
<tr>
<th>Name</th>
<th>Experience</th>
</tr>
</thead>
</table>
| Mr Yinan Zhang   | • Managing Director of ASX listed entity, Australia New Agribusiness & Chemical Group Limited (ASX:ANB).  
• More than five year’s experience in the chemical fertiliser industry.  
• Experienced in business, foreign investment, banking, finance and securities.  
• The founder of a number of industrial companies in the PRC and Australia. |
| Mr Hao Liu       | • A coal mining engineer with over 30 years’ experience in the coal industry.  
• A representative of Yima and has been employed by Yima since 1984, to investigate mining opportunities in Australia.  
• The Director of major shareholder KQ, and is the founding CEO of the U&D Group.  
• Previous employment including of Deputy Chief Engineer and Manager of the ProductionTechnology department, in the Zhonglianrunshi Xinjiang Coal Mining Co., Ltd.  
• Deputy General Manager in Qinghai Yihai Energy Co., Ltd. and a General Manager of Production Technology and Safety at the Muli coal mine. |
| Mr Wei Liu       | • Experience in the field of corporate finance and investment banking.  
• Previous employment as a Senior Manager of China Huarong Asset Management Corporation based in Zhengzhou.  
• Involvement in debt and equity financing deals involving Yima, Zhengzhou Coal Group and, CITIC Heavy Industrial Co., Ltd. |
Mr Peter Edwards

- A Chartered Accountant with over 30 years’ experience as a senior finance executive.
- The Chief Financial Officer and Company Secretary at Endocoal prior to U&D Mining’s acquisition of Endocoal in May 2013.
- Prior to Endocoal, Peter held Group Financial Controller roles at listed entities Norton GoldFields (ASX:NGF) and Ludowici (ASX:LDW, now FL Smidth).
- Prior roles as Chief Financial Officer in UK, New Zealand and Australia with a diverse accounting background covering mining, resources, manufacturing, industrial, services, retail, leisure and property.

Mr Darren Walker

- An accomplished geologist and coal technical professional with experience as a geologist in petroleum, metals and coal.
- The Exploration Manager at Endocoal prior to its acquisition by U&D Mining and led the discovery of over 450 Mt of coal resources from the date of Endocoal’s ASX listing.
- Also led the discovery and development of the MDS Project.
- Previous working experience in geology and metallurgy with New Hope Corporation, which has leading and managing exploration projects such as the world class New Saraji Project which resulted in a sale to BMA for $2.5 billion and in Coal Marketing as a technical marketing manager.
- Bachelor of Science with Honours in Geology and a Masters in Business Administration.
- A qualified competent person as defined in the 2012 edition of the “Australian Code for reporting of exploration results, mineral resources and ore reserves”.

Refer to Sections 5.1 and 5.2 of this Prospectus for more detailed information on the Board and senior management team.

Directors’ Benefits and Related Party Transactions

As at the date of this Prospectus, the Directors’ interests and benefits in the Company are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Annual Salary</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Donsheng Wu</td>
<td>$60,000</td>
<td>nil</td>
</tr>
<tr>
<td>Mr Yinan Zhang</td>
<td>$350,000</td>
<td>nil</td>
</tr>
<tr>
<td>Mr Hao Liu</td>
<td>$350,000</td>
<td>nil</td>
</tr>
<tr>
<td>Dr Geoff Dickie</td>
<td>$60,000</td>
<td>nil</td>
</tr>
<tr>
<td>Mr Wei Liu</td>
<td>$250,000</td>
<td>nil</td>
</tr>
<tr>
<td>Mr Gavin Houghton</td>
<td>$60,000</td>
<td>nil</td>
</tr>
<tr>
<td>Mr Wenliang Wang</td>
<td>$60,000</td>
<td>nil</td>
</tr>
</tbody>
</table>

Mr Yinan Zhang holds salaried employment with the Company at a remuneration of $350,000 per annum plus superannuation at 9.25% of base salary. Mr Hao Liu holds a four year employment contract with the Company at a remuneration of $350,000 per annum plus superannuation at 9.25% of base salary. Mr Wei Liu holds salaried employment with the Company at a remuneration of $250,000 per annum plus superannuation at 9.25% of base salary. Mr Gavin Houghton previously indirectly held 20% of the Broughton EPC 818 sold to U&D Mining in 2012. Refer to Sections 5.3 and 12.4 for further information.
Financial Information

The following table presents a summary of the pro-forma statement of financial position of the Company (assuming completion of the Offer) set out in Section 10. The pro-forma statement is based upon the Offer being fully subscribed with 250,000,000 New Shares being issued at A$0.50 each to raise $125 million. The Proforma Balance Sheet also includes a reclassification of the $70 million loan the Group has with China Construction Bank (CCB Loan). Subsequent to 30 June 2013 and prior to the date of this Prospectus, the CCB Loan repayment date was extended from 28 May 2014 to 28 May 2016, making the CCB Loan a non-current liability. Refer to Section 12.4 of the Prospectus for more information on the Facility Agreement in respect of CCB Loan.

<table>
<thead>
<tr>
<th>Audited Statutory</th>
<th>Net proceeds from the offer</th>
<th>Pro Forma Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>U&amp;D Mining Industry (Australia) Pty Ltd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>($ 000’s)</td>
<td>($ 000’s)</td>
<td>($ 000’s)</td>
</tr>
</tbody>
</table>

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Current assets</th>
<th>Non-current assets</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11,106</td>
<td>105,892</td>
<td>116,997</td>
</tr>
<tr>
<td></td>
<td>114,575</td>
<td>-</td>
<td>114,575</td>
</tr>
<tr>
<td></td>
<td>125,681</td>
<td>105,892</td>
<td>281,572</td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Current assets</th>
<th>Non-current assets</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>71,630</td>
<td>-</td>
<td>71,630</td>
</tr>
<tr>
<td></td>
<td>(70,000)</td>
<td>70,000</td>
<td>70,000</td>
</tr>
<tr>
<td></td>
<td>1,630</td>
<td>-</td>
<td>1,630</td>
</tr>
</tbody>
</table>

### Net assets

<table>
<thead>
<tr>
<th></th>
<th>Current assets</th>
<th>Non-current assets</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45,367</td>
<td>-</td>
<td>45,367</td>
</tr>
<tr>
<td></td>
<td>114,575</td>
<td>-</td>
<td>114,575</td>
</tr>
<tr>
<td></td>
<td>159,942</td>
<td>-</td>
<td>159,942</td>
</tr>
</tbody>
</table>

### EQUITY

<table>
<thead>
<tr>
<th></th>
<th>Contributed equity</th>
<th>Share option reserve</th>
<th>Accumulated losses</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>47,729</td>
<td>-</td>
<td>(2,362)</td>
<td>45,367</td>
</tr>
<tr>
<td></td>
<td>100,864</td>
<td>14,595</td>
<td>(884)</td>
<td>114,575</td>
</tr>
<tr>
<td></td>
<td>148,593</td>
<td>14,595</td>
<td>(3,246)</td>
<td>159,942</td>
</tr>
</tbody>
</table>
**Financial Information**

This Company has never been listed and therefore has no ASX trading history. Refer to Section 10 of this Prospectus for more detailed financial information relating to the Company and also Section 11 for the Investigating Accountant’s Report. The Directors note that the historical financial information reported in this Prospectus discloses predominantly historical financial information of U&D Mining prior to its acquisition of Endocoal in May 2013, as referred to in Section 3.1 of this Prospectus. As the Company intends to adopt a significantly new business model as detailed in this Prospectus, the Directors believe that the historical information presented in respect of the Company may not therefore necessarily reflect the future financial performance of the Company based on the U&D business model articulated in this Prospectus.

**Tax Implications**

The tax implications of investing in the Shares will depend on your individual circumstances. Refer to Section 12.5 which sets out a general overview of the tax implications for investors. You should obtain your own tax advice in relation to your own individual circumstances from your taxation adviser prior to investing in the Shares.

**Enquiries**

If you have any queries relating to the Offer or the procedures for participating in the Offer, including how to complete the Application Form, please contact the Sponsoring Broker on +61 3 9013 0630. Other questions can be directed to your stockbroker, lawyer, accountant or other financial adviser.
1.1 Use of Proceeds

The Company intends that the proceeds of the Offer will be used as follows:

<table>
<thead>
<tr>
<th>Application</th>
<th>Minimum subscription $50 million ($000)</th>
<th>Maximum subscription $125 million ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conducting resource evaluation of the Company's tenements</td>
<td>Year 1 $14,800</td>
<td>Year 1 $15,100</td>
</tr>
<tr>
<td></td>
<td>Year 2 $5,000</td>
<td>Year 2 $29,000</td>
</tr>
<tr>
<td>Capital expenditure for the MDS Project.*1</td>
<td>$-</td>
<td>$46,200</td>
</tr>
<tr>
<td>Conducting BFS and environmental impact process for mining lease approvals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for the Company's Broughton Project.</td>
<td>Land Access, procurement and environmental sustainability</td>
<td>$11,000</td>
</tr>
<tr>
<td>Working capital</td>
<td></td>
<td>$13,300</td>
</tr>
<tr>
<td>IPO costs (excluding brokerage)</td>
<td></td>
<td>$900</td>
</tr>
<tr>
<td>IPO costs (brokerage)</td>
<td></td>
<td>$5,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$50,000</td>
</tr>
</tbody>
</table>

*1 The Company estimates that capital of $46.2 million is required to fund the capital needs of the MDS Project on a FOT basis for transportation of coal to be produced. The Company has considered different transportation options (refer to Section 3.3 for more detailed information on these options) and has concluded that given the current economic climate the FOT option is the most logical if the Company is unable to complete a joint venture agreement (JVA) on acceptable terms.

The Company is currently investigating potential JVA on this project that, if implemented, would effectively minimise the requirement to fund capital expenditure. If the Company is able to successfully conclude a JVA on appropriate terms, it could proceed to implement the MDS Project even if it only raises the Minimum Subscription. Such a JVA is likely to involve a level of joint ownership of the Project and therefore a sharing of the Project's revenues. However, in such a scenario, the Company would also be likely to obtain a range of contributions and benefits from its partner. Refer to Sections 3.3 and 6 for more information that describes the Company's intentions with respect to implementation of the MDS Project and the risks associated with its implementation.

The Group has a $70 million loan facility with China Construction Bank which is repayable by 28 May 2016. The loan repayment is not included in the use of proceeds. The Directors further confirm that, in their opinion, on completion of the Offer, the Company will have enough working capital to carry out its objectives as stated in this Prospectus. In relation to the proposed use of proceeds described above, it should be recognised that there will typically be differences between estimated and actual costs, because events and circumstances frequently do not occur as expected and those differences may be material. You should read carefully and consider the risk factors set out in Section 6 of this Prospectus.
1.2 Capital Structure Following the Offer

The table below sets out the details of the capital structure of the Company immediately prior to completion of the Offer and on completion of the Offer excluding Options parcels issued to applicants under the Offer.

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Assuming Minimum Subscription ($50 million)</th>
<th>Assuming Maximum Subscription ($125 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
<td>%</td>
</tr>
<tr>
<td>Existing Shares* Ordinary</td>
<td>1,000,000,000</td>
<td>87.7%</td>
</tr>
<tr>
<td>New Shares to be issued under the Offer Ordinary</td>
<td>100,000,000</td>
<td>12.3%</td>
</tr>
<tr>
<td>Total</td>
<td>1,100,000,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

*1 See Section 12.4 of this Prospectus for further information on the Existing Shares which were issued in accordance with the Share Sale and Purchase Agreement.

The New Shares will be issued with an Options parcel. The Options parcel has the potential to increase the number of Shares on issue over the next three year period. If all of the Options are exercised, total Shares on issue over the next three years could increase to 1,200,000,000 for the $50 million Minimum Subscription, or 1,500,000,000 for the $125 million Maximum Subscription, assuming no other Share issues occurred. The following table shows the capital structure of the Company assuming all Options are exercised.

<table>
<thead>
<tr>
<th>Share Class</th>
<th>Assuming Minimum Subscription ($50 million)</th>
<th>Assuming Maximum Subscription ($125 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
<td>%</td>
</tr>
<tr>
<td>Existing Shares* Ordinary</td>
<td>1,000,000,000</td>
<td>83.4%</td>
</tr>
<tr>
<td>New Shares to be issued under the Offer Ordinary</td>
<td>100,000,000</td>
<td>8.4%</td>
</tr>
<tr>
<td>Tranche 1 Options Ordinary</td>
<td>30,000,000</td>
<td>2.5%</td>
</tr>
<tr>
<td>(50 cents expiring at the first anniversary of the Listing Date)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 2 Options Ordinary</td>
<td>30,000,000</td>
<td>2.5%</td>
</tr>
<tr>
<td>(70 cents expiring at the first anniversary of the Listing Date)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranche 3 Options Ordinary</td>
<td>40,000,000</td>
<td>3.3%</td>
</tr>
<tr>
<td>(90 cents expiring at the first anniversary of the Listing Date)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,200,000,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
1.3 Existing Shareholders

The following table provides a summary of the Existing Shareholders in the Company prior to and on completion of the Offer:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>No. of Existing Shares held</th>
<th>Percentage of total Shares on issue following Offer assuming Minimum Subscription</th>
<th>Percentage of total Shares on issue following Offer assuming Maximum Subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td>KQ</td>
<td>510,000,000</td>
<td>46.36%</td>
<td>40.80%</td>
</tr>
<tr>
<td>Kunlun</td>
<td>250,000,000</td>
<td>22.73%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Golden Globe</td>
<td>240,000,000</td>
<td>21.81%</td>
<td>19.20%</td>
</tr>
</tbody>
</table>

* The table above is based only on the Existing Shares held by these Shareholders and not New Shares that may be applied for in the Offer.

To the extent that any Existing Shareholder subscribes for New Shares in the Offer, the number of Shares and their percentage shareholding will increase accordingly. Existing Shareholders may apply for the New Shares. However, KQ has agreed not to participate in any issue of Options.

1.4 How to Apply

To participate in the Offer, the Application Form attached to this Prospectus must be completed in accordance with instructions on its reverse side. Applications must be for a minimum of 4,000 New Shares ($2000) and then in increments of 400 New Shares ($200). Options parcels will be issued according to the final number of New Shares allotted to each Applicant.

Duly completed Applications and accompanying Application Monies must be received no later than 5.00pm (AEST) on the Closing Date (which is expected to be on or about 31 January 2014).

The Company, in consultation with the Sponsoring Broker, reserves the right to withdraw the Offer or to vary the dates, including closing the Offer early or extending the close of the Offer, without notifying any recipients of the Prospectus or any Applicants. You are therefore encouraged to submit your completed Application as soon as possible after the Offer opens.

The Company may make available a certain percentage of the New Shares to ASX Bookbuild to offer the New Shares to participants in a volume bookbuild.

The ASX Bookbuild Facility (ASX Facility) launched by ASX in October 2013 is an automated on-market bookbuild service introduced to provide issuers of securities with an alternative to off-market bookbuild processes used to date when conducting capital raisings. Under the ASX Facility, the bookbuild takes place within parameters set by the issuer. All eligible investors will have on-market access to participate in the bookbuild through their broker. No fees are imposed directly by ASX on investors that participate in the ASX facility but investors’ brokers may charge them brokerage fees like any on-market trade. Information about the ASX Facility for investors can be found on the ASX website at http://www.asx.com.au/documents/professionals/bookbuild-investor-information-sheet.pdf.

If the Company proceeds to conduct a bookbuild using the ASX Facility, it will announce this on its website at www.udcoal.com.au when the Offer opens. The announcement will include details of the ASX ticker under which eligible investors will be able to participate in the Company’s bookbuild using the ASX Facility.
1.5 Allocation and Allotment of New Shares and Options

The Company reserves the right to reject any Application or to issue a lesser number of New Shares than that applied for. If the number of New Shares allocated is less than that applied for, the surplus Subscription Amount will be promptly refunded without interest. Refer to Section 1.6 below.

The issue of New Shares and Options will occur as soon as practicable after the Minimum Subscription has been raised and the closure of the Offer. All New Shares issued pursuant to the Offer will rank pari passu in all respects with the Existing Shares of the Company.

Holding Statements will be despatched as required by ASX. It is the responsibility of Applicants to verify their allocations prior to trading the New Shares and Options. Applicants who sell New Shares before they receive their statement of shareholding will do so at their own risk.

1.6 Disbursement of Application Money

The Subscription Amounts received for applications of New Shares will be held in a separate bank account on behalf of the Applicants until the New Shares are allotted.

Application Money will be refunded, without interest, as soon as practicable, in accordance with the Corporations Act in the event that:

(a) the Offer does not proceed;
(b) the Company is not included in the Official List or the Shares issued under this Prospectus are not granted Official Quotation within three months after the date of this Prospectus or such longer period as approved by ASIC;
(c) the Minimum Subscription is not achieved within four months after the date of this Prospectus; or
(d) your Application is not accepted or is scaled back.

1.7 Restricted Securities

On completion of the Offer, it is anticipated that the Existing Shareholders will be escrowed for periods of up to 24 months, subject to confirmation by ASX.

Refer to Section 12.10 for further details of the escrow arrangements.

1.8 Foreign Investors

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. No action has been taken to register or qualify the New Shares or Options that are the subject of the Offer, or otherwise to permit a public offering of the New Shares or Options, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. It is the responsibility of non-Australian resident investors to obtain all necessary approvals for the issue to them of New Shares or Options offered pursuant to this Prospectus.

1.9 ASX Listing

The Company will apply to the ASX no later than seven days from the date of this Prospectus for the Company to be admitted to the Official List and for ASX to grant Official Quotation to:

(a) the New Shares to be issued under this Prospectus pursuant to the Offer; and
(b) the Existing Shares.

If the Minimum Subscription is not achieved, New Shares will not be issued. If ASX approval is not granted within three months of the date of this Prospectus (or such later date as approved by ASIC), none of the New Shares will be issued, and all Subscription Amounts will be refunded in full without interest. The fact
that the ASX may admit the Company to the Official List and grant official quotation to Existing Shares and New Shares is not to be taken in any way as an indication by the ASX as to the merits of the Company, the Existing Shares or New Shares.

1.10 CHESS and Issuer Sponsorship

Upon the Company being admitted to the Official List, it will be admitted to participate in CHESS in accordance with Listing Rules and the ASX Settlement Operating Rules. On admission to CHESS, the Company will operate an electronic issuer sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company’s principal register of securities.

Under CHESS, the Company will not issue certificates to Shareholders. Rather, holding statements will be sent to Shareholders as soon as practicable after allotment and issue of the New Shares and Options. Holding Statements will be sent either by CHESS (for Shareholders who elect to hold Shares and Options on the CHESS sub-register) or by the Company’s Share Registrar (for shareholders who elect to hold their Shares and Options on the issue sponsored sub-register). The statements will set out the number of New Shares and Options issued under the Prospectus and provide details of a Shareholder’s Holder Identification Number (for shareholders who elect to hold Shares on the CHESS sub-register) or Shareholder Reference Number (for shareholders who elect to hold their Shares and Options on the issuer sponsored sub-register). Updated holding statements will also be sent to each Shareholder as their holdings change, and as required by the Listing Rules or the Corporations Act.

1.11 Withdrawal

The Company also reserves the right not to proceed with the Offer at any time before the allotment of New Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded by cheque. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.
2. Industry Overview
2.1 Introduction
In 2012, Australia totalled 6.3% of global coal production and was ranked number one in the world’s exports of coking coal; 144Mt of coal were exported in 2012. Australia is ranked the top country for mining investment (Behre Dolbear 2013), based on criteria which assess economic, political and social factors, corruption prevalence, stability and competitiveness of tax policy.

The Australian coal industry is the world’s largest exporter of black coal (thermal and metallurgical coal) and one of Australia’s most important industries with exports of 300 million tonnes (Mt) of coal worth $48 billion in financial year (FY) 2011-12. The industry makes a significant contribution to the Australian economy, with coal equivalent to around 15% of Australia’s total exports. Strong import demand from Asia, particularly the Republic of Korea, China and India has substantially increased Australian and global trade of coal over the past five years and led to a surge in mining investment to take advantage of this trend.

2.2 Coal Types, Uses and Markets
Coal is a carbon-based natural resource consisting of plant matter consolidated in rock strata and altered by pressure and heat over millions of years to form coal seams. Coal has been mined and used throughout history as a source of energy and input into steel making. Coal is mined by either open-cut or underground mining with the choice of mining method largely determined by the geology of the coal deposit. Typically, there are two main types of coal, thermal coal and metallurgical coal, with markets for each type of coal operating largely independent of each other based on separate end-use and demand determinants.

Thermal coal, also known as steaming coal, is used primarily as a fuel source for power generation. The key factors determining demand for thermal coal is the overall demand for electricity, the capacity of coal-fired power generation and the relative attractiveness of available substitutes (such as gas, hydro and renewables). The demand for power in developing countries (particularly China and India) and the position of coal as the most cost-effective means of energy generation has seen global thermal coal consumption grow faster than any other fuel, with import growth of 7% per annum from 2000 to 2012.

Metallurgical coal, also known as coking coal, is used to produce metallurgical coke, an essential raw material in the manufacturing of iron and steel. There are different types of coking coal based on the inherent qualities of the coal (such as volatile material, swell and coke strength) – hard coking coal, semi-hard coking coal, semi-soft coking coal and pulverised coal injection (PCI) – with hard coking coal the most valuable as it produces the highest quality coke. Steel producers look to blend an ideal mix of coking coals to produce a coke blend and increase the efficiency of the blast furnace. Demand for coking coal is driven by consumption of steel in industries such as construction, auto manufacturing, transport and infrastructure. Recent growth in global coking coal consumption has been driven by demand from Asian developing countries with global import growth of 3% per annum from 2000 to 2012.
The Company believes that demand for both thermal and metallurgical coal should remain strong in the medium term, as Asian developing countries continue the industrialisation and urbanisation of their domestic economies.

2.3 Reserves

The Australian coal industry has been built on a source of large, low cost and high quality reserves. As at December 2011, Australia had 44 billion tonnes of economically demonstrated resources (EDR) located mainly in the eastern states of Queensland and New South Wales. Queensland has reserves of both thermal and metallurgical coal located in three major basins: Bowen, Surat and Galilee. The Bowen Basin is Australia’s largest area of coal reserves, with mining related communities extending over 60,000 square kilometres of central Queensland, producing the vast majority of Queensland’s thermal coal and all of its metallurgical coal. The area remains the most important source of hard coking coal in Australia. Queensland has 52 operating mines producing 167Mt of saleable coal in FY2011-12 (88% exported), with the Bowen Basin region containing 31 open cut mines and all of the state’s 9 underground mines.

2.4 Coal Infrastructure

In addition to world class technical and operational expertise, the Australian coal industry has well established efficient transport and logistics systems in the form of rail and port infrastructure to distribute coal to export markets. These transport and logistics systems are currently operating within the major Australian coal producing regions.
2.5 Outlook for Australian Coal Exports

In 2012, Australia exported a total of 315Mt of coal, comprising 171Mt of thermal coal and 144Mt of metallurgical coal. In terms of market share, Australia captured 21% of the global thermal coal market and 56% of the global metallurgical coal market, for a combined share of 25% of global coal trade.

Source: Resources and Energy Quarterly Report (March 2013), Bureau of Resources and Energy Economics, Australian Government
2.6 Outlook for Global Coal Demand

Thermal coal consumption and trade will increase in the medium term, due to robust energy demand in emerging economies and the low cost of coal fired power generation compared to alternative fuels. In China, thermal coal should remain the dominant source of power generation with expected growth of 4% per annum to 2030. In India, growth in expected demand for electricity has led to a doubling of proposed coal fired electricity capacity to 274 gigawatts by 2025, and a likely 75% increase in thermal coal imports.

The Company believes that metallurgical coal consumption and trade growth is expected to be driven by steel production in China and India. Growth in Chinese metallurgical coal imports is forecast to grow due to the growth of steel production capacity in China’s western regions and the lack of high quality domestic metallurgical coal. In India, higher steel consumption is likely to be underpinned by growth in infrastructure investment in roads, rail and electricity generation.

2.7 Queensland’s Bowen Basin – A World Class Mining Region

The Bowen Basin in Queensland is attractive for coal investment due to the superior quality characteristics of the coal resources. In the 2012 calendar year, Queensland coal mines produced 194.5 million tonnes of saleable coal and exported 167.4 Mt of coal around the world. Bowen Basin coals from Queensland made up 84% of Australia’s coking coal exports with 81.4Mt of hard coking coal traded in 2012.

<table>
<thead>
<tr>
<th>Queensland Coal Exports by Product</th>
<th>2012 Tonnages (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard Coking Coal Exports</td>
<td>81.4</td>
</tr>
<tr>
<td>Soft Coking Coal Exports</td>
<td>38.2</td>
</tr>
<tr>
<td>Thermal Coal Exports</td>
<td>48.2</td>
</tr>
<tr>
<td>Queensland Coal Total Exports</td>
<td>167.8</td>
</tr>
</tbody>
</table>

The Bowen Basin is a Permian-aged coal-bearing sedimentary basin in central Queensland, Australia. The elongated geometry of the Bowen Basin has proven favourable for mining with extensive shallow coal cropping along the basin edges and thick seams amenable to underground mining at depth.

Several high quality export coal products are mined and marketed in the Bowen Basin. Historically the Moranbah-German Creek and Rangal Coal Measures have proven to be the most economic. In terms...
of hard coking coal the Moranbah-German Creek Coal Measures are considered to be among the best coking coals in the world. Marketable products from the Rangal Coal Measures are variable and range from pulverised coal injection (PCI) to soft coking coal and export thermal. An overview of Bowen Basin Coal Measures and indicative products are presented in the Tables immediately below.

### Overview of the Stratigraphy and Coal Bearing Horizons of the Bowen Basin

<table>
<thead>
<tr>
<th>Coal Group (Youngest)</th>
<th>Bowen Basin and Structural Outliers</th>
<th>Galilee Basin</th>
<th>Cooper Basin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rangal Coal Measures</td>
<td>Rangal Coal Measures</td>
<td>Bandanna Formation Correlatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Betts Creek Beds</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Toolachee Formation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coal Group (Middle)</th>
<th>Bowen Basin and Structural Outliers</th>
<th>Galilee Basin</th>
<th>Cooper Basin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Moranbah Coal Measures</td>
<td>German Creek Formation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Freitag Formation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coal Group (Youngest)</th>
<th>Bowen Basin and Structural Outliers</th>
<th>Galilee Basin</th>
<th>Cooper Basin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Colinsville Coal Measures</td>
<td>Blair Athol and Wolfgang Coal Measures</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coal Group (Oldest)</th>
<th>Bowen Basin and Structural Outliers</th>
<th>Galilee Basin</th>
<th>Cooper Basin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reids Dome Beds</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Legend: Producing or highly prospective interval | Moderately prospective interval | Poorly prospective interval

### Coal Measures and Indicative Products

<table>
<thead>
<tr>
<th>Coal Measures (Baralaba Coal Measures and Bandanna Formation are equivalents)</th>
<th>Indicative Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export low-medium volatile pulverized coal injection (PCI), semi-soft coking and export thermal coal</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coal Measures (Fort Cooper Coal Measures / Burngrove and Fairhill Formations (stratigraphic equivalents in southern Bowen Basin))</th>
<th>Indicative Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not currently mined due to high ash, low yielding seams (coking coal products proposed from Burngrove Formations in southern Bowen Basin)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coal Measures (Moranbah-German Creek Coal Measures)</th>
<th>Indicative Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime hard coking coal, export thermal coal and minor low-volatile anthracite</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coal Measures (Blair Athol Coal Measures and equivalents)</th>
<th>Indicative Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export thermal coal</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coal Measures (Collinsville Coal Measures (Stockyard Creek Coal Measure Equivalents))</th>
<th>Indicative Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard coking and export thermal coal</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coal Measures (Reids Dome Beds)</th>
<th>Indicative Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCI and export thermal coal</td>
<td></td>
</tr>
</tbody>
</table>

### Bowen Basin Coal Measures and Indicative Coal Products

- Rangal Coal Measures (Baralaba Coal Measures and Bandanna Formation are equivalents)
- Fort Cooper Coal Measures / Burngrove and Fairhill Formations (stratigraphic equivalents in southern Bowen Basin)
- Moranbah-German Creek Coal Measures
- Blair Athol Coal Measures and equivalents
- Collinsville Coal Measures (Stockyard Creek Coal Measure Equivalents)
- Reids Dome Beds
The Bowen Basin mining region is located approximately 600 km northwest of Brisbane, stretching some 60,000 km² up Central Queensland from Theodore to Collinsville. The area is the largest coal reserve in Australia and is serviced by more than 15 mining related communities.

The Bowen Basin produces all of Queensland’s coking coal exports and the bulk of thermal coal exports. Some of Australia’s most productive and valuable mines operate in the region, and it remains the most important source of hard coking coal in Australia. The Bowen Basin has 31 open cut mines and 9 underground mines, with recent performance showing all of the top ten Queensland export mines come from the region.
### Top Ten Queensland Coal Export Mines (By Volume)

<table>
<thead>
<tr>
<th>Colliery</th>
<th>2009-2010</th>
<th>Colliery</th>
<th>2010-2011</th>
<th>Colliery</th>
<th>2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goonyella Riverside</td>
<td>14,130,042</td>
<td>Goonyella Riverside</td>
<td>11,037,141</td>
<td>Goonyella Riverside</td>
<td>9,938,236</td>
</tr>
<tr>
<td>Blackwater</td>
<td>10,491,666</td>
<td>Blackwater</td>
<td>9,415,671</td>
<td>Moura</td>
<td>9,855,339</td>
</tr>
<tr>
<td>Blair Athol</td>
<td>10,476,272</td>
<td>Newlands</td>
<td>8,851,485</td>
<td>Blackwater</td>
<td>8,529,267</td>
</tr>
<tr>
<td>Newlands</td>
<td>10,220,417</td>
<td>Oaky Creek</td>
<td>8,715,398</td>
<td>German Creek</td>
<td>7,979,103</td>
</tr>
<tr>
<td>Oaky Creek</td>
<td>9,971,530</td>
<td>Hail Creek</td>
<td>7,368,054</td>
<td>Hail Creek</td>
<td>7,503,190</td>
</tr>
<tr>
<td>Peak Downs</td>
<td>9,329,909</td>
<td>Peak Downs</td>
<td>7,294,831</td>
<td>Curragh</td>
<td>7,371,316</td>
</tr>
<tr>
<td>German Creek</td>
<td>8,030,532</td>
<td>Moura</td>
<td>6,412,649</td>
<td>Oaky Creek</td>
<td>7,214,411</td>
</tr>
<tr>
<td>Ensham</td>
<td>7,498,135</td>
<td>German Creek</td>
<td>6,300,308</td>
<td>Peak Downs</td>
<td>7,157,267</td>
</tr>
<tr>
<td>Saraji</td>
<td>7,135,010</td>
<td>Saraji</td>
<td>5,798,477</td>
<td>Newlands</td>
<td>6,892,160</td>
</tr>
<tr>
<td>Curragh</td>
<td>7,077,211</td>
<td>Clermont Coal</td>
<td>5,676,752</td>
<td>Rolleston</td>
<td>6,468,653</td>
</tr>
</tbody>
</table>

Coal export infrastructure in the Bowen Basin is well developed, with five coal terminals serviced by four rail systems. Export capacity is currently being expanded, with a number of port and rail infrastructure projects planned or under construction to accommodate the expected increase in coal export volumes.

Currently under construction is the Hay Point Phase 3 expansion to add an additional 11 million tonnes of export capacity, and a matching upgrade to the Goonyella rail system. Also under construction is stage 1 of the Wiggins Island coal terminal at Gladstone with a capacity of 27 million tonnes and a matching rail project.

<table>
<thead>
<tr>
<th>Rail</th>
<th>Line Port Termina</th>
<th>Export Capacity (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newlands</td>
<td>Abbot Point</td>
<td>50</td>
</tr>
<tr>
<td>Goonyella</td>
<td>Dalrymple Bay</td>
<td>85</td>
</tr>
<tr>
<td>Goonyella</td>
<td>Hay Point</td>
<td>44 (+11 under construction)</td>
</tr>
<tr>
<td>Blackwater</td>
<td>RG Tanna</td>
<td>68</td>
</tr>
<tr>
<td>Blackwater</td>
<td>Barney Point</td>
<td>7</td>
</tr>
<tr>
<td>Blackwater</td>
<td>Wiggins Island</td>
<td>0 (+27* under construction)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>254 (+38 under construction)</strong></td>
</tr>
</tbody>
</table>

Bowen Basin Coal Export Capacity

* Although WICET Stage 1 capacity is 30Mtpa, only 27 Mtpa (90%) of capacity has been contracted as a form of risk management by WICET until nameplate capacity can be proved.
A comparison of mining regions in Queensland reveals that in addition to Australian technical and operational excellence in production and operations, the Bowen Basin is endowed with high quality coal reserves and world class transport and logistics infrastructure. While the Galilee and Surat Basins have large amounts of undeveloped coal resources with untapped potential, these regions require significant investment in rail, power and water infrastructure.

<table>
<thead>
<tr>
<th>Basin Comparison</th>
<th>Bowen Basin</th>
<th>Galilee Basin</th>
<th>Surat Basin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal Type</td>
<td>Metallurgical and Thermal</td>
<td>Thermal</td>
<td>Thermal</td>
</tr>
<tr>
<td>Distance to Port</td>
<td>102 - 416km</td>
<td>460-503km</td>
<td>240 – 462km</td>
</tr>
<tr>
<td>Ports</td>
<td>Well established port system with planning for additional capacity</td>
<td>Proposal for Abbot Point as the preferred export terminal, pending rail infrastructure</td>
<td>Brisbane port is congested. Can export from Gladstone (Wiggins Island) pending rail infrastructure.</td>
</tr>
<tr>
<td>Rail</td>
<td>Well established rail systems</td>
<td>Proposal for a north-south corridor to connect mines and east-west corridor to Abbot Point</td>
<td>Brisbane line is congested and Shelving of the Wandoan Project by Glencore recently will delay the Surat-Gladstone proposed rail link</td>
</tr>
<tr>
<td>Roads</td>
<td>Some upgrades required</td>
<td>Development and upgrades required</td>
<td>Development and upgrades required</td>
</tr>
<tr>
<td>Power</td>
<td>Well established</td>
<td>Development required</td>
<td>Extensions required</td>
</tr>
<tr>
<td>Water</td>
<td>Well established</td>
<td>Development required</td>
<td>Extensions required</td>
</tr>
</tbody>
</table>

Comparison of Queensland Mining Regions
3. Business Overview
3.1 Group Structure and company profile

(a) Overview of U&D Coal

The Company was incorporated as an Australian public company on 19 September 2013. As part of a company restructure that will be implemented on or prior to the completion of the Offer, the Company will acquire U&D Mining. U&D Mining was incorporated on 26 August 2011 with the objective of engaging in the acquisition, exploration, development and operation of coal mines and to supply coal product into the export coal market. The Group is based in Australia and has established a headquarters at Eight Mile Plains in Brisbane. (Refer to Section 3.1(d) below for further information).

The Company’s Major Shareholder is KQ, holding 51% of the Existing Shares. KQ is a wholly owned Australian subsidiary of Yima. Yima is a controlled entity of Henan Energy and Chemical Group, a state owned enterprise based in China.

Australia New Agribusiness and Chemical Group Ltd, a company listed on the ASX (ASX code: ANB) originally held a 60% shareholding in U&D Mining. ANB, however, disposed all of its shares in U&D Mining as follows:

- in February 2012, ANB sold 11% to KQ; and
- in July 2013, ANB sold its remaining 49% to Kunlun (25%) and Golden Globe (24%).

On 10 February 2012, U&D Mining completed the acquisition of EPC 818, Broughton Project. In May 2013, U&D Mining completed the acquisition of Australian publicly listed company Endocoal which held the Meteor Downs South mine developing and other advanced at Rockwood. Refer to Table 3.2.1 for further information on JORC Resources and Reserves.

As at 31 October 2013, the Group holds a 100% interest in 21 granted tenements and a 50% interest in one tenement. The Group has a further 8 tenement applications in progress, of which the Group is the priority applicant on five of those tenements. The Group also has two MLAs. All the tenements currently held or applied for are located in the Bowen Basin in Queensland, Australia. Refer to Table 4.1.2 for further information on the tenements and applications.

The Group currently has 21 full time employees, including 9 geologists, 5 senior executives, and 9 support and administration staff. It also utilises three part time consultants.

While the Board is primarily made up of representatives from its Existing Shareholders, the Company’s management team comprises senior and experienced accounting, financial, geological, mining and business development professionals, most of whom were previously employed or engaged by Endocoal.

(b) Overview of Henan Energy and Chemical Group

The Henan Energy and Chemical Group was recently established by merging Henan Coal Chemical Industry Group and Yima Coal Industry Group, in a strategic move to upgrade Henan’s coal industry and enhance competitiveness, in a difficult market. The Henan Energy and Chemical Group will have combined annual production capacity of well over 100 million tonnes. (118 million tonnes based on 2012 numbers). The Henan Coal Chemical Group owns over 40 billion tonnes of coal reserves in China, 1.5 million tonnes of molybdenum and nearly 1.6 billion tonnes of bauxite reserves both home and abroad, while Yima mainly engages in coal mining, coal chemical and aluminium smelting, power generation and cement manufacturing, having 22 mines located in six provinces including Henan, Qinghai, Xinjiang, Shanxi, Inner Mongolia and Guizhou. Henan Energy and Chemical Group is the 3rd largest integrated coal enterprise in China.
(c) Overview of other major Shareholders – China Kunlun and Golden Globe

Both China Kunlun and Golden Globe are registered investment companies in the British Virgin Islands. Their main businesses are carried out in Hong Kong, the U.S. and Europe, with their main investment areas being mineral rights, equity and venture capital. Both companies have professional teams with extensive experience in securities investment markets.

(d) Company profile

The corporate structure of the Company and its wholly owned subsidiaries upon completion of the Offer is set out in the following diagram. (Please note that the Pre-IPO structure of the Group is represented by the gray shading):

U&D Mining was established in August 2011. It acquired Resource Portfolio Partners Pty Ltd (RPP) in February 2012 as part of the acquisition of EPC 818 Broughton. It acquired former ASX listed Endocoal and its two subsidiaries Endocoal Finance Services Pty Ltd (EFS) and Orion Downs Pty Ltd (ODL) in May 2013. From 1 July 2013, RPP, EFS and ODL ceased to be trading companies. Endocoal owns tenement assets, while U&D Mining operates all the group assets and is the operational arm of the Group.

The Company was established as part of the IPO process as the ultimate holding company of the Group, and will carry the corporate costs of the Group.
3.2 Business Plan

(a) Overview

The Company is focused on delivering shareholder value through the acquisition, exploration, development and operation of high quality coal mines supplying product into the export market.

The Company has established a range of business objectives and strategies. Subject to completion of the Offer and successful implementation of its projects, the Company aims to be a successful and profitable coal enterprise, building from an advanced existing portfolio of quality Projects. Table 3.2.1 shows the existing JORC Resources and Reserves for U&D Mining with Figure 3.2.2 showing the location of the Company’s tenure portfolio.

<table>
<thead>
<tr>
<th>Tenement</th>
<th>JORC-Measured</th>
<th>JORC-Indicated</th>
<th>JORC-Inferred</th>
<th>Total JORC Resources (Mt)</th>
<th>JORC Proved Reserves</th>
<th>JORC Probable Reserves</th>
<th>JORC Probable Marketable Reserves</th>
<th>Total JORC Resources (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meteor Downs South (Orion Downs)</td>
<td>13.3</td>
<td>3.5</td>
<td>0.0</td>
<td>16.8</td>
<td>13.0</td>
<td>0.0</td>
<td>13.0</td>
<td>13.0</td>
</tr>
<tr>
<td>Interi (Orion Downs)</td>
<td>18.5</td>
<td>8.1</td>
<td>8.0</td>
<td>34.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Rockwood (EPC 1514)</td>
<td>0.0</td>
<td>47.1</td>
<td>400.0</td>
<td>447.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Broughton (EPC 818)</td>
<td>16.0</td>
<td>10.5</td>
<td>15.0</td>
<td>41.5</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total (Mt)</td>
<td>47.8</td>
<td>69.2</td>
<td>423.0</td>
<td>540.0</td>
<td>13.0</td>
<td>0.0</td>
<td>13.0</td>
<td>13.0</td>
</tr>
</tbody>
</table>

*Includes both the Inderi and MDS Resource Areas

The MDS and Broughton JORC Resources have been estimated in accordance with the 2012 JORC Code. The Rockwood and Inderi JORC Resources have been calculated in accordance with the 2004 JORC Code. The Company advises that there have not been any material changes to the Rockwood or Inderi Resources since their respective report completions and the Company is currently updating the JORC reports to comply with the 2012 JORC Code. The Competent Person and the Company have no evidence to believe that there will be any significant change to the Rockwood or Inderi Resources as a result of the update to the 2012 JORC Code. The MDS JORC Marketable Reserves have been estimated in accordance with the 2004 JORC Code. The Company advises that there have not been any material changes to the MDS Reserves. Since that report completion, the Company believes that there will not be any significant change to the Reserves to comply with as a result of an update to the 2012 JORC Code.

The Group has two flagship coal projects which are planned to reach the production stage in the next three year period, subject to raising the necessary funds described under the Offer and subject to successful implementation of the Company’s Project plans and navigation of Project risks. The Company is focussed
on delivering these two near term mining development projects (namely MDS and the Broughton Project) to the market in the quickest practical and economic timeframe for achieving cash inflow to the Group. The Company will need to navigate a number of project specific and more general risks in order to achieve these aims.

In addition to these two flagship projects, the Company will also be evaluating and continuing mining studies at its Rockwood Project as well as evaluating and assessing potential opportunities across its broad range of 21 existing granted tenements and those that are expected to be granted from the 8 current tenement and MLAs that are in progress. The Company’s strategy in addition to the two flagship projects, is to carry out rapid and responsible exploration and mining evaluations to identify a further one to three mining projects. The Company’s aspiration would be to bring those projects to production in the next three to five year period, subject to identifying such projects and obtaining further funding in due course for their development. While the Company believes it has highly prospective tenements, it will seek to acquire further tenements through vacant tenure, acquisition or partnership, as and when the opportunity arises. Given the perceived opportunities in the current economic climate, the Company believes it is well placed to take advantage of these opportunities.

The Company aims to build a foundation for a sustainable business model by developing its flagship projects through collaboration, synergy and partnership. The Company’s growth strategy will be supported by its high calibre employees and management team. The Company will continue to strive to employ and retain high calibre and experienced people as a pillar for sustainable growth and expansion.

The Company’s core values are “Safety, Integrity Respect and Opportunity”. It prides itself on ensuring the health and safety of its employees, contractors and the community at large. The Company is committed to meeting the best environmental standards and occupational health and safety standards and practices. The Company upholds and maintains respectful relationships with the traditional owners of the land and their cultural heritage.

The Directors aspire to have the Company become a significant and leading coal producer through the delivery of quality coal assets to the growing export market, driven by the dedication of the management and operating teams.
(b) The two flagship projects

The Company currently has two well advanced mine development projects being the Meteor Downs South Project (MDS), located within EPC 1517 (Orion Downs) near Rolleston in the south western Bowen Basin, and the Broughton Project located within EPC818 (Broughton), near Nebo in the north eastern Bowen Basin. Both of these projects are the focus of the Company’s strategy for transitioning to a coal producer in the near term and to start generating cash flows to the group.

MDS is expected to be the first project to come on stream. MDS has recently received Queensland State Government approval for its Environment Management Plan Study with the subsequent issue of a draft EA. This project is now at the public notification phase which is the final stage of the ML and environmental authority approval process. The Project is also subject to Federal Government environmental approvals and is in the final stage of obtaining those approvals. Although this project is a 1.5Mtpa to 1.9Mtpa range project, production targets are expected to be targeted at 1.5Mtpa.

The Company has submitted a MLA for the Broughton Project and is currently preparing the EIS for submission to the Queensland State Government. Lodging of the draft terms of reference in the statements are imminent. The Company views the MDS Project and the Broughton Project as being complimentary to each other in terms of development timelines.

Project plan indicative timelines: These timelines are indicative only, and are subject to change, including as a result of the final amount raised under the Offer and subject to the Company successfully implementing its Project plans and navigating through its Project risks. Refer to the proposed use of proceeds in Section 1.1 and also to the risks detailed in Section 6.

Production from near term mining development projects is expected to commence in the first half of 2015 with MDS, and in 2016 for Broughton. Subject to the Company successfully implementing the MDS Project in accordance with the Company’s Project plans and timesfames, the Group is targeting total production from this mine to be 1.5 Mtpa once this mine is fully operational.

The Broughton Project is less advanced than MDS with a FS in progress. It is also subject to additional risks described in Sections 1 and 6. If the FS supports the Company’s previously completed pre feasibility study including establishing JORC Reserves (JORC Resources are currently 41.5 Mtpa), then subject to successfully implementing the Project in accordance with the Project plans and timesfames including navigating the above risks, the Company believes that the Project could commence coal production in 2016.
The Company, however, notes that there can be no guarantee that both these Project plans will be met in accordance with these timelines. There are a number of project specific risks as well as more general risks that could affect the implementation of the Projects, including but not limited to matters such as successfully obtaining mining lease approvals, the potential need for successfully concluding a joint venture in relation to the MDS Project (if only the Minimum Subscription is achieved) and the requirement for further funds in due course to fund the construction of the Broughton Project. Refer to Section 6 for a description of the project specific and other risks that could affect the timing and success of these projects and particularly the commencement of coal production.

(c) Other near term production target strategies

Outside of the two flagship projects the Company has plans to grow medium term production to over 8 million tonnes per annum, and to become one of Australia’s leading coal producers.

- The Company has a wide range of tenement assets to explore that are located in highly prospective areas, including the Rockwood Project with JORC Resources of 447.1Mt. The Company will focus on completing initial mine development studies to determine the most cost efficient and practical methods and areas for open cut extraction.

- The Company will also continue to explore its remaining tenements and those tenements held under application. The Company has prioritised target areas in the short term, but future target areas will be identified as mining information on the tenements improves.

- The Company will also seek to add further prospective tenements through applying for vacant tenure, acquisition or partnership. The Company recognises that there are opportunities in the current economic climate, and that the Company believes it is well placed to take advantage of these opportunities to acquire favourable future mining opportunities.

3.3 Flagship Projects

(A) METEOR DOWNS SOUTH PROJECT

Project overview

The Meteor Downs South Project (MDS) is the most advanced near term development Project within the Company’s portfolio. Initially discovered in 2010, and following an extensive exploration program over the subsequent two years has delivered a total JORC resource of 16.82 Mt for the project, including 13.32 Mt at a JORC measured category.

Located 45km Southeast of the Central Queensland town of Springsure and 30km West North West of the Central Queensland town of Rolleston, the project is located within the Orion Downs tenement.

The project is well placed to existing infrastructure with the Dawson Highway located immediately to the north of MDS, the Rolleston mine rail loop only 7 km to the east and the Rolleston to Blackwater rail line 10 km east of the project.

Adjacent to the Rolleston open cut mine the MDS Project is planned to operate within a well established mining area. The Rolleston mining operations have been producing a quality direct ship thermal product within the same coal seams as the MDS Project since 2005 with total production in 2012 totalling 8.9 Mt. The Minerva open cut mine is located 65km to the north west of MDS, producing approximately 2.8 Mtpa of thermal coal from the Reids Domes Beds coal seams. Figure 3.3.1 shows the location of the MDS Project in relation to existing infrastructure.

Hosted within the Bandanna Formation, the MDS Resource consists of coal seams with an average cumulative thickness of 6.9m, and ranges up to a maximum cumulative thickness of 9m. The MDS Resource has a range in depth to the top of the target coal scheme, of 11m to 108m in depth, and a low raw ash resulting in the ability for direct ship product, (i.e. raw product coal not requiring processing).

Marketable Reserves of 13 Mt have been reported in line with the 2012 JORC Code based on a completed feasibility study.
Project plan indicative timelines: These timelines are indicative only, and are subject to change, including as a result of the final amount raised under the Offer and subject to the Company successfully implementing its Project plans and navigating through its Project risks. Refer to the proposed use of proceeds in Section 1.1 and also to the risks detailed in Section 6.

Geology

The MDS coal Project consists of a shallow coal resource with a maximum depth of cover of 108m containing the B, BC, C and D seams from the Bandana Formation. The shallow depth of cover as well as the average cumulative coal seam thickness of 6.9m, up to over 9.0m in places, results in a low mining strip ratio relative to other open cut mines in the Bowen Basin. The seams dip gently to the south east and sub-crops in the west and north-west of the resource area. Geological structure is minimal with no direct evidence of significant faulting, folding or igneous intrusions found within the deposit.

Oxidation of these coals does not appear to become significant until the coal is almost completely reduced to soot. Where a seam sub crops against thick overlying cover, below the base of recent weathering, the coal appears to be only mildly affected by pre Tertiary weathering.

The overburden consists of both weathered and fresh basalt with Tertiary materials. Underlying the basalt is Permian rocks of the Bandanna Formation. Typically basalt flows have filled the original creeks and valleys and therefore the basalt is variable in thickness.

### MDS JORC Resource Summary

<table>
<thead>
<tr>
<th>SEAM</th>
<th>MERSURED</th>
<th></th>
<th></th>
<th>INDICATED</th>
<th></th>
<th></th>
<th>INFERRRED</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AREA(Ha)</td>
<td>THICK(m)</td>
<td>Mt</td>
<td>AREA(Ha)</td>
<td>THICK(m)</td>
<td>Mt</td>
<td>AREA(Ha)</td>
<td>THICK(m)</td>
<td>Mt</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>55</td>
<td>10</td>
<td>0.8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>56</td>
<td>1.4</td>
<td>1.1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>78</td>
<td>2.69</td>
<td>2.67</td>
<td>22</td>
<td>2.9</td>
<td>0.9</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>150</td>
<td>4.99</td>
<td>10.65</td>
<td>13</td>
<td>3.6</td>
<td>0.7</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>13.32</td>
<td>3.5</td>
<td>0</td>
<td>16.82</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Figure 3.3.1: MDS Project in relation to existing resources and infrastructure
**INDERI DEPOSIT**
**REPRESENTATIVE STRATIGRAPHIC COLUMN**

- **QUATERNARY**
  - Soil: Generally thin black soil and gravels.

- **TERTIARY**
  - Unconsolidated conglomerate, sandstone and clay. Basalt.
  - Unconformably overlying Permian coal measure strata. Up to 130m thick – average 90 metres. Basalts exhibit varying degrees of weathering.

- **UPPER PENGUIN**
  - Sandstone, carbonaceous siltstone, mudstone and shale, coal and interbedded sediments.
  - Seam Average Thickness (m)
    - B Seam: 0.8
    - B & C Seams coalesce into BC Seam
    - In centre of deposit and average 4.7m thick
    - C Seam: 2.0
    - D Seam: 5.0

**MARKER HORIZON:** marine sequence of interbedded hard black shales and clays.

**PEWADDY FORMATION**
- Lithic quartzite sandstone and carbonaceous siltstone. Not identified in drillholes. Within EPC1517.

---

**MDS Stratigraphic Section**
Cross Section through the MDS Resource Area
Coal Product Quality

Current coal quality studies have indicated that the MDS Project would produce an export quality thermal coal product. The operations would produce a direct ship product with no coal preparation plant or beneficiation required. Product quality is indicated to be similar to Xstrata’s nearby Rolleston Mine but with a slightly higher Total Moisture and thus lower energy, comprising a low ash and low sulphur product suitable for the Asian market.

The table below gives typical expected MDS product qualities based on two product ash options; Option A of 10.6% product ash (ad) and Option B of 7.6% (ad). Option A assumes that the full seam section (Seam B to Seam D) including parting material is mined while Option B assumes that the >20% ash “dirty” plies will be selectively mined and excluded from the product coal mix.

The measured self heating rates and relative ignition temperatures for the MDS product coal indicate that their spontaneous combustion propensity is consistent with that of other Queensland coals of high volatile bituminous rank. Benchmark adiabatic tests indicate that self heating is significantly controlled by the moisture of the coal and the surrounding environment.

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Unit</th>
<th>Base</th>
<th>Opt A</th>
<th>Opt B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Moisture</td>
<td>%</td>
<td>ar</td>
<td>18.9</td>
<td>19.3</td>
</tr>
<tr>
<td>Proximate Analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Dried Moisture</td>
<td>%</td>
<td>ad</td>
<td>11.6</td>
<td>12</td>
</tr>
<tr>
<td>Ash</td>
<td>%</td>
<td>ad</td>
<td>10.6</td>
<td>7.6</td>
</tr>
<tr>
<td>Volatile Matter</td>
<td>%</td>
<td>ad</td>
<td>28.8</td>
<td>29.3</td>
</tr>
<tr>
<td>Fixed Carbon</td>
<td>%</td>
<td>ad</td>
<td>47.9</td>
<td>49.7</td>
</tr>
<tr>
<td>Volatile Matter</td>
<td>%</td>
<td>daf</td>
<td>37.6</td>
<td>37</td>
</tr>
<tr>
<td>Fuel Ratio</td>
<td></td>
<td></td>
<td>1.69</td>
<td>1.73</td>
</tr>
<tr>
<td>CSN</td>
<td>%</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Sulfur</td>
<td>%</td>
<td>ad</td>
<td>0.44</td>
<td>0.45</td>
</tr>
<tr>
<td>Chlorine</td>
<td>%</td>
<td>ad</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Phosphorus</td>
<td>%</td>
<td>ad</td>
<td>0.067</td>
<td>0.065</td>
</tr>
<tr>
<td>Relative Density</td>
<td></td>
<td></td>
<td>1.45</td>
<td>1.42</td>
</tr>
<tr>
<td>HGI</td>
<td></td>
<td></td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>GCV</td>
<td>MJ/kg</td>
<td>ad</td>
<td>24.62</td>
<td>25.66</td>
</tr>
</tbody>
</table>
Mine Development

Based on the initial exploration success a MLA and an IDP was submitted in 2011 with the Queensland Government consenting to the project being assessed on the EMP pathway rather than the traditional EIS pathway. The EMP pathway has a much shorter statutory approval time period and is a relatively easier path to the grant of a ML approval.

A FS was completed in 2012 for the MDS Project which delivered the following favourable outcomes:

- a 1.5 to 1.9 Mtpa open cut mine
- Low actual mining cash cost of $29.17/t (run of mine)
- FOT operating expenditure cost of $37.11/t
- Low CAPEX set up cost ($46.2M for FOT case) based on a ‘mining contractor’ operating model
- Achieving a workforce capacity level > 20,000t/ person/ year

The current mine development plan consists of a one pit operation with a single excavator and truck fleet for overburden removal and coal extraction with pushing of overburden by bulldozer. Average stripping ratio is 5.5:1 as a result of the thickness and depth extent of the coal resource and ROM coal is planned to be dumped and sized at a top of ramp on site crushing and sizing facility. Product coal would then be road hauled to a dispatch facility.

An option has been identified involving the construction of a rail loadout facility for direct rail of product coal to the Gladstone Ports. Due to lowering capital and development costs the preferred option is a FOT scenario through a direct FOT point of sale or haulage to an existing rail loading facility.
MDS Mine Infrastructure Layout and Facilities
Current Project Status

The approvals process is well advanced for the MDS Project with the EMP submitted in May 2013 which signalled the completion of the required studies. Notification was provided in June 2013 by the Queensland Government of the approval of the EMP with the draft EA issued. The Company is currently reviewing the draft EA in preparation for the next stage of the ML approval process, the EA public notification period. The Company believes that formal approval resulting in the grant of the ML for the MDS Project is expected to be provided shortly after the end of the final stage of the statutory timeframes currently underway.

Negotiations for compensation to affected land owners by the MLA are also well advanced, with discussion continuing in regard to both the terms and conditions of the ML compensation agreement as well as the compensation amount. Discussions are also underway with the neighbouring mining operations of another party that are immediately adjacent to the MDS MLA with the intent of sharing information between both parties to ensure that the proposed mining operations at the MDS Project have a minimal impact on neighbouring mining and farming operations.

The Company has undertaken to establish agreements with the two overlapping native title parties in the MDS Project area. At this stage, both agreements have been finalised. Throughout this process the Company has endeavoured to ensure that good relationships have been established with these parties and that legislative requirements are adhered to. This adheres with to the Company’s policy of transparency and fairly engaging with community stakeholders.

Port and Rail – Getting Product to Market

The Company has assessed three options with regards to getting MDS Product coal to the export market. Option 1 – involves the Company using a contractor miner to produce coal for shipping from a rail loop to be constructed to the port. Option 2 – is the same as option 1 except the Company would haul the product coal from the onsite product facility to another existing rail loop and loading facility within an acceptable trucking distance. Option 3 – involves potential JV for a partnered development of the mine.

The first two options were assessed as part of the MDS Project evaluation in terms of shipping product off site to consumers, involving both a road haul trucking option as well as a direct site rail load out option. Both options aim to provide transport of product coal to a rail load out facility that enables transport of product coal to one of the Gladstone Coal Export Ports.

The direct site rail load out option involves the construction of a rail loop and loading facility just north of the proposed MLA boundary with the intention to road haul product coal from the top of ramp crushing and sizing facility to the rail loop. Detailed engineering design and costings have been completed for this option and these have been included in the EMP application. This option, while economically viable, is the least preferred in the current economic climate so that it is not under the Company’s consideration at the current time.

The second road haulage option has evaluated the haulage of product coal from the top of ramp crushing and sizing facility to another existing rail loop and loading facility within an acceptable trucking distance. Currently several existing mining operations are operating rail loop and loading facilities in the region and the intent would be for the MDS operations to negotiate an arrangement with one of these producers to use their existing facility to load and rail MDS Project product coal to one of the Gladstone Ports. This is considered a preferred option as it lowers the upfront capital costs of the operations with negotiations underway with parties currently operating rail load out facilities in the region.

The Company is currently an active participant and is registered for capacity allocation in the Wiggins Island Expansion Phase 2 (Stage 2b) (WEXP2) port development. The Company is currently registered for 2 Mtpa of capacity as a general public applicant, and also holds preferential status as a Feasibility Facility Funding Agreement (FFFA) holder for 2 Mtpa in WEXP2. This FFFA status is no longer available to be obtained by new participants and gives secondary priority status to capacity allocations behind first priority Project of State Significance. The WEXP2 developments...
The Bowen Basin, the Broughton Project is well placed to take advantage of existing infrastructure within the mine area. Located approximately 30km North West of Nebo and 40km south east of Glendon in the Northern Bowen Basin, the Broughton Project is planned to commence in late 2015. Located immediately south of Rio Tinto’s Hail Creek operations the Broughton Project is the second advanced mine development project with development plans and timeframes including navigating the above risks, the Company believes that the project could commence coal production in 2016.

The Broughton Project has a JORC Resource of 41.5 Mt of high quality coking coal. The finalised conceptual mine plan is for an open cut operation which utilises traditional truck and shovel operations with alternative and potentially more cost effective mining methods also being investigated. Further optimisation studies will be undertaken during the course of 2014 to further ensure that the resource recovery is efficient and cost effective for the currently anticipated 15 year mine life.

Located approximately 30km North West of Nebo and 40km south east of Glendon in the Northern Bowen Basin, the Broughton Project is well placed to take advantage of existing infrastructure within the Project area. The Suttor Development Road passes through the EPC 818 tenure from west to east with the Hail Creek rail spur passing through the west of the EPC818 tenure.

The Broughton Project area is also approximately 160km by rail to the Dalrymple Bay export port facilities via the Hail Creek rail spur and the Goonyella Rail system. The Company believes that this gives the project a distinct advantage with direct access to existing railway infrastructure and a short haul distance to existing port infrastructure.

Potential Joint Venture Partnered Mining Development

The Company is also in active discussions with potential JV partners for the development of the MDS Project mining operation. While this option may reduce the long term profitability of the project it has significant potential benefits from mining efficiencies through synergies in operational aspects, a reduced need for capital investment for transportation, and the utilisation of existing port and rail capacity. The benefits of a potential JV partner make this the Company’s preferred option for the development and operations of the MDS Project. Using the existing road haulage option, product coal would be road hauled from the top of ramp crushing and sizing facility to the potential JV site. Under this scenario, the Company would seek access to available capacity through port and rail from an existing rail loop, or simply an FOT arrangement from site.

(B) BROUGHTON PROJECT

Project overview

The Broughton Project is the second advanced mine development project with development planned to commence in late 2015. Located immediately south of Rio Tinto’s Hail Creek operations within the Company’s EPC818 tenement, the resource is hosted within the Rangal Coal Measures with the sub crop extending south from the Hail Creek operations through the Broughton Resource area. The Hail Creek operations currently produce a primary coking coal product with a secondary thermal product and the Broughton Mine Development is expected to produce a similar coking and secondary thermal product mix.

The Broughton Project has a JORC Resource of 41.5 Mt of high quality coking coal. The finalised conceptual mine plan is for an open cut operation which utilises traditional truck and shovel operations with alternative and potentially more cost effective mining methods also being investigated. Further optimisation studies will be undertaken during the course of 2014 to further ensure that the resource recovery is efficient and cost effective for the currently anticipated 15 year mine life.

The Broughton Project is less advanced than MDS with a FS in progress. It is also subject to additional risks described in Sections 1 and 6. If the FS supports the Company’s previously completed pre feasibility study including establishing JORC Reserves (JORC Resources are currently 41.5 Mtpa), then subject to successfully implementing the Project in accordance with the Project plans and timeframes including navigating the above risks, the Company believes that the Project could commence coal production in 2016.

Located approximately 30km North West of Nebo and 40km south east of Glendon in the Northern Bowen Basin the Broughton Project is well placed to take advantage of existing infrastructure within the Project area. The Suttor Development Road passes through the EPC 818 tenure from west to east with the Hail Creek rail spur passing through the west of the EPC818 tenure.

The Broughton Project area is also approximately 160km by rail to the Dalrymple Bay export port facilities via the Hail Creek rail spur and the Goonyella Rail system. The Company believes that this gives the project a distinct advantage with direct access to existing railway infrastructure and a short haul distance to existing port infrastructure.

Current market conditions have resulted in capacity becoming available in existing Gladstone port facilities at a more competitive price. The Company is currently in discussion with parties looking to relinquish some of their spare capacity.

In the absence of a JV agreement that is acceptable to the Company, this second road haulage option is preferred given the current economic climate, and would result in lower capital costs for the project. Under this scenario, the Company would seek access to available capacity through port and rail from an existing rail loop, or simply an FOT arrangement from site.
A project pre feasibility study has been completed which has yielded positive results and it is the Company’s intention to progress the project through a feasibility study. The Company has currently submitted an IDP and a MLA for the Broughton Project with the Company also electing to undergo a voluntary EIS process. The Company will be submitting the draft terms of reference for the EIS in late 2013.

**Broughton Project**

- **Project Milestones**
  - Current JORC Resource of 41.5 Mt
  - Environmental Impact Statement Process Underway
  - Conceptual Mine Plan Completed
  - Initial Development Plan Completed
  - Feasibility Study Underway

- **1st Half 2014**
- **2nd Half 2014**
- **1st Half 2015**
- **2nd Half 2015**
- **1st Half 2016**

**Nearby Operations and Projects**

Broughton is essentially a southern extension to the Hail Creek open cut mine, which is located adjacent to the north of EPC818 as shown in the figure below. Rio Tinto Coal Australia (RTCA) operates the Hail Creek mine on behalf of a joint venture and produces mainly a premium coking coal product. The Hail Creek mining lease (ML4738) extends through the northern portion of EPC818. RTCA’s Lake Elphinstone project area is located to the north-west. BHP Mitsubishi Alliance (BMA)’s South Walker Creek open cut mine is situated to the south-west of EPC818. Both Hail Creek mine and South Walker Creek mine operate dragline and truck and excavator operations within the same coal measures.
Location of the Broughton Project and Nearby Infrastructure

Geology

The Broughton Project is located on the western limb of the Hail / Bee Creek Syncline, and in the resource area, the Permian strata strikes broadly north-south and dips east towards the syncline axis with moderate seam dips (15 degrees). Geological structure within the resource area is relatively benign with little folding identified and three faults interpreted in the project area with fault axes generally orientating towards the north to north-east.

The coal seams which constitute the Broughton JORC Resource belong to the Rangal Coal Measures, and are referred to regionally as the Elphinstone and Hynds seams. These seams subcrop within the tenure on the eastern side of the tenure and dip towards the east into the Hail Creek syncline. Splitting and coalescing of the seams is common and they range from groups of sub-seams to individual, coalesced seams. The topmost seam identified is the Elphinstone seam which is around five metres thick in the northern area, splitting into two seams towards the south. The lower seam group is the Hynds seam which is typically comprised of four closely separated seam plies.

The current JORC Resources have been limited to potential open cut resources with the resource open to the east and coal seams continuing at depth to the eastern boundary of the tenure. The JORC Resource for the Broughton Project is shown in the table below.
<table>
<thead>
<tr>
<th>SEAM</th>
<th>Measured (Mt)</th>
<th>Indicated (Mt)</th>
<th>Inferred (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL ELPHINSTONE</td>
<td>6.5</td>
<td>3.5</td>
<td>7.0</td>
</tr>
<tr>
<td>TOTAL HYNDS</td>
<td>9.5</td>
<td>7.0</td>
<td>8.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>16.0</td>
<td>10.5</td>
<td>15.0</td>
</tr>
<tr>
<td></td>
<td><strong>41.5</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

JORC Resources for Broughton Project

Broughton Project Geology and Existing Drilling
**Coal Product Quality**

The Rangal Coal Measures in the region are well known as producers of high quality coking coal and the Company expects this to also be the case for the Broughton Mine Development. Coal quality analysis completed to date on the project indicates a moderate raw ash for both the Elphinstone and Hynds seam with coal processing capable of producing a low ash coking coal primary product with a secondary higher ash thermal coal product. This is consistent with the processing technique and coal products marketed by the adjacent Hail Creek mine.

The Elphinstone and Hynds coal seams of the Rangal Coal Measures are classified as a bituminous rank coal with a mean maximum vitrinite reflectance (Romax) between 1.41 and 1.49. Small scale coke oven test work on the primary coking product has indicated a CSR range between 57-65. Further coal processing simulation and coal quality analysis is planned to be undertaken as part of the feasibility studies in order to further optimise the coal product and processing yield.

Average Coal Quality from Fresh Floats at CF1.375 for the Broughton Resource

<table>
<thead>
<tr>
<th>Seam</th>
<th>No. Samples</th>
<th>Ash Content % (ad)</th>
<th>Volatile Matter % (ad)</th>
<th>Total Sulphur % (ad)</th>
<th>CSR</th>
<th>Maximum Fluidity (dppm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elphinstone</td>
<td>20</td>
<td>7.7</td>
<td>22.3</td>
<td>0.45</td>
<td>7</td>
<td>90</td>
</tr>
<tr>
<td>Hynds</td>
<td>72</td>
<td>7.5</td>
<td>22.1</td>
<td>0.54</td>
<td>8.5</td>
<td>90</td>
</tr>
</tbody>
</table>

**Mine Development**

The Project pre feasibility study identified an open cut mining operation producing coking and thermal product coal. The mining process would be open cut strip mining using standard truck and excavator methods with haulage of ROM coal to a top of ramp ROM dump. Due to the coal quality, the coal would require beneficiation and processing through a coal handling and processing plant using a two product stream processing model, which is a common technique utilised in other existing mining operations within the Rangal Coal Measures in the region.

In line with the Company’s cost minimization strategy, the planned feasibility study will also focus on identifying and assessing existing technology involving alternative mining and coal processing methodologies. These new technologies will be assessed against capital and running costs as well as suitability to the Broughton resource characteristics.

To maximise the resource recovery, considering the resource extends at depth, highwall mining techniques are planned to be utilised to extract coal resources that are uneconomic to extract using open pit mining methods. Such highwall mining techniques include methodologies such as utilising highwall miners, highwall augering or traditional underground mining methods entering from the highwall at pit floor.

The FS for the Broughton Project is expected to be completed in the second half of 2014 to align with the project approvals timeline.
Broughton Mining Lease and Associated Proposed Mine Infrastructure
Current Project Status

The Company submitted an initial development application as well as supporting information required as part of the MLA for the area in August 2013. Using statutory timeframes for a voluntary EIS process formal approval of the ML is expected to be given by the first half of 2015.

The Company is currently in the process of boosting its internal mining engineering and project management skill base with the intention to complete a FS of the project in the second half of 2014. The outputs from the FS will be progressively used to finalise the inputs for the EIS process and enable detailed costing and capital forecasting for the next phase of development. Detailed design work and tendering for construction contractors will be undertaken subsequent to the EIS.

In due course, the Company is likely to seek project funding to complete this Project.

Rail and Port – Getting Product to Market

Located only 160km from the coal export Ports in the Mackay region, the Broughton Project is well placed to the required infrastructure needed to get coal product to market. The Hail Creek Rail Line currently runs through the tenement along the western boundary with existing capability to provide rail capacity to the proposed Broughton mining operations.

A product haul road is proposed to be constructed west across the EPC818 tenement to enable coal to be hauled from the coal product stockpile at the open cut operations to the Hail Creek Rail Line. A rail loop and loading facility is then proposed to be constructed on the western boundary of EPC818.

Negotiations are advancing with product coal rail transport providers in order to obtain capacity and agreement to transport product coal from the Broughton Project to one of the coal export Ports in the Mackay region.

Current market conditions have resulted in capacity becoming available in existing Northern port facilities at a more competitive price. The Company is currently in discussion with parties looking to relinquish some of their spare capacity.
3.4 Tenement exploration objectives

The Company’s strategy is to identify and develop further mine operations and production opportunities to add to the production of its two flagship projects. The Company is looking to build a sustainable business with a view of having at least three, but up to five operating mines by 2018.

The Company will be evaluating a number of potential coal opportunities across its broad range of existing tenements and those that are in the process of being granted. The Company’s strategy is to carry out further advanced development activities on Projects with existing open cut JORC resources as well as rapid and responsible exploration to identify further mine development opportunities.

Key to the Company’s strategy is the continual investment in further development of its advanced exploration Project at Rockwood (EPC1514) as well as exploration activities over the next five year period to meet the objective of identifying further mining opportunities. The Company has prioritised target areas in the short term, but future target areas will be identified as the mining information on the tenements improves through desktop studies, various types of surveys, exploration and drilling. The Company is committed to a strategy of maintaining government exploration expenditure requirements on all tenements that are believed to be prospective, while identifying opportunities to develop further mining operations.

The Company’s current specific development and exploration objectives are:

(i) EPC 818 – although the Broughton Project is one of the Company’s two flagship projects, the Company is looking at further defining the JORC Resources and further development potential within the eastern Rangals resource area. In addition, the Company believes that potential exists for further Rangal coal measures to sub crop in the west of the tenement as well as potential for Moranbah coal measures to be present at economic depths within the tenement. The Company’s resources team is also investigating the extraction potential of unconventional coal seams lying underneath the Rangal Coal Measures in the top of Fort Cooper Coal Measures.

(ii) Rockwood Project (EPC 1514) – Accounting for over 82% of the Company’s JORC resource base, the Rockwood Project will be a priority focus as the next potential mine development. With up to 38 individual coal seams or seam splits, ranging in thickness from 0.3m up to 7.0m and associated geological structures the project will require intensive mining development studies in order to determine the most practical and cost effective method of extraction. Additional focussed exploration drilling will also be required to better establish the geology and areas most amenable to open cut mining methods.

(iii) Stockyard Creek Project (EPC’s 1620, 2339 and 1516) – Two 3m thick coal seams separated by a 0.3m parting have been discovered at the Stockyard Creek Project representing an entirely new coal measure previously unknown in the Bowen Basin. Of the limited coal quality analysis completed to date, initial results indicates a high raw ash content and coking coal potential with CSN values of 9+ for some fractions. Further ground gravity geophysics surveys completed, have yielded positive results and the Group’s immediate priority is to expand on the limited previous drilling (only 6 holes completed to date). Confirming the extension of the coal seams as well as improving coal quality in support of a maiden JORC Resource are the priorities for the Company.

(iv) MDS – Geological field mapping by the Company’s resource team has identified similar outcrop characteristics as the MDS Project area in a location to the south west. A scout exploration program has been developed with the intention of confirming an extension to the MDS resource area and if successful then completing a JORC Resource drilling campaign. Given the stage of the MDS Project this exploration program is also a priority for the Company.

(v) Other Tenements – The Company is also developing exploration targets for the large portfolio of tenure under its control. Once identified, field exploration activities will involve geophysical surveys, geological field mapping and exploration scout drilling. Results will be analysed with the intention of rapidly following up on early positive information in line with Group’s growth strategy.
(vi) New Projects – The Company additionally has an aggressive new project pipeline strategy with the intent of achieving growth of mine development assets through either application for vacant tenure or potential acquisition and other partnership arrangements with existing tenure holders. In the current economic climate within the mining industry the Company believes that significant potential exists for new project growth for minimal outlay and the Company’s resources team is currently reviewing potential opportunities.

3.5 High calibre management and employees

As at the date of this Prospectus, the Company has 21 talented mining and geologically experienced employees. 12 of these experts were previously employed by Endocoal. The team has a balanced set of skills in the areas of geology, mining operations, infrastructure and regulatory, environmental and financial affairs, with the capability of supporting the Company from its exploration to production phase. All senior operational managers have worked, or will have worked previously, in the minerals and mining sector. The Directors believe that they are well equipped to manage development projects, joint venture arrangements, third party contractor workforces and exploration activities.

The Group has its own in-house human resources advisor and is currently running a structured recruitment process to select a quality competent project manager to administer the two flagship projects that are in progress. The Company’s strategy is to hire high calibre people for all its senior operational and technical roles, and is committed to being an equal opportunity employer and upholds best workplace practices and culture.

3.6 Occupational health and safety, communities and the environment

The Company has set the following values to provide its expectations for the behavior of its Board, management and staff:

- Safety
- Respect
- Integrity
- Opportunity
Health and Safety is a key priority at the Company, and a key value upheld by the Board. Management are focused on ensuring that all contractors and employees have undertaken appropriate health and safety workplace training. The Company has a rigorous approach to policy and procedure development and has implemented an active training, audit and continuous improvement program to not only ensure compliance but to create a culture and operating performance that demonstrates safety and environmental excellence. Queensland coal exploration activities are governed by the Queensland Coal Mining Safety and Health Act. The Company has a fully developed and implemented Safety and Health Management System. The Senior Site Executive has continued in the role from Endocoal and along with the management team is responsible for auditing, monitoring and continuously improving all practices on-site to ensure the safety and health of all personnel and the community is not adversely affected by the conduct of its operations.

The Board has approved and implemented a number of corporate policies to set the expectations for the Group’s activities, with these being:

1. Health and Safety
2. Fitness for Work
3. Rehabilitation and Return to Work
4. Environment and Community
5. Equal Opportunity and Employment

The Company’s senior management will strive to ensure that the culture of Safety, Health and Environment is deployed across all of its operations and also encompasses its head office and corporate activities with a safety health and environment management system also active within its non-field based activities.

The Company is committed to effective engagement with local traditional owner groups. This includes the development and maintenance of mutually beneficial relationships, by demonstrating best practice compliance with the cultural heritage and native title requirements of the Aboriginal Cultural Heritage Act 2003 (Qld) and the Native Title Act 1993 (Cth).

The Company has a depth of experience in relation to native title and cultural heritage, including:

- establishment of agreements with local Traditional Owner groups,
- compliance with the Aboriginal cultural heritage duty of care, and
- involvement of Aboriginal cultural heritage monitors in exploration programs.

Environmental management is an important aspect of the Company’s operations. The Company is committed to closely managing all exploration activities to contain them on-site in a responsible manner for minimal impact and disturbance to the environment and wider communities. The Company has implemented and established an Environmental Management System to ensure best practice.

3.7 The U&D difference

The Directors believe that the Company is on the cusp of becoming a mid-tier coal producer and exporter. It has acquired two near term development projects, the first of which is MDS. Based on the Company’s Project plans and timeframes, the Company expects that MDS can be producing coal within 18 months following completion of the Offer, subject to raising the necessary funds described under the Offer and subject to successful implementation of the Company’s Project plans and navigation of Project risks. The MDS project has a relatively low capital cost of approximately $46 million for its FOT option. However, the Company is looking at preferred joint venture options and farm in arrangements that would reduce the level of capital investment required to make the mine operational and producing cash flows. The Company’s target as per FOT operating costs for the coal at $37 / tonne (which if achieved) would potentially make it among one of the lowest cost coal producing mines in Australia.
The Company has a complimentary second development project Broughton, which the Company believes could commence coal production in 2016, subject to successful implementation of the Company’s Project plans and navigation of Project risks. The Broughton Project is less advanced than MDS with a FS in progress. It is also subject to additional risks described in Sections 1 and 6.

The Company has a strategy of ongoing investment in exploration to uncover further opportunities to bring to production in the intermediate term. The Company is targeting to add 5Mtpa to 10Mtpa within five years by actively targeting exploration opportunities form amongst its 21 granted tenements and a 50% interest in one tenement, as well as others that may be granted from the 8 tenements under application. The Company is likely to require further funding in due course to develop these opportunities to bring them to production. The Company will also seek to obtain further prospective opportunities through vacant tenure, acquisition or partnership arrangements with existing tenure holders. In the current economic climate the Company believes that significant potential exists for new project growth for minimal outlay. The Company believes that upon completion of the Offer, it will be well placed to take advantage of this climate.

The Company has a Majority Shareholder that is a significant coal enterprise from China. The Company sees potential off-take opportunities with that shareholder, access to the China market and the potential for further investment opportunities from all three of its cornerstone shareholders.

The Company has experienced high calibre people and will continue to add high calibre skilled employees to its technical and operational teams. The Company is committed to health safety management, communities and the environment and will strive for best practice compliance in line with its key values of excellence and high moral standards.

The Directors believe that the quality and prospectivity of the Company’s assets and the drive and dedication of the management and operating teams will position the Company to become a significant participant in the export coal market.
4. Tenements and Projects Overview
4.1 Summary of Tenements

The Company’s projects, comprising of 21 granted tenements, 1 tenement with 50% interest and 8 exploration tenement applications and 2 mining lease applications and covering an area of approximately 4903 km² in the Bowen Basin, Queensland Australia. The Company considers the Bowen Basin to be the premier coal basin in Australia for both quality of existing and potential assets and existing infrastructure for access to the market. The geology and coal measures of the Bowen Basin are summarised in Table 4.1.1 below. The Group’s granted tenements and those under application are listed below with the Group’s assessment of exploration targets and prospectivity outlined in Table 4.2.1.

Table 4.1.1: Bowen Basin Geology and Coal Measures

<table>
<thead>
<tr>
<th>Bowen Basin and Structural Outliers</th>
<th>North</th>
<th>Central</th>
<th>South-East</th>
<th>South-West</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rangal Coal Measures (RCM)</td>
<td>Rangal Coal Measures (RCM)</td>
<td>Baralaba Coal Measures (BCM)</td>
<td>Bandanna Formation (BF)</td>
<td></td>
</tr>
<tr>
<td>Fort Cooper Coal Measures (FCCM)</td>
<td>Burngrove Formation (BGF)</td>
<td>Fair Hill Formation (FHF)</td>
<td>Kaloola Member (KM)</td>
<td></td>
</tr>
<tr>
<td>Morantish Coal Measures (MCM)</td>
<td>German Creek Formation (GCF)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collinville Coal Measures (CCM)</td>
<td>Blair Athol and Wolfgang Coal Measures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reids Dome Beds (RDB)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Company has two mining lease applications in progress for the MDS Project and the Broughton Project. Further information on the mining lease application are included in the project overview for Meteor Downs South and Broughton Projects in Section 3.
### 4.2 Tenements and projects

<table>
<thead>
<tr>
<th>EPIC</th>
<th>Name</th>
<th>Project</th>
<th>Status</th>
<th>Area (Km²)</th>
<th>Prospectivity Ranking</th>
<th>Target Coal Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1517</td>
<td>Orion Dowses</td>
<td>Orion Dowses Project</td>
<td>Granted</td>
<td>840</td>
<td>High - BCM resources at inden and MDS, additional mineral project aligned. Also prospective for undeveloped and unexplored coal measures in the west of the tenement.</td>
<td>BCM, Allochtonous IA,</td>
</tr>
<tr>
<td>2025</td>
<td>Onealander</td>
<td></td>
<td>Granted</td>
<td>6</td>
<td>Low - Reports of BCM in historical government mapping</td>
<td>BCM</td>
</tr>
<tr>
<td>2253</td>
<td>Mt Ingels</td>
<td></td>
<td>Granted</td>
<td>50.4</td>
<td>Medium - High - Outcrops coal seams found in the tenement</td>
<td>Allochtonous SS</td>
</tr>
<tr>
<td>818</td>
<td>Broughton</td>
<td>818 Project</td>
<td>Granted</td>
<td>48</td>
<td>High - Resources reported in the ROM in the east, field mapping has identified potential BCM and RCM in central and west</td>
<td>BCM, RCM</td>
</tr>
<tr>
<td>1354</td>
<td>Rockwood</td>
<td>Rockwood Project</td>
<td>Granted</td>
<td>81.2</td>
<td>High - BCM Resources reported, Potential for RCM in west of tenement</td>
<td>BCM, RCM</td>
</tr>
<tr>
<td>1362</td>
<td>Rockwood 2</td>
<td></td>
<td>Granted</td>
<td>5.6</td>
<td></td>
<td>BCM</td>
</tr>
<tr>
<td>1637</td>
<td>Cania West</td>
<td></td>
<td>Granted</td>
<td>2.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3359</td>
<td>Stockyard Creek</td>
<td>Stockyard Creek Project</td>
<td>Granted</td>
<td>50</td>
<td>High - Stockyard Creek Coal Measures identified, Geophysical survey, indicate extension of the coal bearing zone north and south</td>
<td>SCCM</td>
</tr>
<tr>
<td>1038</td>
<td>Cedar Creek</td>
<td></td>
<td>Granted</td>
<td>51.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1620</td>
<td>Tarrell</td>
<td></td>
<td>Granted</td>
<td>46.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1803</td>
<td>Springfield Dungarva</td>
<td>Springfield Project</td>
<td>Granted</td>
<td>50.4</td>
<td>Medium - Seismic surveys and geophysical surveys indicate potential coal bearing targets</td>
<td>BCM, RCM</td>
</tr>
<tr>
<td>2861</td>
<td>Twelve Mile Creek</td>
<td></td>
<td>Granted</td>
<td>59</td>
<td></td>
<td>BCM, RCM</td>
</tr>
<tr>
<td>1513</td>
<td>Nibo</td>
<td>Nibo Project</td>
<td>Granted</td>
<td>44.4</td>
<td>Medium - Reports of shallow coal in water bore</td>
<td>BCM</td>
</tr>
<tr>
<td>2806</td>
<td>Cooper Creek</td>
<td>Cooper Creek Project</td>
<td>Granted</td>
<td>81.8</td>
<td>Medium - Potential for similar Rockwood style in the west and Stockyard Creek style in the east</td>
<td>BCM, SCCM</td>
</tr>
<tr>
<td>2854</td>
<td>Thirty Mile Creek</td>
<td>Thirty Mile Creek Project</td>
<td>Granted</td>
<td>8.4</td>
<td>Medium - BCM confirmed through identified by historical seismic surveys</td>
<td>RCM</td>
</tr>
<tr>
<td>2262</td>
<td>Milroy</td>
<td>Galilee Project</td>
<td>Draft Grant</td>
<td>103.6</td>
<td>Medium - Significant coal intersections identified in historical drilling</td>
<td>tens Creek Coalfields</td>
</tr>
<tr>
<td>1518</td>
<td>Sullivan Creek</td>
<td>Tailwood Project</td>
<td>Granted</td>
<td>527.6</td>
<td>Low to Medium - Coal seams identified at Tailwood Project through historical and current drilling</td>
<td>CCM, RCM</td>
</tr>
<tr>
<td>1500</td>
<td>Talwood</td>
<td></td>
<td>Granted</td>
<td>115</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1515</td>
<td>Essa</td>
<td>Essa Project</td>
<td>Granted</td>
<td>154.4</td>
<td>Low to Medium - scarf style coal seams identified</td>
<td>BCM</td>
</tr>
<tr>
<td>2506</td>
<td>Tumwater</td>
<td>Tumwater Project</td>
<td>Pending</td>
<td>47.6</td>
<td>Low to Medium - Potential for shallow BCM and RCM from historical exploration</td>
<td>BCM, RCM</td>
</tr>
<tr>
<td>1312</td>
<td>Expedition Peak</td>
<td>Expedition Peak Project</td>
<td>Granted</td>
<td>84</td>
<td>Low</td>
<td>CCM, GCF and MCE</td>
</tr>
<tr>
<td>2135</td>
<td>Pottoria Hill V H**</td>
<td>Pottoria Hill Project</td>
<td>Granted</td>
<td>358</td>
<td>Low</td>
<td>CCM, RCM</td>
</tr>
<tr>
<td>2173</td>
<td>Bundarra</td>
<td></td>
<td>Priority Applicant</td>
<td>31</td>
<td>Low</td>
<td>BCM and RCM</td>
</tr>
<tr>
<td>2293</td>
<td>Kola Bar</td>
<td></td>
<td>Priority Applicant</td>
<td>28</td>
<td>Low</td>
<td>BCM</td>
</tr>
<tr>
<td>2348</td>
<td>Sondhuns</td>
<td></td>
<td>Priority Applicant</td>
<td>109.2</td>
<td></td>
<td>RCM and MCE</td>
</tr>
<tr>
<td>2709</td>
<td>Derin Creek</td>
<td></td>
<td>Priority Application</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2825</td>
<td>Rice Creek</td>
<td></td>
<td>Priority Applicant</td>
<td>27.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2853</td>
<td>Hoppeth</td>
<td></td>
<td>Competing Application</td>
<td>28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2857</td>
<td>South Creek</td>
<td></td>
<td>Competing Application</td>
<td>27.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2858</td>
<td>Déco Creek</td>
<td></td>
<td>Competing Application</td>
<td>84</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.2.1: U&D Coal Tenure and Projects
(A) Orion Downs (Including Inderi), Overlander And Mt Inglis Projects (EPC 1517, EPC 2025, EPC 2253)

Figure 4.2.1: Orion Downs Project Area
Project Overview
Orion Downs project (EPC 1517) covers an area of approximately 840 km² and currently consists of two resource areas, the MDS resource and the Inderi resource. The MDS resource area is one of the Company’s priority near term mine developments and is covered in more detail in the business overview section. The project is very well situated to existing infrastructure with the Dawson Highway running across the tenement area and the Bauhinia rail line approximately 7 km to the east of the tenement, with a total rail distance of approximately 400 km to the Port of Gladstone.

Geological Overview
The Orion Downs, Mt Inglis and Overlander Project areas are located in the central portion of the Denison Trough, with the geology of the area well documented through Queensland Government geological mapping surveys and historical petroleum exploration. The Springsure Anticline in the west of the tenement is well exposed with Permian strata outcropping in the east and mainly covered by a veneer of Tertiary basalts and sediments. The prospective coal formations include the Bandanna Formation (the Rangal Coal Measures), the Reids Dome Beds, the Freitag Formation and the Aldebarren Sandstone.

The Orion Downs (EPC 1517) tenement has further target areas identified as prospective for open cut thermal coal resources within the Freitag, Peawaddy and Reids Domes Beds Formations. A potential south western extension to the MDS Project within the Bandanna Formation has also been identified from geological mapping. Outcropping coal hosted within the Aldebarren Sandstone has been identified by geological mapping within the Mt Inglis project (EPC 2253) with a nearby historical petroleum drill hole confirming coal seams within the formation. The Overlander Project (EPC 2025) has been identified as hosting potential to contain extensions of the Bandanna Formation as well as the coal seams identified within the Aldebarren Sandstone within the Mt Inglis project.

Exploration planning for a scout drilling program to test the identified targets is underway by the resources team. The MDS extension and Mt Inglis target areas have been identified as priority targets and the intention is to test these during the second half of 2013. Other exploration targets within the Orion Downs area will be completed in due course in line with the Company’s growth strategy.
Figure 4.2.2: Interpretative geology EPC1517 (Government data, Balfe et al., 1988)
Inderi Project

The Inderi project has a JORC Resource of 34.6 Mt. Basalt flows cover the Inderi resource area hindering any potential open cut possibilities and the coal seams are at greater depths then the MDS Project. The Inderi Project is best utilised through traditional underground mining methods. The coal resource consists of the combined B, BC, C and D seams of the Bandanna Formation which dip gently to the east with similar style and quality to the MDS Project. The main target seam, the D Seam, has a typical depth of cover between 67 and 160m and has been less affected as the upper seams by the basalt flows. Average thickness of the basalt flows at the Inderi resource area is 90 metres with the average thickness of the D seam being 5 metres and a maximum thickness of six metres. Coal quality analysis from the Inderi Project for the D Seam indicates a low raw ash averaging 8.9% as well as an average air dried calorific value of 6,231 kcal/ kg. Expected product from Inderi mining operations is expected to deliver an export quality, low ash direct rail thermal product similar to the MDS Project.

<table>
<thead>
<tr>
<th>SEAM</th>
<th>Mersed</th>
<th>Indicated</th>
<th>Inferred</th>
<th>Raw Coal Qualities (Air Dried Basis)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Area(ha)</td>
<td>Thick(m)</td>
<td>Mt</td>
<td>Area(ha)</td>
</tr>
<tr>
<td>B</td>
<td>33</td>
<td>1.0</td>
<td>-0.5</td>
<td>1.44</td>
</tr>
<tr>
<td>C</td>
<td>37</td>
<td>2.0</td>
<td>1.0</td>
<td>9.7</td>
</tr>
<tr>
<td>BC</td>
<td>45</td>
<td>4.1</td>
<td>2.6</td>
<td>1</td>
</tr>
<tr>
<td>D</td>
<td>24.7</td>
<td>4.92</td>
<td>18.48</td>
<td>4.5</td>
</tr>
<tr>
<td>Sub TOTAL</td>
<td>18.48</td>
<td>8.10</td>
<td></td>
<td>8.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>35.48</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.2.2: Inderi JORC Resource Estimate and Air Dried Quality Variables

Preliminary mine planning studies have been completed for the Inderi Project which have yielded positive results. As the MDS Project is considered much lower in terms of capital and offers a much quicker path to achieving the groups first cash flow the Company’s mine development efforts have been focussed on achieving this. Once the MDS Project is operating successfully the Group will revisit the Inderi Project in terms of potential mine development.
Figure 4.2.3: Inderi Project Seam Section
Figure 4.2.4: Inderi Resource Area
Project Overview

The Broughton Project covers an area of 48 km² and is located 30 km north west of Nebo and 100 km west of Mackay in the Northern Bowen Basin. The project is very well situated to existing infrastructure with the Suttor Creek Development Road and the Hail Creek rail spur running through the tenement to the south west. The Broughton Resource area is highlighted in the east of the tenement and is described in detail in Section 3.

Figure 4.2.5: Broughton Coal Project Map

Geological Overview

The geology of the project area is dominated by an anticlinorium that exposes Fort Cooper Coal Measures across most of the area and the Rangal Coal Measures dominantly in the east with a small area in the west that has been identified by geological field mapping as having the potential to have sub cropping Rangal coal measures.

The Fort Cooper Coal Measures are characterized by tuffaceous sandstone and siltstones, and several thick coaly horizons that contain high-ash coal, carbonaceous mudstone, tuffaceous mudstone and siltstone. The Girrah seam has been intersected in historical resource drilling programs in the eastern project area. Little information is available and current plans are to test the extractive potential of the Girrah Seam in the eastern resource area.

Existing historical coal seam gas drilling (Kemmis Creek 1 by MCG Resources) identified the characteristics of the MCM within the central part of the tenure. While intersected at depth, several significant coal seams were identified ranging in thickness from 2m to over 11m of net coal. Field geological mapping identified several geological fold structures within the central part of the tenement with steep to moderate bedding dips and suggested that several target zones may contain upthrust MCM due to local faulting and folding.
Historical seismic survey data shows that while geological structure is prevalent within the central part of the tenure, bedding flattens towards the west. A historical drill hole, Wodehouse 1 drilled by the Geological Survey of Queensland, located the target seams in the MCM in the range of 300m depth, thus presenting a potential underground target within the MCM in the west of the tenure.

Other significant geological structure in the area is a large sill or igneous intrusive that runs through the central western part of the tenement. Geophysical and geological logging from the historical drill hole Wodehouse 1 indicates that the intrusion only affects selected seams within the MCM and that the target seams identified from the MCM are unaffected.

**Future Exploration Activities**

A drilling program is currently planned to be undertaken by U&D Mining to test the shallow MCM target in the central part of the tenure as well as the potential RCM sub crop in the south western corner of the tenement.

In the Broughton Resource Area, a mine development drilling program is planned to obtain additional coal quality, geotechnical, spontaneous combustion, gas testing and ground water data. This information is required as inputs into the FS for the Broughton Resource as well as the environmental impact assessment in support of the MLA.
(C) Rockwood Project (EPC1514, 2022 and 2822)

Figure 4.2.6: Rockwood Project Map
Project Overview

The Rockwood Project (EPC1514, 2022 and 2822) is located 40 km north east of Dysart and covers a total area of 90 km². The Fitzroy Development Road is adjacent to the project area and the Oaky Creek Rail line of the Goonyella Rail System is approximately 55 km north west of the tenement, with an approximate distance of 200 km to the Dalrymple Bay Coal Terminal.

Nearby Coal Operations and Projects

Peabody acquired several nearby deposits through Macarthur Coal located in close proximity to the Rockwood Project, the most significant being Wilunga, Codrilla, Codrilla South and Vermont East. BHPB Mitsubishi Alliance (BMA) holds the Picardy deposit which lies approximately 15km South West of Rockwood. All adjacent or nearby resource areas are within the Rangal Coal Measures.

Other operations currently producing in the eastern margin of the Bowen Basin are Anglo Coal’s Foxleigh mine directly southwest from Rockwood as well as the privately held Yarrabee and Jelinbah mining operations further south. While these operations extract seams from the Rangal Coal Measures the geology of the deposits has complex geological structure where cases are well documented involving seams that are dipping at 90 degrees (of vertical orientation) and are mined successfully.

Geological Overview

Located in the central to eastern portion of the Bowen Basin, the Rockwood Project overlies the boundary between the geological structural zones of the Folded Zone and the Nebo Synclinorium in the north. The Nebo structural zone is characterised by north to north west tending folds and fault geological structures. Little has been described of the geology within the eastern area of the Bowen Basin due to limited geological exposure but the area is well known for hosting complex geological structure such as folding and faulting.

The seams identified at the Rockwood Resource area are members of the Moranbah Coal Measures. On the central and north eastern edge of the Bowen Basin the Moranbah Coal Measures have been documented to be of very different character to their more famous cousins on the western edge of the Bowen Basin; where some of the world’s best coking coals are currently mined. A comparison between Rockwood and western Bowen Basin Moranbah Coal Measures is provided in Figure 4.2.7.

Within the Rockwood area the Moranbah Coal Measures have been correlated locally within the resource area to include up to 38 distinct seams or seam splits. These seams and associated seam splits range in thickness from 0.3m to more than 4 metres and in places up to 7 metres thick. Geological structures within the resource area have resulted in seams being inclined by folding and faulting with dips ranging from shallow to up to 50 degrees in places. The boundary between the MCM and the Fort Cooper Coal Measures has been determined through drilling along the western area of the tenure. Geological cross sections through the northern and most understood resource area are provided in Figure 4.2.8.
Figure 4.2.7: Rockwood MCM Geology and Proposed Correlations with the Western Bowen Basin (for coal seam correlation only and seam depth is not indicative of the Rockwood resource area)
Figure 4.2.8: Geological Cross Sections through the Rockwood Deposit

**JORC Resources**
As a result of several intensive drilling campaigns in the Rockwood Project area a significant JORC Resource of 447.1 Mt is currently held by the Company which includes 47.1 Mt of Indicated Resource with the rest in the Inferred Resource category. The current JORC Resource is shown in Table 4.2.3 below and the resource area is shown in Figure 4.2.6.

<table>
<thead>
<tr>
<th>Resources</th>
<th>Measured</th>
<th>Indicated</th>
<th>Inferred</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million Tonnes</td>
<td>0</td>
<td>47.1</td>
<td>400.0</td>
<td>447.1</td>
</tr>
</tbody>
</table>

Table 4.2.3: Current JORC Resources for the Rockwood Project

**Coal Quality**
The Rockwood coal seams have been classified as Anthracite by the ASTM classification system and advanced studies are being undertaken by the Company to determine if the coal can be classified as ‘True Anthracite’. True Anthracite is achieved when coal rank has increased through natural burial metamorphic processes rather than by burial and intrusive related heating mechanisms. This has some relevance to potential markets for the coal.
Rockwood coal is one of the highest achievable with a mean vitrinite reflectance (RoMax) of 4.0 to 4.1, with VoMax being one of the main indicators of coal rank. By comparison most coking coals have an average VoMax of 0.85 to 1.5. Due to the high rank of the coal it has an extremely low amount of any other property apart from Carbon and Ash, with a volatile matter ranging from 4 to 8% (ad). Raw ash for Rockwood coals varies from 20 to 40% and would require beneficiation in order to achieve an export grade product.

The coal also has an extremely high relative density, averaging around 1.75 SG for raw coal which is a significantly higher density than other contemporary coals.

Preliminary studies have been completed into the characteristics of potential Rockwood product coal and beneficiation processes. Estimated weighted average product quality, based on clean coal composite data at CF1.60, are shown below in Table 4.2.4.

<table>
<thead>
<tr>
<th>Ash Content% (ad) 5 (daf)</th>
<th>Volatile Matter % (daf)</th>
<th>Fixed Carbon</th>
<th>Specific Energy MJ/kg (ad)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.3</td>
<td>6.5</td>
<td>91.8</td>
<td>30.1</td>
</tr>
</tbody>
</table>

Table 4.2.4: Indicative Rockwood Product Specification

Initial results from the completed studies suggest that Rockwood raw coal could produce a two product stream through beneficiation with a primary yield averaging 60%. Beneficiation would produce both a low ash ultra low volatile Pulverised Coal Injection (PCI) product as well as a higher ash secondary thermal coal product.

Preliminary studies have additionally been completed with the aim of assessing potential Rockwood PCI product and its acceptance into world PCI markets taking into account existing PCI product competition. Results from the studies have calculated a fuel replacement ratio of 0.82 for Rockwood coal which is higher than that of most PCI competitors currently in the market. Traditionally the market acceptance of lower volatile PCI products is growing as users gain more experience and access to better technology, resulting in a trend in demand towards lower volatile products.

**Anthracite Markets**

While there are no current Australian operations producing a Anthracite Product (semi Anthracite is the highest rank coal currently produced and exported in Australia), a large global market and demand exists for Anthracite coal. Anthracite is a natural substitute for Coke in steel making as well as in numerous chemicals and metallurgical processes. Figures 4.2.9 and 4.2.10 show the uses of Anthracite. Anthracite is also used in power generation due to its high energy content. Table 4.2.5 shows the nominal specifications for most applications.

Coke, made from Coking Coal, is the most expensive process in the steel making industry. With increasing demands for premium coking coal and decreasing supply steel producers are increasingly seeking coke fuel replacement alternatives such as PCI product. Due to the high carbon content of Anthracite coal it provides a more efficient alternative fuel due to its high energy content and low amounts of other properties.
Figures 4.2.9 and 4.2.10 showing main uses of Anthracite as a reductant with associated process flows in the metallurgy industry and chemicals and electrodes production.

<table>
<thead>
<tr>
<th>Use</th>
<th>Ash db, Max%</th>
<th>Volatiles dat, Max%</th>
<th>Carbon dat, min%</th>
<th>Sulphur dat, max%</th>
<th>% of Total Anthracite Use</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Stations</td>
<td>-5-20(28)**</td>
<td>10</td>
<td>50-60</td>
<td>0.9</td>
<td>-5-60</td>
<td>HG+UHG</td>
</tr>
<tr>
<td>Processing Industries</td>
<td>-1-13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric-Arc Furnace</td>
<td>-0-11</td>
<td>-5-78</td>
<td>1.0</td>
<td></td>
<td></td>
<td>HG+UHG</td>
</tr>
<tr>
<td>HG+UHG Smelting - Steel</td>
<td>-9-14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lime Kilms</td>
<td>8-12</td>
<td>3-8</td>
<td>80-86</td>
<td>1.0</td>
<td></td>
<td>HG+UHG</td>
</tr>
<tr>
<td>Limenite Smelting</td>
<td>-4 - 8</td>
<td>3-5</td>
<td>86-92</td>
<td>1.0</td>
<td></td>
<td>UHG</td>
</tr>
<tr>
<td>Electrodes</td>
<td>8-9</td>
<td>8-10</td>
<td>80-85</td>
<td>1.0</td>
<td></td>
<td>UHG</td>
</tr>
<tr>
<td>Ore Agglomeration</td>
<td>-9-11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ore Sintering</td>
<td>13-15</td>
<td>4-8</td>
<td>75-80</td>
<td>1.0</td>
<td></td>
<td>HG+UHG</td>
</tr>
<tr>
<td>Ore Pelletizing</td>
<td>17-21</td>
<td>10-13</td>
<td>68-72</td>
<td>1.0</td>
<td></td>
<td>SG+h-g+UHG</td>
</tr>
<tr>
<td>Pulverized Coal Injection</td>
<td>8-14</td>
<td>7-10</td>
<td>78-82</td>
<td>0.5-1.0</td>
<td>7-9</td>
<td>HG+UHG</td>
</tr>
<tr>
<td>Domestic Use (Home Heating)</td>
<td>7-10</td>
<td>4-7</td>
<td>85-88</td>
<td>0.7</td>
<td>5-7</td>
<td>UHG</td>
</tr>
<tr>
<td>Recarburizers</td>
<td>4-9</td>
<td>6-10</td>
<td>85-89</td>
<td>1-1.15</td>
<td>&lt;5</td>
<td>UHG</td>
</tr>
</tbody>
</table>

Table 4.2.5: Nominal specifications for Anthracite uses

**Project Development**

The next phase of development for the Rockwood project will focus upon initially completing initial mine development studies to determine the most cost efficient and practical methods and areas for open cut extraction of the Rockwood resource. Further infill and mine development related drilling will be required to ensure an adequate understanding of the geology and coal quality within selected areas.

Upon successful completion of the initial mine development studies the Group will assess the results and then move quickly in commissioning a feasibility study and mining lease application for the project. With an existing large resource base and valuable product the Rockwood Project potentially represents the next mine development opportunity for the Company.
(D) Stockyard Creek Project (EPC2339, EPC1516, EPC1620)

Figure 4.2.11: Stockyard Creek Tenement Area
Project Overview

The Stockyard Creek project consists of three granted tenements, Stockyard Creek (EPC 2339), Cedars (EPC 1516) and Barfield (EPC 1620). The Project covers a total area of 1187 km² and is located 15 km north west of the township of Theodore and 80 km west of Biloela. EPC2339 is intersected by the Leichhardt Highway, and EPC1516 and EPC1620 are intersected by the Dawson Highway and the Moura Rail System. This rail and road infrastructure currently services the existing Dawson Mine Complex and transports coal 184 km to the Port of Gladstone.

Nearby Coal Mine Operations

Anglo Coal’s Dawson open cut mine lies approximately 20 km to the north west of the project and runs parallel to the Project for a distance in excess of 100 km. Dawson mine operates a number of draglines and truck and shovel fleets in the Baralaba coal measures. The mine has been producing coking and thermal coal products since 2006 and in 2012 produced 11.9 Mt of ROM coal. The Meridian Coal Seam Gas production field, operated by Westside Corporation, is located down dip of the Dawson Mine.

Geological Overview

Stockyard Creek is located within the south eastern limb of the Bowen Basin, on the eastern flank of the north west orientated Mimosa Syncline. Regionally, the Mimosa Syncline structure has undergone major compression from the east resulting in folding and thrust faulting leading to the formation of moderately to steeply dipping geological units. Regionally the Permian coal bearing geological units dip towards the centre of the Bowen Basin in a south westerly direction.

In this part of the Bowen Basin the target coal bearing unit is the Rangal Coal Measure equivalents, the Baralaba Coal Measures. The target coal measures discovered in the Project area are the Stockyard Creek Coal Measures, which have not yet been correlated to other parts of the Bowen Basin and are thought to be Permian in age and deposited in a sub basin in a similar style to those on the westen edge of the Basin, the Collinsville Coal Measures.

The Stockyard Creek Coal Measures occur near the base of the Bowen Basin lying close to the Andesite of the Camboon Formation which is considered the basement formation. The coal measures are overlain by the easterly dipping Fat Top Formation and the Gyandra Formation.

Previous Exploration Activities

A six-hole scout drilling program completed in 2012 with 5 of the 6 holes intersecting two 3m thick seams separated by an approximately 0.30cm thick parting from depths of 300m to 42.7m. The seams appear to dip west at roughly 15 to 18 degrees and then flatten with depth.

Detailed gravity survey and field mapping has been completed during 1H 2013 with the intention of obtaining positive indications of the target sub basins extending north and south. The results were very positive and showed deeper signatures north and south of the initial drilling area. Results indicate the potential for the coal bearing sediments to be part of a possible interpreted sub-basin in excess of 70 km strike length. The sub-basin is still open south of the survey area.

Figure 4.2.12 shows a geological cross section through the area where the initial scout drilling was completed.
Coal Quality

Preliminary coal quality analysis was completed on two twinned core holes with the results returning promising indications of coking coal properties. While the coal exhibited moderate to high raw ash contents with relatively low float yields coal samples indicated excellent coking properties including Crucible Swelling Numbers of 9+ and Grey King Coke Tests in the range of G5. Table 4.2.6 shows the average coal quality analysis for sample plies at a CF1.35.

<table>
<thead>
<tr>
<th>PROXIMATE ANALYSIS (%ad)</th>
<th>COKING COAL CHARACTERISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inherent Moisture</td>
<td>Fixed Carbon</td>
</tr>
<tr>
<td>Ash</td>
<td>Volatile Matter</td>
</tr>
<tr>
<td>1.1</td>
<td>12-16</td>
</tr>
<tr>
<td>16-18</td>
<td>65-68</td>
</tr>
<tr>
<td>CSN</td>
<td>GKCT(ad)</td>
</tr>
<tr>
<td>9+</td>
<td>G5</td>
</tr>
<tr>
<td>Maximum Fluidity (ddpm)</td>
<td>Maximum Dilatation (%)</td>
</tr>
<tr>
<td>50</td>
<td>+35</td>
</tr>
</tbody>
</table>

Table 4.2.6: Indicative average coal quality analysis for Stockyard Creek sample plies
Future Exploration Activities

Exploration planning has been completed for further gravity surveys to extend to the south of the Stockyard Creek area as well other target areas in greater Stockyard Creek project area. Drilling planning has been completed to follow on from the initial scout drilling with the next drilling campaign scheduled to be conducted during the fourth calendar quarter of 2013.
5. Directors and Management
Mr Dongsheng Wu is the Chief Accountant of Yima Coal Industry Group and CFO of Henan Dayou Energy Ltd (listed on the Shanghai Stock Exchange). He has a Bachelor Degree in Accounting from China Central University of Finance and Economics and has significant experience in finance and administration. He started his career in the Finance Department of Hanwang Coal Mine for the Jiaozuo Coal Industry Group, before moving to the Coal Industry Administration Bureau. Before joining Yima as Vice Chief Accountant in 2009, Mr Wu was the Vice Director of the Finance Division of the Department of Industry and Information Technology in Henan. Mr Wu became CFO of Henan Dayou Energy Ltd in March 2011 and chief accountant of Yima in September 2011.

Mr Yinan Zhang is the Managing Director of ASX listed entity, Australia New Agribusiness & Chemical Group Limited (ASX:ANB). Mr Zhang has more than ten year’s experience in the chemical fertiliser industry investment, banking, finance and securities. He has founded a number of industrial companies in the PRC and Australia. Mr Zhang is an Australian resident based in Brisbane. He has lived in Australia for more than five years, during which time he has gained experience in corporate operations in Australia and familiarity with the Australian business environment.
Mr Hao Liu is a coal mining engineer with over 30 years' experience in the coal industry. Mr Liu first came to Australia in 2011, as a representative of Yima Coal Industry Group, to investigate mining opportunities in Australia. Mr Liu is a Director of KQ (a major shareholder of the Company), and is the founding CEO of the U&D Group. Prior to coming to Australia, Mr Liu had been employed by Yima since 1984. He has held various positions including as deputy chief engineer and manager of the Production Technology department, in the Zhonglianrunshi Xinjiang Coal Mining Co., Ltd; Deputy General Manager in Qinghai Yihai Energy Co., Ltd.; and a general manager of Production Technology and Safety at the Muli coal mine.

Dr Geoff Dickie has been involved in mineral exploration, mining, energy, infrastructure, planning and native title for over 40 years both in the private sector and government. He was the Former Queensland Deputy and Assistant Coordinator-General. He was responsible for numerous major infrastructure and economic development projects through the Coordinator-General approval and facilitation processes. He was the inaugural chair of the Queensland Exploration Council. He is a fellow of Australasian Institute of Mining and Metallurgy and holds a Bachelor of Science and PhD in Geology. He was awarded a Public Service Medal by the Federal government in 2012.
Mr Wei Liu has experience in the field of corporate finance and investment banking. Before he joined U&D Mining in 2013, he was a Senior Manager of China Huarong Asset Management Corporation, a company based in Zhengzhou, PRC. During this period, Mr Liu was involved in debt and equity financing deals involving Yima, Zhengzhou Coal Group, and CITIC Heavy Industrial Co., Ltd, etc.

Mr Gavin Houghton is an experienced mining executive, having worked across the full portfolio of metals, minerals and mining jurisdictions in his 23 year resources career. After beginning his career with BHP he has held senior executive roles with North Limited and Rio Tinto plc.
Mr Wenliang Wang is a senior engineer who has been employed by Yima from September 1988. He has significant coal mining and geological experience from successive progression through the Yima. He has held the following positions at Xi’an coal mine: General Manager of High pressure hose factory, General Manager of the coal mine. In addition, he was also the director of Human Resource department of Yima. Mr Wang was appointed as the general manager of Yima in September 2013.
5.2 Senior Management

(a) **Mr Peter Edwards (Age 55)** – Chief Financial Officer and Company Secretary – Peter is a Chartered Accountant with over 30 years’ experience as a senior finance executive. Peter was the Chief Financial Officer and Company Secretary at Endocoal prior to U&D Mining’s acquisition of that company in May 2013. Prior to Endocoal, Peter held Group Financial Controller roles at listed entities Norton Gold Fields (ASX:NGF) and Ludowici (ASX:LDW, now FL Smidth). Before those roles Peter was Chief Financial Officer of ASX listed Viking Industries. Peter has been a CFO in the UK, New Zealand and Australia and brings a diverse accounting background covering mining, resources, manufacturing, industrial, services, retail, leisure and property.

(b) **Mr Darren Walker (Age 37)** – General Manager Resource Development – Darren is an accomplished Geologist and Coal Technical Professional with experience as a Geologist in Petroleum, Metals and Coal. He was the Exploration Manager at Endocoal prior to its acquisition by U&D Mining and led the discovery of over 450 Mt of coal resources from the date of Endocoal’s ASX listing. Darren also led the discovery and development of the MDS Project. Highlights of his career thus far are working on coal mines in geology and metallurgy with New Hope Corporation, leading and managing exploration projects such as the world class New Saraji Project which resulted in a sale to BMA for $2.5 billion and in Coal Marketing as a Technical Marketing Manager. Darren has a Bachelor of Science with Honours in Geology and a Masters in Business Administration. Darren is a Competent Person.

(c) **Yinan Zhang (Age 44)** – Vice Chairman – Mr Yinan Zhang’s experience is detailed in Section 5.1 above.
(d) **Wei Liu (Age 53)** – Deputy Chief Executive Officer of U&D Mining – Mr Wei Liu’s experience is detailed in Section 5.1 above.

(e) **Hao Liu (Age 48)** – Chief Executive Officer of U&D Mining. Mr Wei Liu’s experience is detailed in Section 5.1 above.

(f) **Capable human capital** – The Group has high calibre experienced mining and geological employees, built around the capable and experienced staff that joined U&D, through the acquisition of Endocoal Limited. The team have a balanced set of skills and are well equipped to manage the transition from exploration to production. The Group has its own in-house HR advisor and is continuing in its strategy to recruit high calibre people for all its senior operational and technical roles.

## 5.3 Interests of Directors

Other than as set out below, or elsewhere in this Prospectus:

(a) no Director or proposed Director holds at the date of this Prospectus, any interest in:

(i) the formation or promotion of the Company; or

(ii) any property proposed to be acquired by the Company in connection with its formation or in connection with the Offer; or

(iii) the Offer; and

(b) no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

(i) to a Director or proposed Director to induce him to become, or to qualify as, a Director; or

(ii) for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or in connection with the Offer.

(c) With the exception of Mr Gavin Houghton, no Director or proposed Director, held any interest in:

(i) any property acquired in connection with its formation or in connection with the Offer.

In 2012, U&D Mining acquired 20% interest in Broughton Project held by RPP from Houghton Investments Pty Ltd ACN 137 702 606 (a trustee of a trust of which Mr Gavin Houghton is a beneficiary) for a cash consideration of approximately $5,050,000. The Directors consider that his transaction was undertaken on an arms-length basis.

(d) Shareholdings of Directors

No Directors (and their related entities) will hold Shares upon allotment of the Shares under this Prospectus:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Dongsheng Wu</td>
<td>nil</td>
</tr>
<tr>
<td>Mr Yinan Zhang</td>
<td>nil</td>
</tr>
<tr>
<td>Mr Hao Liu</td>
<td>nil</td>
</tr>
<tr>
<td>Mr Wei Liu</td>
<td>nil</td>
</tr>
<tr>
<td>Mr Wenliang Wang</td>
<td>nil</td>
</tr>
<tr>
<td>Mr Gavin Houghton</td>
<td>nil</td>
</tr>
<tr>
<td>Dr Geoff Dickie</td>
<td>nil</td>
</tr>
</tbody>
</table>

(e) Remuneration of Directors

The Constitution provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum of $500,000 per annum or such other amount determined by a general meeting of shareholders.
The Board has resolved that for the first 12 months from the date of listing each of the non-executive Directors (ie. excluding executive Directors) will be paid $60,000 per annum.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors.

(f) Executive Remuneration

Mr Yinan Zhang is the Executive Chairman of the Company with an annual remuneration of $350,000 plus superannuation at 9.25% of base salary.

Mr Hao Liu is an Executive Director and Chief Executive Officer of the company with an annual remuneration of $350,000 plus superannuation at 9.25% of base salary.

Mr Wei Liu is an Executive Director and Vice Chief Executive Officer of the company with an annual remuneration of $250,000 plus superannuation at 9.25% of base salary.

(g) Deeds of Indemnity, Insurance and Access

The Company has entered into a Deed of Indemnity, Insurance and Access with each Director and the Company Secretary. Under the Deed, the Company indemnifies the Directors and the Company Secretary to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the Directors or the Company Secretary, in connection with their offices or a breach by the Company of its obligations under the Deed.

Also pursuant to the Deed, the Company must insure the Directors and the Company Secretary against liability, and provide access to all board papers, relevant to defending any claim brought against the Directors and the Company Secretary in their capacity as officers of the Company.

5.4 Related Party Transactions

On 19 November 2013, a Share Sale and Purchase Agreement was entered into between the Company, KQ, Kunlun and Golden Globe for the Company to acquire U&D Mining in exchange for 1,000,000,000 Shares in the Company. Refer to Section 12.4 for further information on the Share Sale and Purchase Agreement.

In 2012, U&D Mining acquired 20% interest in Broughton Project held by RPP from Houghton Investments Pty Ltd ACN 137 702 606 (a trustee of a trust of which Mr Gavin Houghton is a beneficiary) for a cash consideration of approximately $5,050,000. Refer to Section 5 for further information.

5.5 The Board and Corporate Governance

The Board is concerned to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate environment.

The Board endorses the ASX Corporate Governance Principles and has adopted corporate governance charters and policies reflecting those recommendations.

The Board will approve a relevant Share Trading Policy with regard to trading in Company securities. The policy will apply to all directors, key management personnel and other employees of the Company and their associates. The policy will outline: the requirements; general prohibition on insider trading; restrictions on trading; additional restrictions on short-term trading; permission to trade; exceptions; required notification of proposed trade in Company securities; and notification of trade in the Company’s securities.

The Company intends to develop the following policies and procedures in a timely order and in accordance with sound corporate governance principle and market expectations:
(a) Board Charter
(b) Code of Conduct
(c) Audit Committee Charter
(d) Nomination and Remuneration Committee Charter
(e) Market Disclosure Protocol
(f) Shareholder Communication Policy

The responsibilities of the Board include:

• protection and enhancement of Shareholder value;
• formulation, review and approval of the objectives and strategic direction of the Company;
• monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
• approving all significant business transactions including acquisitions, divestments and capital expenditure;
• ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
• the review of performance and remuneration of executive directors and key staff;
• the establishment and maintenance of appropriate ethical standards; and
• evaluating and, where appropriate, adopting with or without modification the ASX Corporate Governance Principles.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

The Company has considered the ASX Corporate Governance Principles to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

The Company will seek to follow these recommendations and, as required under the Listing Rules, where the Company determines it would be inappropriate to follow the principles because of its circumstances, the Company will provide reasons for not doing so in its Annual Report.

The Board will consider on an ongoing basis its corporate governance policies and whether they are sufficient given the Company’s nature of operations and size.

The Board is cognisant of the view prevalent in Australia that it is generally not appropriate or in accordance with good corporate governance policies for the Board to comprise more non-independent directors than independent directors. The Board, after fully considering these issues, has formed the view that the present structure of the Board is appropriate having regard to the nature of the Company’s activities, the composition of its shareholders, its financial position and the various and diverse skills of the Directors. However, in reaching that conclusion, applicable as it is to the present time, the Board has also agreed on the possible appropriateness, at some stage in the future, of the need to change the structure and composition of the Board, particularly to address the balance between independent and non-independent directors. To that extent, the structure of the Board will be a matter for review with the intention that the Board will address those issues at some time in the future.

The Board has also determined, given the size of the Board and the Company, that it is not appropriate to disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives. Rather than a formal review procedure, the Board has adopted a self evaluation process to measure its own performance, which is overseen by the Nomination and Remuneration Committee.

Given the structure of the Board, it is not appropriate for the Audit Committee to consist of only non-executive directors. Nevertheless, the Audit Committee undertakes the selection and proper application
of accounting policies (with the assistance of external experts), the integrity of financial reporting, the identification and management of risk and review of the operation of the internal control systems. The Audit Committee will address the governance aspects of the full scope of the Company’s activities and ensure that it adheres to appropriate ethical standards.

Other than the above instances, the Board does not anticipate that it will depart from the ASX Corporate Governance Principles.
6. Risks
6.1 Introduction

The New Shares and Options should be considered speculative as the Company is a newly formed public company engaged in coal resource exploration and development. You should be aware that an investment in the Company involves risks, which may be greater than the risks associated with an investment in other companies. This section identifies those areas that the Directors consider as the major risks associated with an investment in the Company.

There are numerous risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company’s activities and its involvement in the coal exploration and mining industry in Queensland. Many of these risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed activities of the Company.

You should consider whether the New Shares and Options are a suitable investment having regard to your personal investment objectives and financial circumstances and the risk factors set out below. You should consult with your professional advisers before deciding whether to apply for New Shares.

The following section, which is not exhaustive, identifies what the Company believes to be the material risks associated with an investment in the Company of which you should be aware before making a decision whether or not to invest in the New Shares and Options.

The New Shares and Options offered pursuant to this Prospectus carry no assurance with respect to dividends, return of capital or the price at which the New Shares may trade in the future. Please refer to Section 1 of this Prospectus about the current intention of Directors in respect of the Company’s dividend policy moving forwards.

Investment in the Company is speculative. If you are in any doubt about investing in the Company, you should seek advice from your financial adviser, lawyer, accountant or stock broker.

6.2 Risks specific to the Company and the business

(a) Risks associated with MDS Project

MDS is identified by the Company as an advanced flagship project which forms an integral business and strategic basis for the growth and expansion of its business. The Company has identified inherent risks associated with the MDS Project.

(i) Currently the Company has not secured port or rail capacity for the MDS Project. Accordingly, the Company will have to try to secure capacity, or rely on other transportation methods or seek synergies with nearby mines which have existing port and/or rail capacity. This may increase the operational costs of the Company when undertaking development and exploration of the MDS Project. There is no guarantee that the Company will successfully procure a suitable transportation method on commercially acceptable terms. As a result, it may materially and adversely affect the profit margin, cash flow and overall financial position of the Company.

(ii) While the Company has commenced negotiation on a ML compensation agreement with landholders, this agreement has not been completed, which could delay the grant of a ML and the commencement of the mining operation.

(iii) There is a risk that the Company will lose some mineable coal reserves in order to construct a one in one thousand year flood levy within the ML area, if the Company cannot reach agreement with the adjoining tenure holder.

(iv) There is a risk that the mining lease, once granted, will contain restrictions imposed on the ML area that reduce the mineable coal reserves. This is governed by the restricted land provisions of the Queensland Mineral Resources Act 1989.
(v) Although the Company’s MLA and required environmental approvals for the MDS project are currently at an advanced stage, there is no guarantee that the ML or the required environmental approvals will be granted within the expected timeframe, or at all, or if they are granted, with any condition attaching to them which are commercially satisfactory to the Company.

(vi) The Company has prepared a FS that identified costs based on a mining contractor model and based on a mining methodology. However, the Company may not be able to deliver the project in line with that feasibility study.

(vii) Should the Company only reach the Minimum Subscription of $50 million, it will seek to enter into a JV agreement or obtain alternative funding for the MDS Project. There is no guarantee that the Company will be able to successfully enter into a JV agreement or obtain alternative funding with a third party on terms that are commercially acceptable to the Company.

(b) Risks associated with the Broughton Project.

While the Broughton Project is not as advanced as the MDS Project and the Company has not completed a feasibility study in regards to the project, the Company has identified that the following specific risks might affect the Broughton Project.

(i) Currently the Company has not secured port or rail capacity for the Broughton Project. Accordingly, the Company will have to try to secure capacity, or rely on other transportation methods or seek synergies with nearby mines which have existing port and/or rail capacity. This may increase the operational costs of the Company when undertaking development and exploration of the Broughton Project. There is no guarantee that the Company will successfully procure a suitable transportation method on commercially acceptable terms.

(ii) There is a risk that the mining lease once granted will contain restrictions imposed on the ML area that reduce the mineable coal reserves. This is governed by the restricted land provisions of the Queensland Mineral Resources Act 1989.

(iii) There is no guarantee that the mining lease or the required environmental approvals will be granted within the expected timeframe, or at all, or if they are granted, with any condition attaching to them which are commercially satisfactory to the Company.

(iv) Completion of the Broughton Project is likely to require the Company to obtain project financing. There can be no assurance that such funding will be available on satisfactory terms or at all. An inability to obtain funding may adversely affect the Company and may result in a delay or non completion of the Project.

(c) Estimation of coal resources and reserves

Resources estimates are inherently imprecise and may not prove to be an accurate indication of the quantity and/or quality of coal that the Company has identified or that it will be able to extract. Estimates are purely an expression of professional judgement based on available information, interpreted using experience and resource modelling techniques, as well as geological assumptions. They also involve application of sampling techniques, estimates of coal prices, cost assumptions, and statistical inferences which may ultimately prove to have been unreliable. As such, there is a risk that any coal ultimately mined may be of a different or inferior grade, quality, or volume from the resources and reserves estimates. Accordingly, this may result in decreased profitability of the Company from lower than expected revenues or higher than expected costs.

In addition, the inclusion of an estimation of coal resources and reserves in this Prospectus should not be regarded as a representation that these amounts can be economically exploited and investors are cautioned not to place undue reliance on these estimates.

(d) Inferred Resources

A significant proportion of the Company’s Resources are in the Inferred Resources category, which is the lowest of the three Resource categories under the JORC Code, reflecting limited sampling and a relatively low degree of geological certainty. While material may only be included in a Resources calculation if there are reasonable prospects of eventually economically extracting it, investors should be aware that the inclusion of a material in a Resources estimate does not
require a conclusion that the material may be economically extracted at the yield indicated or at all. Mineralisation only qualifies to be categorised as a Reserve once it has been demonstrated to be economically recoverable.

Resources are delineated, in order of increasing confidence, into Inferred, Indicated and Measured Resources. Under the JORC Code, an Inferred Mineral Resource is defined as: “that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes”.

According to the commentary accompanying the JORC Code: “the Inferred category is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are insufficient to allow the geological and/or grade continuity to be confidently interpreted. While it would be reasonable to expect that the majority of Inferred Resources would upgrade to Indicated Resources with continued exploration, due to the uncertainty of Inferred Resources, it should not be assumed that such upgrading will always occur. Confidence in the estimate of Inferred Resources is not sufficient to allow the results of the application of technical and economical parameters to be used for detailed planning in pre-feasibility or feasibility studies. For this reason, there is no direct link from an Inferred Mineral Resource to any category of Reserves. Caution should be exercised if this category is considered in technical and economic studies such as scoping studies”.

Only Resources in the Measured or Indicated Resources categories can be converted to the status of a Reserve. As a result, any future development of the Company’s Inferred Resources will depend on the Company being able to further upgrade the Inferred Resources to the Measured or Indicated categories, and/or discover additional resources in the Measured or Indicated categories, and subsequently convert them to Reserves by demonstrating that they can be economically extracted under reasonably assumed operating conditions.

(e) Mining Leases, licences and permits

Like other mining and mineral exploration companies, the Company must obtain a number of permits issued by various governmental agencies and regulatory bodies that impose strict regulations on various environmental and safety matters in connection with coal mining. The permitting rules are complex and may change over time, which may make the Company’s ability to comply with the applicable requirements more difficult or even impossible, in such a case, precluding continuing any future mining operations.

Private individuals and the public have certain rights to comment upon and otherwise engage in the permitting process, including through court intervention. Accordingly, the licences and permits the Company needs may not be issued, maintained or renewed, or may not be issued or renewed in a timely fashion, or may involve requirements that restrict the Company’s ability to conduct its mining operations. An inability to conduct the Company’s mining operations pursuant to applicable licences and permits could materially adversely effect the Company’s viability production, cash flow and profitability.

Although the Company’s mining lease application for the MDS Project is currently at an advanced stage and the Company is intending to make further mining lease applications in relation to its Broughton Project and other projects, there is no guarantee that the mining lease for MDS or other mining leases will be granted within the expected timeframe, or at all, or if they are granted, with any conditions attaching to them which are commercially satisfactory to the Company. If the Company is not able to successfully obtain the grant of mining leases and other required licences and permits to recover coal from current or future exploration projects, the Company’s future development of the two flagship projects, MDS Project and Broughton Project, will be materially and adversely affected.

(f) Infrastructure risks

Coal produced will be transported to customers or buyers by rail and sea. While the Company anticipates that it will be able to commercially negotiate and procure rail and port services, there is no guarantee that the Company can secure capacity from the relevant operators or that a capacity
increase will occur on either the rail system or the port system or both.

In addition, a number of factors could disrupt these transport services, including any failure of the proposed rail or port infrastructure providers to increase capacity in order to meet future export requirements or an unplanned reduction of the agreed allocated transportation capacity to the Company by those providers. In addition, key equipment and infrastructure failures, weather related problems and industrial action may impair the Company’s ability to supply coal to its customers.

While the Company anticipates that it should be able to obtain rail and port access from excess capacities from other mining companies through commercial arrangements, at the date of this Prospectus, there are no definitive agreements entered into for rail and port access for any of the projects. There is a risk that the Company may not be able to enter into such arrangements in a reasonable timeframe or on terms acceptable to it.

(g)  Joint ventures and contractual risks

The Company’s subsidiary Endocoal currently has in place an existing heads of agreement for an unincorporated joint venture arrangement with Carabella Resources Limited in relation to the Pretoria Hill Project (EPC2135). In the absence of a definitive joint venture agreement that is successfully negotiated, the existing heads of agreement may not be enforceable and the 50% beneficial interest that the Company has in the joint venture may not be ultimately vested with the Company.

In the future, the Company may also enter into joint ventures or other forms of cooperation in relation to its mining projects. The Company may also be exposed to risks associated with managing contractual relationships with participants in any of the development or exploration joint ventures or other contractual relationships to which it is, or may become, a party.

Decision making, management, marketing and dispute resolutions and other key aspects of each joint venture are regulated by agreements between the relevant joint venture participants. There is no guarantee that current and future joint ventures will be operated or managed in accordance with the preferred direction or strategy of the Company.

In addition, the Company has engaged, and therefore will rely on, independent third party contractors (Contractors) for its exploration and development projects. While the situation is normal for the mining and exploration industry, problems caused by third parties may arise which have the potential to impact on the Company. There is no assurance that all contracts will be fully performed by all contracting parties and that the Company will be successful in securing compliance with the terms of each contract by the relevant third party.

Although the Company, or to the extent applicable, its joint venture partner may supervise and monitor the standards of work of the Contractors, there is no assurance that the Company is able to monitor the Contractors as closely as it does its employees. Any failure by the Contractors to perform pursuant to their respective contractual obligations or the loss of their services, may have the effect of delaying development timetables, increasing operating costs and negatively impacting the economics of the Company’s projects.

There can be no assurance that replacement contractors could be found in a timely manner or at all, or would be able to perform at the same levels or at the same prices as the Company’s contractors. This could materially and adversely affect the Company’s business, reputation, prospects, financial condition and results of its operations.

(h)  Title and compliance

Although the Company will endeavour to maintain sound management of its tenements, the conditions attached to the tenement licences may change, or the Company may not be able to comply with some or all of the conditions associated with those licences. The permitting rules are complex and may change over time, making the title holder’s ability to comply with the applicable requirements more onerous, more costly or even impossible, thereby precluding or impairing continuing or future mining operations. There is a material risk that the Company may not be able to acquire, or may lose title to its tenements due to these reasons.

In addition, obtaining mining tenements often involves having to obtain consents from landholders and other third parties, some of which may in certain circumstances have a right of veto, as well
as approvals (such as environmental approvals). There is a risk that the requisite consents and approvals may not be able to be obtained on time or on acceptable commercial terms, or may not be able to be obtained at all, and of which could have an adverse affect on the Company.

Further, the Company’s mining and exploration tenements may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Accordingly, other parties could possibly dispute the title of the Company to its mining rights and other interest.

(i) Application renewal
Exploring or mining for coal is generally not permitted without a tenement granted by the State. The grant and renewal of tenements is subject to a regulatory regime and each tenement is subject to certain conditions. There is no assurance that an application for grant or renewal of a tenement will be granted at all, or on satisfactory terms, or within expected timeframes.

The Company has been and will be making applications for tenement renewals. The Company has applied for renewal of two tenements EPC 1513 and EPC 1590 (Tenements) which expired in May and October 2013. There can be no guarantee that the Tenements will be renewed, or that the area of land over which the Tenements may be renewed remains the same. The Directors believe that both of the Tenements conditions have been met, that both projects have a strong probability of being developed by the Company and as a result, there is a high likelihood that the Tenements will be renewed.

As at the date of this Prospectus, the Directors are not aware of any issues that would compromise the likelihood of the Tenements and other tenements being renewed or the validity of the Tenements, nor have they received any notification of a failure to comply with any of the Tenements conditions. However, the grant of renewal applications involves the exercise of administrative functions (including discretion), which is beyond the control of the Company.

Any failure of both the current and future renewal applications to be granted may have a material adverse effect on the ability of the Company to explore for minerals on the areas comprised in those renewal applications.

(j) Key personnel and skilled labour
The success of the Company is related to the Directors’ and senior management’s capabilities in governing and managing the Company’s performance. Accordingly, the Company may be adversely affected if any of the Directors or management leave the Company and cannot be suitably replaced.

The Company’s key technical, business and financial personnel are comprised predominantly of the former employees of Endocoal. There can be no assurance that their services will continue to be available to the Company on an indefinite basis.

In the future, the Company may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. There is no guarantee that the Company can replace key personnel with persons of equivalent expertise and experience within a reasonable period of time or at all and the Company may incur additional expenses to recruit, train and retain personnel.

The successful development and commercialisation of the Company’s assets will require a growing number of personnel not currently employed by the Company. The resources sector has recently experienced significant shortages of skilled workers in mining regions, and high demand for skilled and experienced workers from competing operators. Therefore, there is a risk that the Company may not be able to identify and employ the skilled workers required for its future operations and this may adversely impact the Company’s financial performance, reputation and business success.

(k) Exploration, evaluation and development risks
Exploration, evaluation and development of mineral resources are inherent risks associated with the nature and future viability of the Company business.

There are a number of factors that influence the successful development of mineral deposits into economically viable mining operations. Although the Company has identified prospective coal projects and exploration targets including the MDS Project and the Broughton Project, there can be no assurance that exploration of these tenements, or any other tenements that may be acquired in
the future, will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The Company’s exploration, development and evaluation activities are also dependent upon the grant and maintenance of the appropriate licences, permits, resource consents and access arrangements which may not be granted, may be withdrawn or delayed or made subject to limitations or material changes by the relevant granting authority, including dilution of the Company’s interest in, or even loss of, the relevant licence or consent.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title processes, changing government regulations and many other factors beyond the control of the Company.

The business of mineral resource development and production involves a degree of risk. Successful development and production by the Company is dependent on a range of factors, including designing, constructing and operating efficient mining, processing and transportation facilities. In the case of the MDS Project and Broughton Project, the economic viability of these projects will also be subject to the Company deciding on entering into viable development, joint venture and funding arrangements which have not been determined or finalised. No assurance can be given that current or future development and exploration will lead to mining operations or for these developments, joint venture and funding arrangements, being finalised in commercially acceptable manners and timeframes of the Company. Even if the Company discovers or recovers potentially commercial quantities of coal from its projects, there is no guarantee that the Company will be able to successfully transport those resources to commercially viable markets or sell the resources to customers to achieve a desired commercial return.

The success of the Company will also depend on the Company’s ability to secure sufficient future development capital or funding or securing suitable joint venture partners so as to be able to maintain legal title to its tenements and to obtain all required approvals for its planned activities. In the event that exploration programs prove to be unsuccessful this could lead to a diminution in the value of the Company’s tenements, a reduction in the base reserves of the Company, possible relinquishment of the tenements and the withdrawal or suspension of capital, funding and joint venture cooperation from the Company’s funders, bankers and joint venture partners.

The exploration and development costs of the Company are based on certain estimates and assumptions with respect to the method and timing of exploration and development. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice. Any failure to do so may materially and adversely affect the Company’s viability.

(l) Capital requirements and future financing

Future financing is likely to be required by the Company to support proposed exploration and development plans including the MDS Project, Broughton Project and other development plans. There can be no assurance that such funding will be available on satisfactory terms or at all. An inability to obtain funding may adversely affect the Company and may result in a default in its contractual, funding or tenement obligations which, if not remedied, could result in forfeiture of permits or licences.

In addition, there is a risk that the operating cost of the Company may differ from actual operating costs. Should the actual operating cost incurred exceed the expectations of the Company, it would negatively impact the profitability, and have a negative impact on the value of the Company.

Please refer to Section 12.4 of this Prospectus for a summary of the Facility Agreement.

(m) Majority Shareholder and liquidity

KQ, will continue to be the majority shareholder of the Company after the Offer, holding 510,000,000 Shares (equal to 40.8 % of the Company’s total share capital following the IPO based on the Maximum Subscription). KQ is a wholly owned Australian subsidiary of Yima (now Henan Energy and Chemical Group), a state owned enterprise domiciled in Henan province,
China. Accordingly, Henan Energy and Chemical Group will be in a position to exert substantial influence over the management, operation and control, as well as the outcome of matters relating to the Company. As such, investors issued Shares under this Prospectus will have limited ability to influence the future direction of the Company, especially when their interests may be different from the Majority Shareholder.

Further, the Company expects that at least 510,000,000 of the Shares on issue following the Offer (being those Shares held by KQ) will be subject to a period of up to 24 months escrow restriction under the ASX Listing Rules. The large proportion of escrowed securities may adversely impact upon the liquidity of the Company’s Shares and consequently affect the trading and price of Shares on the ASX.

(n) Overlapping tenements

Some of the Company’s proposed future mines and associated tenements adjoin or are overlapped by petroleum exploration licences and adjoin other exploration interests held by third parties. Overlapping tenements could potentially prevent, delay or increase the cost of the future development of the Company’s projects. As the Company, the relevant petroleum exploration licenceholder or other exploration licence holders could potentially seek to undertake their respective activities on the overlapping area or the same resource seams. In some cases the overlapping petroleum tenure holder’s consent may be required.

There is no guarantee that agreement will be reached with the overlapping petroleum tenure holder or that agreement will not be delayed or will be reached on terms which provide a satisfactory outcome for the Company. There is a risk that if agreement cannot be reached with overlapping tenement holders, the matter may be referred to the minister, or a court, who may make a decision which will adversely impact on or prevent the projects proposed by the Company.

Refer to the Tenements Report set out in Section 9 of this Prospectus for further information on overlapping tenements.

(o) Native title and land access

Exploration activities in Australia are subject to the Native Title Act 1993 (Cth) and as such aboriginal land rights may affect the Company’s ability to secure prospective exploration areas and therefore may negatively impact the Company’s planned development activities. The Company may also be required to settle native title claims lodged over any area of the tenements.

In addition, the mining lease application lodged for the development of the MDS Project, the Broughton Project and other projects may be subject to the Native Title Act 1993 (Cth) and may require negotiation with registered native title claimants prior to grant of the mining lease. Such risks may impact on the Company’s ability to progress through the approval process in the expected timeframe.

Native title is further discussed in the Tenements Report set out in Section 9 of this Prospectus.

Land access is governed by Queensland State legislation and is critical for exploration and development to succeed. The Company may be required to enter into compensation arrangements with land owners or occupiers for the proposed exploration and mining activities.

(p) Aboriginal cultural heritage

Within Australia, Commonwealth and State legislation allows for the protection of aboriginal cultural heritage and sites that are significant to aboriginal custom and tradition.

The Company’s tenements may contain some sites of significance, which would need to be avoided during field exploration and development programs. It is possible that some areas containing an economic resource may also contain sacred sites, in which case they may remain unexploited.

A detailed discussion of aboriginal cultural heritage is contained in the Tenements Report set out in Section 9.

(q) Water and power risks

Development and commercialisation of the Company’s assets will required the use of both power
and water infrastructure. There is no assurance that in the future the Company can procure access to water and power on commercially acceptable terms and in a timely basis in the event the relevant projects are progressed to the mining stage. Any failure to procure the required supplies of water and power for the Company’s projects may limit the Company’s ability to carry out its business in accordance with its business plan and therefore adversely impact the financial performance of the Company.

(r) Insurance risks

Although the Company currently has insurance coverage for certain operating risks, there is no guarantee that adequate insurance will continue to be available to the Company in the future on commercially acceptable terms. The Company also may not be able to insure against all the risks associated with operating its business.

In addition, the Company may incur liabilities to third parties (in excess of any insurance cover or statutory reserves) arising from, or in connection with pollution, occupational illnesses, negative environmental impacts or statutory liabilities or other damages or injury, against which it has not insured or cannot insure, including a liability in respect of past activities. Should a major uninsured loss be suffered, the future earnings and financial position of the Company could be materially adversely affected.

There is also a risk that the Company’s current insurance coverage may not cover the full scope and extent of claims against the Company or provide adequate coverage when the Company undertake future mining and exploration activities. To the extent a successful claim against the Company is not covered by insurance, it may have a material adverse effect on the Company’s financial position.

(s) Risks associated with future growth initiatives

The Existing Shareholders have each sought to grow the business of the Company through capital raisings, shareholders’ funding and some bank borrowings. The Existing Shareholders provide no assurance that they will continue to fund the growth and future capital needs of the Company and in fact may decrease their respective investments in the Company over time.

There is no guarantee that future new investments of the Company will take the form of investment in coal mining assets, but rather may involve diversification into complementary activities or potentially new areas of operation.

There are always risks that the benefits, synergies or efficiencies expected from such investments or growth opportunities may take longer than expected to be achieved, or may not be achieved at all. Any investments pursued could, for a variety of reasons, have a material adverse effect on the value of the Company.

Growth also brings substantial demands on management. The Directors of the Company will apply their experience to the evaluation and financing of new opportunities to determine whether the expected risks and rewards of these opportunities meet their requirements and their strategies for diversification of risk and capital return. Any failure by the Company to successfully manage any future growth opportunities will adversely affect its financial performance and consequently your investment.

6.3 Risks related to the industry

(t) Coal products and coal markets

There is a risk that any coal identified by the Company may not be of sufficient quality to develop commercial mining operations, which could have an adverse impact on the Company.

There is also a risk that actual coal products to be produced and sold by the Company may differ from the Company’s expectations, depending on ash levels, coal washability, coking characteristics, and market demand for various product types. A majority of the Company’s projects are only at the exploration stage. Final product types are therefore not known with certainty at this stage.

The Company intends to generate future revenue from the sale of coal and has assumed certain
coal prices and demand for coal in developing their mine plans. Therefore, any material change to the underlying assumptions and any substantial decline in the prices of coal or changes in industry factors, including international demand and supply of coal, production cost levels in major producing regions and other macroeconomic factors, could have a material adverse effect on the Company.

Changes in the coal market price may render the exploitation of any coal reserves and resources discovered or acquired by the Company, commercially unviable. The Company anticipates that coal produced from its mines will be exported to countries such as China, Japan, Korea and India. Any slowdown and contraction of demand of coal from these countries, in particular an economic slowdown in China, could have an adverse and material impact on the Company.

Coal mining production
Once at the production stage, the Company’s coal mining production and delivery will be subject to conditions and events beyond its control, which could result in higher operating expenses and/or decreased production and sales.

Adverse operating conditions which can curtail or adversely impact coal mining production include:
(i) delays and difficulties in acquiring, maintaining or renewing operating permits, licenses or mining rights;
(ii) changes or variations in geological conditions, such as the presence of faults, intrusions, changes in the thickness of the coal deposits and their quality, along with changes in the geology of the floor and roof stratum forming the coal deposits;
(iii) mining and processing equipment failures and unexpected maintenance problems;
(iv) limited availability, shortages or delays in the availability of mining and processing equipment and parts from suppliers, joint venture partners or contractors;
(v) interruptions due to transportation delays or disruptions in the transport chain, whether road, rail, port, infrastructure or ocean freight;
(vi) adverse weather and natural disasters, such as strong winds, heavy rains and flooding;
(vii) the unavailability of qualified and suitable labour;
(viii) strikes and other labour-related interruptions; and
(ix) mine safety accidents.

If any of the above conditions or events occur, this may adversely affect the Company’s operating results and financial position.

Competition and substitution
Competition in the coal industry is based on many factors, including price, production capacity, coal quality and characteristics, transport capability and costs. The Company faces competition from Australian and overseas producers of coal. The coal industry is highly competitive, an increase in production or a reduction in price, may have an adverse impact on the Company.

The development of new steel making and power generation technologies or practices may also lead to greater use of lower quality coals or other carbon sources in substitution for the coals produced by the Company. This could have an impact on demand for the Company’s coal resources, and potentially lower the price received for its coal products.

Operating costs
Operating costs are estimated based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and other factors. Any of the following events, among the other events and uncertainties described in this Prospectus, could affect the ultimate accuracy of such estimates and result in an increase in actual operating costs incurred:
(i) unanticipated changes in grade and tonnage of coal to be mined and processed;
(ii) incorrect data on which engineering assumptions are made;
(iii) equipment delays;
(iv) labour negotiations;
(v) changes in government regulation (including regulations regarding prices, costs of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exploration of minerals);
(vi) changes in government regulation on carbon pricing, carbon reduction schemes, carbon trading schemes or such other government regulations to reduce carbon emissions associated with coal mining and usage; and
(vii) title claims.

(x) Environmental risks
The Company’s projects are subject to State and Federal environmental laws. Despite intentions to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, the Company could be subject to liability due to environmental risks inherent in its activities, which may affect the Company’s access to certain areas of its tenements, and could result in unforeseen expenses and areas of moratorium or impact adversely on the Company’s financial viability.

(y) MRRT and State Royalties
From July 2012, the MRRT applies to new and existing coal and iron ore projects in Australia. Under the MRRT legislation, the basic MRRT rate is 30%, which is reduced by a 25% extraction allowance, making the effective tax rate 22.5%. The MRRT legislation provides that companies with annual MRRT profits of less than $75 million will not pay the tax, and companies with annual MRRT profits between $75 million and $125 million will receive a partial offset in the MRRT liability. Following the Federal election in September 2013, the new Federal government has expressed its intention to abolish the MRRT regime. However, there remains some uncertainties as to when the abolishment will take place and whether there will be some similar legislative regimes coming into effect which may have an adverse impact on the Company’s financial position and cash flow.

Further, the State or Federal governments may amend the existing taxation and royalties legislation in a way that could adversely impact the future profitability of the Company. Should the taxation and royalties legislation change in the future, this could effect the Company’s profitability.

(z) Carbon tax
On 13 September 2011, the Australian government introduced a package of legislation to implement the policy set out in “Securing a clean energy future: The Australian Government’s Climate Change Plan”. The Clean Energy Future legislation package has now been passed.

Although as at the date of this Prospectus, it is unknown when (or if) the carbon tax will be officially abolished by the new government, the Directors believe that a carbon tax is not likely to have an immediate impact on the Company as the Company is currently only a coal explorer with mining activities of its most advanced MDS Project to be expected in early 2015. To the extent that the carbon tax applies to the Company in the future before (and if) it is repealed by the new Federal government, it may have an adverse effect on its financial position and cash flow.

(aa) Other regulatory factors
Extensive government regulations impose significant costs on the Company’s mining operations, and future additional regulations could increase those costs or limit the Company’s ability to produce and sell coal. The Australian coal industry is subject to strict regulation by Australian law with respect to such matters as limitations on land use, employee health and safety, mine permitting and licensing requirements, reclamation and restoration of mining properties, air quality standards, water pollution, protection of human health, plant life and wildlife, discharge of materials into the environment, surface subsidence from underground mining and the effects of mining on groundwater quality and availability.
Australian health and safety regulation in the coal mining industry is a comprehensive, onerous and pervasive system designed for protection of employee safety and health. Complying with existing or new regulations may delay commencement or continuation of exploration or production operations or adversely affect the Company’s mining operations or costs.

In addition, the Company may incur costs and liabilities resulting from claims by employees for work-related injuries, and the Company must make adequate provision for its workers’ compensation liabilities.

All of the above factors may have a negative impact on the Company’s financial performance.

(ab) Foreign Exchange Rate Risks

As the Company’s coal sales revenue will predominantly be derived in US Dollars and RMB; and costs denominated in Australian dollars, the revenues, profits, and assets and liabilities of the Company may be exposed adversely to foreign exchange rate fluctuations. If the Australian Dollar strengthens in value relative to the value of the US Dollar and RMB then all other factors being equal, the Company’s financial results will be adversely affected due to the resultant lower Australian Dollar receipts. The Board may consider whether to manage currency fluctuation risk by hedging the US Dollar which it expects to receive under export contracts from Australia. However, there can be no assurance that the Company will be able to hedge all its exchange rate exposure, that it will be able to hedge such exposure on acceptable terms in the future, or that any exchange rate hedging conducted by the Company will be effective or will not result in an adverse financial impact arising from the inability to benefit from a favourable movement in exchange rates.

6.4 General risks associated with investing in shares

You should be aware that there are risks associated with any investment listed on the ASX. The value of the Company’s Shares may rise above or below the issue price for the New Shares, depending on the financial and operating performance of the Company and external factors over which the Company and the Directors have no control.

(ac) General economic conditions

The operating and financial performance of the Company is, or will be, influenced by a variety of general business cycles and economic conditions. Changes in business and economic factors, such as interest rates, exchange rates, inflation, changes in national demographics, changes in government fiscal, monetary and regulatory policy in Australia or overseas and changes to accounting or financial reporting standards, can be expected to impact on the businesses of the Company. A deterioration in general economic conditions may adversely affect the operating and financial performance of the Company.

The Company’s coal, when produced, is expected to be exported to countries such as China, Japan, Korea and India and any slowdown and contraction of demand of coal from these countries, in particular an economic slowdown in China, will have an adverse and material impact on the Company.

(ad) Securities market fluctuations risk

Investment returns are influenced by general market factors both in Australia and internationally. The price at which the Shares will be traded on the ASX may be affected by variations in the local and global market for listed companies and for mining and resources companies in particular. Accordingly, there is a risk that the Share price of the Company will fluctuate. The market prices of the Shares of many listed entities have in recent times experienced volatility which in many cases reflect a diverse range of non-entity specific influences including:

(i) economic conditions in Australia and globally;

(ii) variations in the local and global markets for listed securities;

(iii) changing investor confidence in the local and international stock markets, generally or specifically relating to the retail sector or retail sector stocks;
(iv) changes in domestic or international fiscal, monetary, regulatory and other government policies; and

(v) developments and general conditions in the relevant markets in which the Company operates and which may impact on the future value and pricing of shares in similar retail companies.

**Investment is Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares. Therefore, there is no assurance with respect to the payment of dividends, returns of capital or the market value of the New Shares.

You should consider that an investment in the Company is speculative and consult your professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.
Important Notice

U&D Mining Industry (Australia) Pty Ltd and U&D Coal Limited (“the Client)

This document has been produced by or on behalf of Palaris Australia Pty Ltd (“Palaris”) solely for use by the Client for inclusion in the Replacement Prospectus dated on or around 5th December 2013 (“the Purpose”) in the form and context in which it appears in this report. Use of this document is otherwise subject to the provisions of Palaris’ Terms and Conditions of Service.

Palaris owns copyright in this document. Palaris grants the Client a non-transferable royalty-free licence to use this report for the Purpose and to make copies of this report as it requires for the Purpose.

Third Parties

If the Client wishes to make this document or information contained herein, available to a third party for purposes other than the Purpose, it must obtain Palaris’ prior written consent.

Palaris will not be responsible for any loss or damage suffered by any third party who relies on anything within this report; even if Palaris knows that the third party may be relying on this report, unless Palaris provides the third party with a written warranty to that effect. The full extent of Palaris’ liability in respect of this report, if any, will be specified in that written warranty.

Scope of the Document

This document should only be used for the Purpose. Palaris will not be liable for any use of this document outside its intended scope. If the Client has any queries regarding the appropriate use of this document, it should address its concerns in writing to Palaris.

Currency of Information

Palaris has used its best endeavours to ensure the information included in this report is as accurate as possible, based upon the information available to Palaris at the time of its creation. Any use of this document should take into account that it provides a ‘point in time’ based assessment and may need to be updated. That is, any information provided within this document may become outdated as new information becomes available. Before relying upon this document, the Client, or an approved third party, should consider its appropriateness based upon the currency of the information it contains. Palaris is under no obligation to update the information within this document at any time.

Completeness of Information

This document has been created using information and data provided by the Client and third parties. Palaris is not liable for any inaccuracy or incompleteness of the information or data obtained from, or provided by, the Client, or any third party.

Reliance on Information

Palaris is proud of its reputation as a provider of prudent and diligent consultancy services when addressing risks associated with mining operations. Nevertheless, mining has inherent risks which can never totally be removed. As such the contents of this document, including any findings or opinions contained within it are not warranted or guaranteed by Palaris in any manner, expressed or implied. The Client and any approved third party should accommodate for such risk when relying upon any information supplied in this report. Such risks include, but are not limited to:

- Mining and geological condition of the site
- Environmental constraints or hazards and natural disasters
- Plant and equipment constraints
- Capability and availability of management and employees (of Palaris, the Client and relevant third parties)
- Workplace health and safety issues
- Availability of funding to the operation
- Availability and reliability of supporting infrastructure and services
- Efficiency considerations
- Variations in cost elements
- Market conditions and global demand
- Industry development
- Regulatory and policy changes
Contents

1 Introduction .............................................................................................................................................. 4
  1.1 Background ................................................................................................................................... 4
  1.2 Scope of Work, Limitations and Consent ...................................................................................... 4
  1.3 Type of Report ............................................................................................................................... 5
  1.2 Materiality ...................................................................................................................................... 5
  1.3 Palaris Capability and Competence .............................................................................................. 5
  1.4 Independence ................................................................................................................................ 5
  1.5 Site Inspection ............................................................................................................................... 6

2 Meteor Downs South ............................................................................................................................... 7
  2.1 Overview ....................................................................................................................................... 7
  2.2 References .................................................................................................................................... 8
  2.3 Geology ......................................................................................................................................... 8
  2.4 Mine Planning ............................................................................................................................... 9
  2.5 Infrastructure ............................................................................................................................... 12
  2.6 Forecast Operating Costs ........................................................................................................... 13
  2.7 Forecast Capital Costs ................................................................................................................ 15
  2.8 Risk ............................................................................................................................................. 16
1 Introduction

1.1 Background

U&D Mining Industry (Australia) Pty Ltd and U&D Coal Limited (U&D) is a privately owned resource development company actively exploring and developing projects in the Bowen Basin, Central Queensland Australia. U&D has commissioned Palaris Mining Pty Ltd (Palaris) to undertake an independent mining technical assessment report on its most advanced project, Meteor Downs South (MDS –EPC1517).

U&D has specified that valuation of its asset is not required. All financial figures are in Australian dollars (A$) unless otherwise stated.

1.2 Scope of Work, Limitations and Consent

Palaris proposed to undertake the report in accordance with the requirements of the VALMIN Code (2005 Edition). Please note:

- Under Clause 37 of the VALMIN Code, Palaris proposes to act as a technical specialist (the Specialist). U&D is the commissioning entity (the Commissioning Entity)
- Palaris is not a holder of an Australian Financial Services Licence (AFSL)

Palaris’ Scope of Work included opinions on the following for MDS (EPC1517):

- The selected mining method/s and mining constraints
- The reasonableness of mine plans, expected production rates and development schedule
- Surface constraints
- Access to transport
- Mining risks
- The reasonableness of likely operating and capital costs
- Any material risks identified and their potential impacts on value

Items specifically excluded from Palaris’ scope included:

- Tenement and legal review to be undertaken by others
- Valuation of assets
- Opinion on likely macroeconomic variables such as coal price and foreign exchange
- Coal beneficiation, coal marketing and market acceptance

The Palaris assessment has been based on data and information provided by the Commissioning Entity.

The Commissioning Entity has confirmed that all material data and information relevant to current valuation of the mining tenement has been provided to Palaris.

Palaris has independently reviewed the material provided, using consultants with appropriate experience and expertise. However, the reliability of the report is dependent on the accuracy and reliability of the data and information supplied. Palaris does not accept responsibility for any errors or omissions in the supplied information or data and does not accept any consequential liability arising from third party use of it. Palaris reserves the right to change its assessment should any of the fundamental information or data provided by the Commissioning Entity be significantly or materially revised.

Palaris has reviewed the estimates of resources and mineable quantities of coal provided by the Commissioning Entity only to the extent of forming a view on the reasonableness of the underlying assumptions. Palaris has not independently modelled the resource or production schedule for the purposes of verifying the size of the reported tonnages.
1.1 Type of Report
This report makes comment on the reasonableness of the mine plans, schedules and mining risks of a Mineral Asset. The report has been prepared consistent with the requirements of VALMIN Code 2005, ASIC Regulatory Guide 111 – Content of Expert Reports, and ASIC Regulatory Guide 112 – Independence of Experts.

1.2 Materiality
Palaris believes that it has taken into consideration all available material information and data relevant to the preparation of the valuation estimate. The specific information taken into consideration and the source of this information is contained in the footnotes to this report.

The meaning of material/materiality is as stated in the VALMIN Code 2005 and outlined below:

"Material / materiality means that:

- the contents and conclusions of a Report;
- any contributing assessment, calculation or the like, and
- data and information

are of such importance that their inclusion or omission from a Technical Assessment or Valuation may result in a reader of the Report reaching a different conclusion that would otherwise be the case. The determination of what is Material depends upon both qualitative and quantitative factors. Something may be Material in the qualitative sense because of its very nature, such as, for example, country risk. In the case of quantitative issues, the Materiality of data can be assessed in terms of the extent to which the omission or inclusion of an item could lead to changes in total value of:

- <5%, Item is generally not Material
- Between 5 and 10%, Item may be Material
- >10%, Item is definitely Material"

1.3 Palaris Capability and Competence
Palaris is a team of multidisciplinary and highly experienced professionals providing a range of services to the resources industry. The company specialises in due diligence assessments, mineral project evaluations, technical geological and mining consulting.

The Palaris team that undertook this project are shown in Table 1.1.

<table>
<thead>
<tr>
<th>Team Member</th>
<th>Qualifications</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martin Hibberd</td>
<td>BE Mining, B Econ, GDipAppFin, M. AusIMM</td>
<td>+ 13 years</td>
</tr>
<tr>
<td>Tracey Rock</td>
<td>BE Mining, GDip Econ, M. AusIMM</td>
<td>+19 years</td>
</tr>
<tr>
<td>Brad Willis</td>
<td>BSc (Hons) Geology, M. AusIMM</td>
<td>+ 14 years</td>
</tr>
</tbody>
</table>

Table 1.1 Qualifications of Contributors to this Report

1.4 Independence
Palaris will be paid a fee for preparation of this report.

Palaris will derive no benefit based on the outcome of this report or the success or failure of the transaction for which this report was required.
Palaris and the Palaris personnel preparing this report satisfy the requirements of independence under the VALMIN Code (2005). This is outlined below:

*The Expert and/or Specialists and their immediate families may not have a significant pecuniary beneficial interest in:*

(a)  *The Commissioning Entity: or*

(b)  *The owners or promoters (or parties associated with them) of any of the Mineral or Petroleum Assets or Securities that are the subjects of the Technical Assessment/Valuation to be prepared: or*

(c)  *The bidder and target companies in the case of takeover situations, or in*

(d)  *Any of the Mineral or Petroleum Assets or Securities that are subject of the Technical Assessment/Valuation; or*

(e)  *The outcome of the Technical Assessment/Valuation*

(i)  **Disclosure**

Palaris is currently undertaking an independent geological experts report on the U&D asset portfolio, including the MDS project. This has been provided on a fee-for-service basis. Palaris has no known or perceived conflict of interest in undertaking a Mining Independent Technical review of the MDS project for U&D.

### 1.5 Site Inspection

A site inspection has not been undertaken. This is due to a number of reasons, principally:

- The MDS site is still in the exploration phase, and consists mainly of farm land. Any exploration activities that have been carried out to date will be difficult to locate. Visiting former drilling sites would provide little useful information
- A large volume of data and information is available electronically from both the Commissioning Entity and in the public domain

The decision not to visit site was made by Palaris under no influence from the Commissioning Entity.
2 Meteor Downs South

U&D Coal Limited (U&D) is a privately owned resource development company actively exploring and developing projects in the Bowen Basin, Central Queensland.

U&D Mining Industry (Australia) Pty Ltd and U&D has commissioned Palaris Mining Pty Ltd (Palaris) to undertake an independent mining technical assessment report on its most advanced project, Meteor Downs South (MDS). Endocoal Limited lodged a Mining Lease Application for Meteor Downs South in April 2011. Under a scheme of arrangement, U&D acquired all shares of ASX listed company Endocoal Limited in May, 2013. As part of U&D’s strategy the Directors are aiming to list U&D as an Initial Public Offering (IPO).

2.1 Overview

(i) Tenements, Nearby Operations and Projects

Meteor Downs South (MDS) is located within mining lease application MLA70452, located between Rolleston and Springsure in the Bowen Basin, Queensland, Australia, and 410 km by rail to Gladstone ports. The mining lease application area is positioned in the south-eastern corner of EPC1517 as shown in Figure 2.1.

![Figure 2.1 Location of Meteor Downs South Within EPC1517 and MLA70452](image)

MDS is adjacent to the Glencore-owned Rolleston West mining lease application to the west and Rolleston mine to the east. Sojitz’s Minerva open cut mine is located 5 km to the north-west of EPC1517 and
approximately 70 km by road from MDS. Bandanna Energy’s Arcturus deposit and proposed Springsure Creek underground mine are located adjacent to the north-eastern portion of EPC1517.

The Dawson Highway intersects the lease near the proposed Inderi underground. The Rolleston mine rail loop is located 7 km from the lease and is 410 km from the Port of Gladstone. An alternate rail line to Gladstone passes 10 km west of the northern part of the tenement.

2.2 References

Reports have been referenced through the use of footnotes. Palaris acknowledges that this project is at pre-feasibility study stage at the time of writing this report.

2.3 Geology

The coal seams present at MDS are contained in the Bandanna Formation of the Blackwater Group. MDS is a shallow coal resource containing the B, C, BC and D seams. The proposed MDS open cut will primarily target the D seam (approximately 4–5 metres thick) and the BC seam (2.7–3 metres thick). The seams occur at shallow depths with a maximum cover of 108 metres near the EPC boundary.

Palaris conducted an independent geological expert’s review covering the local and site specific geology at MDS and a summary of the Joint Ore Reserves Committee (JORC) resource as at 31st October 2013 estimated by JB Mining Services. The coal at MDS does not require washing as it is considered export thermal saleable quality. The 2013 resource estimate includes 13.3 million tonnes (Mt) of Measured and 3.5 Mt of Indicated resources. The average coal quality of the resources on an air-dried basis is ash 8.8%, total sulphur 0.44% and specific energy 25.10 MJ/kg.

A University of Queensland study identified that the MDS coal was prone to spontaneous combustion and dust emissions were above industry average. It also stated that self-heating in the MDS coal is significantly controlled by the moisture in the coal, estimating that the coal would take 21 to 31 days to self-heat in dry season conditions and between eight and 13 days in humid wet season conditions.

(i) Coal Reserves

A Marketable reserve has been estimated for the MDS project by Minserve Group Pty in May 2012. The pit design used for this study and scheduled over the mine life aims to maximise recovery of the resources and is projected to mine 13 Mt of the total resource base of 16.8 Mt. Coal is assumed to be sold as run of mine product (without washing).

The size of the proposed open cut pit shell is limited down-dip by the tenure boundary shared with Glencore. The design crest of the pit has been offset five metres from the lease boundary. This results in some sterilised coal along the eastern and southern boundaries of MLA70452 within the pit batters. The proportions of Proved and Probable reserves are not specified in the Minserve report.

The proposed MDS mine is scheduled over a ten year period at a nominal production rate of 1.5 million tonnes per annum (Mtpa). A maximum annual production rate of 1.9 Mtpa was scheduled for the third year of operation. The average gross calorific value ranges from 5,390 to 5,620 kкал/кг (as received basis) depending on the product ash content.

The financial model for the JORC reserves used a 13% discount on Newcastle benchmark coal price based on the lower gross calorific values. Forecast export thermal coal prices varied from a low case of US$140/t to a high case of US$200/t, with an Australian to US dollar exchange rate of $1.00 applied for the duration of the model. All costs were based on 2011 prices that were not escalated. Three sales options were modelled with variable sales prices calculated to achieve a 20% internal rate of return (IRR). The MDS sales price shown in Table 2.1 is the minimum price that MDS would need to receive to achieve an IRR of 20% based on the 2011 costs and revenues.

<table>
<thead>
<tr>
<th>Sales Option</th>
<th>MDS Sales Price</th>
<th>NPV @ 12%</th>
<th>Capital</th>
<th>Cost Basis (excl. royalty)</th>
<th>Cost</th>
<th>Margin (incl. royalty and capital)</th>
</tr>
</thead>
</table>

1 Meteor Downs South JORC Report_Nov2013 Appendices and Figures.pdf, JB Mining, Nov 2013
2 Spontaneous Combustion Assessment of core samples from Meteor Downs South and Inderi, Dec 2011
2.4 Mine Planning

(i) Mining Domains and Constraints

The mining domains and constraints of the proposed mine include:

- Coal is contained within the south-eastern portion of EPC1517 adjacent to the Glencore Rolleston mine, within the mining lease application (MLA70452). The pit is limited by the outcrop to the north-west and the lease boundary to the east and south. Coal continues in both directions outside the mining lease.

- Coal is relatively flat dipping between 3° predominately to the south-east, and is ideal for open cut mining.

- Coal seams B, C and D are planned to be mined and have varying thicknesses from 2.7 to 9 m. The seams B and C coalesce over a large portion of the mining area and total partings thickness varies between 0 and 1.8 m. A large proportion of the mining area contains partings between the BC and D seams of between 0.4 to 0.6 m in thickness. Partings are planned to be mined separately down to 0.1 m in thickness.

- All coal seams and partings require selective mining methods to limit the seam loss, dilution, geological losses and mining losses that have been calculated, as all coal is planned to be sold without washing. Approximately 10 cm of loss have been applied to both the roof and floor to account for excavator mining of coal.

- There is no current boundary agreement with Glencore, so a sterile pillar is planned to remain between the two leases after both mines have been completed. This results in less coal being mined for both parties.

- The MDS Environmental Authority issued by the Queensland Government requires and provides requirements for a flood levy to be constructed in order to prevent a 1 in 1000 year flood entering the mining void. The area necessary to construct this levee has not been allowed for as the planned crest of the highwall is currently within 5 m of the mining lease. If a boundary agreement can be reached, then the crest of mining and the ‘1 in 1,000 year flood’ levee may be placed on the Glencore side of the lease. This would be subject to negotiation.

- The Naroo dam is within the Glencore mining lease adjacent to the boundary with the MDS MLA. This dam creates surface water across the MDS mining lease in the northern part of the planned pit when nearing capacity. Glencore, who are also the landowner in this instance, are making a claim that the Naroo Dam where it enters the MDS MLA be considered ‘Restricted Land’ under the Qld MRA. Consent from Glencore is required for the inclusion of the restricted land in the ML area. If no consent is obtained then the area of the dam would be classified as restricted from mining. U&D are currently working with Glencore to address this issue. This includes obtaining the compensation agreement for the land affected by the MLA from Glencore in order for the ML to be granted.

- The entire MDS lease is within the strategic cropping protection area and a small portion of the mining lease application (MLA) is within the strategic cropping trigger area. It is also within land subject to native title claims and a Cultural Heritage Management Plan (CHMP) has been signed with the original owners.

---

* Minimum price that MDS would need to receive to achieve an IRR of 20%

**Source:** all financial figures above are taken from Minserve, May 2012

**Table 2.1 JORC Reserve Net Present Value (NPV) and Costs**

<table>
<thead>
<tr>
<th>Sales Option</th>
<th>MDS Sales Price*</th>
<th>NPV @ 12%</th>
<th>Capital</th>
<th>Cost Basis (excl. royalty)</th>
<th>Cost</th>
<th>Margin (incl. royalty and capital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free on Truck (FOT)</td>
<td>$51.96/t</td>
<td>$21M</td>
<td>$40M</td>
<td>FOT Cost excl. royalty</td>
<td>$38.88/t</td>
<td>$6.22/t</td>
</tr>
<tr>
<td>Free on Rail (FOR)</td>
<td>$67.91/t</td>
<td>$44M</td>
<td>$89M</td>
<td>FOR Cost excl. royalty</td>
<td>$43.51/t</td>
<td>$12.81/t</td>
</tr>
<tr>
<td>Free on Board (FOB)</td>
<td>$105.61/t</td>
<td>$47M</td>
<td>$89M</td>
<td>FOB Cost excl. royalty</td>
<td>$78.41/t</td>
<td>$12.80/t</td>
</tr>
</tbody>
</table>
The Environmental Management Plan (EMP) was approved in July 2013. This negates the requirement to submit an Environmental Impact Statement (EIS). A draft Environmental Authority (EA) has been developed and public notification of the application is about to occur.

(ii) Mining Method

Overburden thickness varies from 12 m near the outcrop up to 108 m in the south-east corner. The average strip ratio over the mining area is 5.8:1 bank cubic metres per tonne (bcm/tonne), varying between 3:1 bcm/tonne at the outcrop and 9:1 bcm/tonne in the final pit position.

The pit is designed to be mined in a strip mining method, from the outcrop down-dip to the deepest part of the pit, in the south-east corner of the lease. After Year 4, each strip becomes progressively shorter than the strip before as the lease boundary is the limit of each strip. As mining progresses the strip ratio increases.

The overburden is planned to be mined using a cast/doze/excavate method. The basalt and tertiary layers varies in thickness and are to be mined separately. Excavators are to mine the tertiary without blasting, then the remaining basalt and Permian waste will be drilled and blasted. Loaders will mine the majority of the basalt waste, with both dozers and excavators to mine the lower Permian waste. This method requires the coal to be mined and placed on stockpiles as soon as it is uncovered to enable blasting of the following strip.

The Permian waste averages 27 m in thickness and dozers are planned to push 50% of this waste to final position. Cast blasting (7%) and excavators (43%) will mine the remaining waste. A total of 7% excavator rehandle is also planned. The mining evaluation study schedule used more conservative percentages than the theoretical, allocating more waste to the excavator and less to the cast blasting and dozer. This is considered an acceptable proportion of cast, dozer prime and excavator prime for the Permian waste.

A small to medium sized contractor is planned to operate the pit with minimal U&D staff on site. Coal will not be washed, so minimising dilution during the mining process is important. Although small to medium contractors generally do not have experience with dozer push, for most of the schedule two dozers have been allocated, and the hours and rates applied for the dozers are not aggressive. It is considered that a competent will be able to maintain the level of production planned.

The biggest risk identified with this mining method is the possibility of spontaneous combustion of the coal. Coal is not planned to be left in situ, but removal will be required as soon as it is exposed to enable blasting of the adjacent waste. This will necessitate detailed scheduling for the mining sequence and movement of the coal to port as quickly as possible.

(iii) Mine Plan

A number of assumptions and key drivers have been utilised to enable the pit shell design and scheduling tonnes processes. These assumptions are considered to be adequate for this stage of planning. Average coal quality values were used for the B and C seams, as they were sampled in only in two coal quality boreholes. The averages (air dried basis) included ash between 10.5 and 13.6% at an inherent moisture of 11.8% for seam B, and ash between 8 and 8.3% at an inherent moisture of between 11.3 and 11.7% for seam C. Pit access ramps have been designed from a central road at a grade of 10%. Figure 2.2 shows the MDS pit at the end of Year 3 with the large out-of-pit spoil and the in-pit dumps and ramp accesses.

---

4 130703LT_EHP signed – MDS_EM Plan_Acceptance Letter.pdf, Department of Environment and Heritage Protection, Jun 2013
5 MDS Draft Environmental Authority 29 July 2013.pdf, Department of Environment and Heritage Protection, Jul 2013
(iv) Project Development Schedule

When the project mining evaluation study was completed (February, 2012), it was anticipated that mining would commence in financial year (FY) 2013. The short lead time was estimated due to the favourable financial outcomes of selling the coal either free on truck (FOT) or free on rail (FOR) to a third party that had access to rail and port capacity. Minimal infrastructure on site would be required to achieve this. (By contrast, for free on board (FOB) sales or FOR sales from MDS, construction of a rail loop and Queensland Rail Bauhinia line upgrades would be necessary to enable transfer to port.)

The remaining infrastructure requiring lead time includes the road, water management and mine industrial area (MIA) construction. Diesel powered generators are planned for power supply while connection to the network is occurring. Other items for actioning are:

- undertake a definitive feasibility study
- engage a contractor for MDS project execution

(v) Production Rates

In the mining evaluation study, MDS was planned as a 10.5 hour shift, two shifts per day, five days per week, 52 week per annum operation with an overtime day shift planned for Saturdays. This is a similar roster to the Minerva mine which is situated nearby. One EX3600 excavator and one Cat 993K loader are planned to operate with Cat 785 trucks, and the production rates and operating hours are not aggressive. The dozers are to mine 50% of the Permian waste, amounting to 23% of the total waste. The remaining waste will be mined through cast blasting (4%), loader fleet (23%) and excavator fleet (50%). The excavator fleet will also mine the majority of the coal.

Major mine equipment operating rates and effective operating hours per annum were outlined in the mining evaluation study, with a mining rate of 1.5 Mtpa. It is agreed that the use of the following equipment is suitable: a medium excavator on both coal and waste; a loader on the blasted basalt; and a dozer and an excavator on Permian waste. This will allow selective mining of coal seams as well as the flexibility to work in

---

6 Meteor Downs South for Endocoal – Marketable Reserves May 2012.pdf
multiple areas, ensuring consistent coal output. The dozer schedule is also acceptable, as it takes into account that the first and last years will have a greatly reduced ability to doze large quantities to final position. This lack of dozer push volume is based on the initial box cut which requires waste to be mined to ex-pit dumps, and the strip length and width in the final years.

(vi) Production Schedule

MDS was target scheduled using Minex software, and haulage profiles were created to calculate haulage travel times and productivities. Truck productivity was determined by haul cycle analysis to establish annual truck numbers, rounded up to the nearest 0.5 trucks. It is considered that the FY2013 start date of the Minserve schedule is optimistic and mining is not expected to commence before calendar year (CY) 2015. The number of D11 production dozers increases from one in Year 1 to two from Year 3 onwards. Workforce and staff numbers increase to a maximum of 75 on site in Year 4. Although equipment numbers have not decreased in the final two years, the volumes that are mined with each piece of equipment are significantly reduced and this is reflected in the number of workforce personnel.

2.5 Infrastructure

MDS plans to produce an average of 1.5 Mtpa over a 10 year mine life, with a maximum of 1.9 Mtpa in the second year. Mine services required to achieve this are:

- magazine
- water management
- on site power generation (diesel generators used during 3–4 year connection time to network)
- MIA (including workshop and office facilities)
- pit–ROM haul road
- ROM stockpile
- crushing and screening facility
- product stockpiles

If coal is planned to be sold FOR or FOB, then the following additional infrastructure is also required:

- train load out facility
- rail spur and balloon loop (4.4 km to Queensland Rail Bauhinia spur line to Blackwater)

Port capacity has been subject to ongoing investigation and negotiations by U&D which are summarised below:

- On the 7th of July 2011, Endocoal publically announced that it had been successful in acquiring Feasibility Funding Facility Agreement (FFFA) status for 2 Mtpa from a Wiggins Island Coal Export Terminal (WICET) founding member. This upgraded Endocoal's application for the second stage of the WICET terminal (Stage 2a (WEXP1)) to a higher level of priority status7, second only to Projects of State Significance.

- In February 2012, the off-site infrastructure requirements of MDS were evaluated8. This report stated that MDS had not secured inclusion in the WICET Stage 2a (WEXP1) tranche of capacity (2016) and as such would not be able to gain rail capacity

- In June 2012, WICET confirmed 32.2 Mtpa of additional export capacity to support WICET Stage 2a (WEXP1), now planned for completion in 20169. This capacity was allocated to the exporters developing the Surat Basin and included Aquila Coal, Cockatoo Coal, Stanmore Coal and Glencore Coal on behalf of the Wandoan Joint Venture. The Surat Basin requires a significant amount of infrastructure in order for coal to be exported from this area. The Wandoan coal project is awaiting the mining lease and environmental authority to be granted. The Glencore board will then decide if

---

7 070711 Endocoal Announces Gladstone Port Access Initiative.pdf, Endocoal Limited, Jul 2011
8 MDS –Off Site Infrastructure 070412.pdf, Feb 2012
9 WICET Media release, 28 June 2012
and when the project proceeds\(^\text{10}\). Wandoan is one of the major investors in the Surat Basin infrastructure\(^\text{11}\).

- On 6\(^{th}\) December 2012, WICET and Endocoal signed a Feasibility Funding Deed Acknowledgement\(^\text{12}\) confirming a commitment of 4 Mtpa of export capacity.
- Endocoal has been informed by the WICET project team that at this stage the Endocoal application for export capacity has been pushed back to the Stage 2b (WEXP2) allocation, which to date has not been allocated. Currently WICET are concentrating on the Stage 2a expansion and the date of Stage 2b construction has not been announced.

Without port capacity the off site infrastructure report stated that MDS is unable to secure rail infrastructure capacity. If MDS can secure port capacity with the intention of transporting coal to the port by rail, then significant upgrades to the Bauhinia rail line are necessary, requiring a 2-3 year lead time and two years for the construction of above rail services with one of the two possible suppliers.

Due to these possible constraints and the costs of utilising WICET, U&D have explored other sales options, including selling the coal from the product stockpile as FOT and hauling to a third party train load out for FOR sales.

The FOT option would not require the construction of a train load out facility or rail spur and would reduce the lead time and capital for the project.

### 2.6 Forecast Operating Costs

As part of the mining evaluation study\(^\text{13}\) the operating costs of the equipment were calculated from first principles based on the target schedule developed in Minex software. These operating costs were based upon un-escalated 2011 dollars and included detailed analysis of the equipment, consumables, personnel and supervision required for all mining tasks.

Palaris has reviewed the first principles build up and considers the operating cost estimates to be adequate for this level of study. Costs have been escalated to 2013 real prices at an inflation rate of 2.5% per annum and the FOR and FOT costs are shown in Table 2.2 below. The contractor margin has been increased from 7.5% to 10% based on industry averages.

<table>
<thead>
<tr>
<th>Unit</th>
<th>Unit Cost</th>
<th>$/ROM t</th>
<th>$/Product t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Clearing / Topsoil Removal</td>
<td>$/Ha</td>
<td>$2,046</td>
<td>$0.05</td>
</tr>
<tr>
<td>Load &amp; Haul Waste (including drill and blast)</td>
<td>$/bcm</td>
<td>$3.55</td>
<td>$19.09</td>
</tr>
<tr>
<td>Load &amp; Haul Coal</td>
<td>$/ROM t</td>
<td>$3.89</td>
<td>$3.89</td>
</tr>
<tr>
<td>Site Support &amp; Management</td>
<td>$/ROM t</td>
<td>$6.13</td>
<td>$6.13</td>
</tr>
<tr>
<td>Earthworks and Rehabilitation</td>
<td>$/ROM t</td>
<td>$1.47</td>
<td>$1.47</td>
</tr>
<tr>
<td>Pit Top ROM Total</td>
<td></td>
<td>$30.65</td>
<td>$30.65</td>
</tr>
<tr>
<td>Crushing</td>
<td>$/ROM t</td>
<td>$2.10</td>
<td>$2.10</td>
</tr>
<tr>
<td>Other Site Costs (including accommodation and MIA costs)</td>
<td>$/ROM t</td>
<td>$3.34</td>
<td>$3.34</td>
</tr>
<tr>
<td>Contractor Margin (10%)</td>
<td>$/ROM t</td>
<td>$3.61</td>
<td>$3.61</td>
</tr>
<tr>
<td>Free on Truck Total (excluding Train load out)</td>
<td>$/ROM t</td>
<td>$39.70</td>
<td>$39.70</td>
</tr>
<tr>
<td>Train Load Out Costs</td>
<td>$/ROM t</td>
<td>$4.54</td>
<td>$4.54</td>
</tr>
<tr>
<td>Free on Rail Total</td>
<td>$/ROM t</td>
<td>$44.24</td>
<td>$44.24</td>
</tr>
</tbody>
</table>

Table 2.2  FOR and FOT Operating Costs


\(^{12}\) [Endocoal – Feasibility Funding Deed Acknowledgement 061212.pdf](http://www.longwalls.com/storyview.asp?storyID=795159412&section=Search&sectionsource=s89)

Post-production costs for FOT, FOR and FOB sales options of $6.63, $7.96 and $8.17/t (product) respectively have been estimated from the third party marketing feasibility report. The carbon tax cost per ROM tonne has decreased since the marketing feasibility report was completed and this has significantly reduced the amount of carbon tax payable for MDS. Post-production costs include marketing, insurance, corporate overheads, external services charged and demurrage where applicable. Note that minerals resource rent tax, royalties and company tax have been excluded from post-production costs as these are revenue dependent.

The off-site infrastructure report estimated operating costs in un-escalated 2011 prices based on the following:

- commencement of product railing in October 2013
- annual contracted throughput of 1.5 Mtpa
- MDS securing its own rail and port capacity
- sharing the cost of capital rail mainline enhancements with another proponent

The estimated off-site operating costs are considered consistent with nearby mines and have been escalated to 2013 real prices at an inflation rate of 2.5% per annum. The off-site costs relating to the FOB sales option are shown in Table 2.3 below. Note that these costs are based on MDS securing port and rail capacity and that if capacity is through a third party, then the costs may vary.

<table>
<thead>
<tr>
<th>Unit</th>
<th>Unit Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above Rail (Fixed and Variable) $/Sale t</td>
<td>$11.07</td>
</tr>
<tr>
<td>Below Rail (Fixed and Variable) $/Sale t</td>
<td>$9.48</td>
</tr>
<tr>
<td>Port (Fixed and Variable) $/Sale t</td>
<td>$15.50</td>
</tr>
<tr>
<td>Rail Infrastructure Management $/Sale t</td>
<td>$0.45</td>
</tr>
<tr>
<td>Total Rail and Port $/Sale t</td>
<td>$36.50</td>
</tr>
</tbody>
</table>

Table 2.3 FOB Off-site Operating Costs

Due to the lack of secured rail and port capacity, other sale options were considered in the off-site infrastructure report and the marketing feasibility report14. These options include:

- either FOB or FOR sales by hauling coal by truck to a nearby site and using third party loading facilities and rail and port capacity
- selling coal to a nearby mining operator with latent port and rail capacity

The marketing feasibility study assessed the best NPV for the FOB, FOR and FOT scenarios. Production estimates for this study included 0.35 Mt of auger mining in the last year of production which, while a possibility at MDS if a boundary agreement is not negotiated, is not detailed in any other study. The FOR and FOT results compared two ports and three train load out locations resulting in different haul, rail and port costs for a total of six options. The marketing feasibility study dismissed the shortest distance rail options. The outcomes of this study with the other four options which included two ports and two train load out locations indicated the following:

- FOB sales analysis showed a marginal NPV with rail and port costs as in Table 2.3 above, and required MDS to construct the rail spur and incur the rail spur and train load out capital costs
- FOR sales analysis showed a $13/t saving based on a third party incurring similar rail and port costs as in Table 2.3. MDS would construct the rail spur and incur the rail spur and train load out capital costs
- FOT sales analysis showed a $16–22/t saving based on a third party achieving similar rail and port costs as in Table 2.3 and MDS not incurring rail spur and train load out capital costs

---

This marketing feasibility study indicated that MDS has the potential to achieve the best value from the deposit if coal is sold either FOT or FOR to an established mine that rails coal to the RG Tanna coal export terminal. Both Rolleston mine and Minerva mine are located within close proximity of MDS and rail and ship coal through RG Tanna and Barney's Point. As MDS coal is reported to be an unwashed product, it is unable to be shipped out of Barney's Point due to the facility's exclusion of handling unwashed coal. As such, MDS coal would need to be exported through RG Tanna.

Minerva is currently producing approximately 2.8 Mt of export thermal coal per annum but plans to reduce production over the next five years. Minerva, which produces a lower moisture, higher ash product than MDS, is located approximately 75 km from MDS and by rail is 406 km to both RG Tanna and Barney's Point coal export terminals.

Rolleston is currently producing approximately 9 Mt of export thermal coal but plans to increase this tonnage to 13 Mt over the next four years. Rolleston is located approximately 7 km from MDS and produces an export thermal product that is slightly lower in moisture and higher in specific energy than MDS.

Coal sales prices and operating costs of these options would be subject to negotiation with the relevant third parties.

### 2.7 Forecast Capital Costs

Capital costs are dependent on the MDS sales option. Capital costs for the three main options – FOT, FOR and FOB – have been outlined in the marketing feasibility study in 2012 costs and in the off site infrastructure report in 2011 prices. For the purposes of this review, the upgrade to the Bauhinia rail line that was outlined in the off site infrastructure report has been added plus a contingency of 10%. A summary is provided in Table 2.4 below.

<table>
<thead>
<tr>
<th>Item</th>
<th>Free on Truck $M</th>
<th>Free on Rail $M</th>
<th>Free on Board $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development capital (includes construction site)</td>
<td>14.38</td>
<td>16.80</td>
<td>16.80</td>
</tr>
<tr>
<td>Raw coal handling plant and MIA facilities</td>
<td>11.49</td>
<td>11.05</td>
<td>11.05</td>
</tr>
<tr>
<td>Water tank, pipes and sewage treatment plant</td>
<td>1.60</td>
<td>1.60</td>
<td>1.60</td>
</tr>
<tr>
<td>Dawson highway underpass and intersection</td>
<td>0.75</td>
<td>6.37</td>
<td>6.37</td>
</tr>
<tr>
<td>Bauhinia rail upgrade (from Off Site Infrastructure report)</td>
<td>31.52</td>
<td>31.52</td>
<td>31.52</td>
</tr>
<tr>
<td>TLO and rail infrastructure (from Off Site Infrastructure report)</td>
<td>-</td>
<td>24.59</td>
<td>24.59</td>
</tr>
<tr>
<td>TLO land purchases, Ergon easement and rail consulting</td>
<td>-</td>
<td>2.08</td>
<td>2.08</td>
</tr>
<tr>
<td>Site vehicle access and TLO haul road</td>
<td>5.29</td>
<td>8.47</td>
<td>8.47</td>
</tr>
<tr>
<td>Dam reinstatement and Area C MIA</td>
<td>2.62</td>
<td>4.38</td>
<td>4.38</td>
</tr>
<tr>
<td>Delivery costs @ 12.5% (excluding rail upgrade)</td>
<td>4.52</td>
<td>9.42</td>
<td>9.42</td>
</tr>
<tr>
<td>Contingency @ 10%</td>
<td>4.06</td>
<td>11.63</td>
<td>11.63</td>
</tr>
<tr>
<td><strong>Total Project Capital</strong></td>
<td><strong>44.71</strong></td>
<td><strong>127.91</strong></td>
<td><strong>127.91</strong></td>
</tr>
<tr>
<td>Sustaining Capital</td>
<td>1.80</td>
<td>2.80</td>
<td>2.80</td>
</tr>
<tr>
<td><strong>Total Capital</strong></td>
<td><strong>46.51</strong></td>
<td><strong>130.71</strong></td>
<td><strong>130.71</strong></td>
</tr>
</tbody>
</table>

*Table 2.4 Forecast Capital Costs*

---

15 MDS – Off Site Infrastructure 070412.pdf, Feb 2012
## 2.8 Risk

Risks identified with the MDS project are shown in Table 2.5.

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>Issue Description / Finding</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Location</td>
<td>Located near several operating mines and rail lines to Gladstone</td>
<td>Low</td>
</tr>
<tr>
<td>Tenement</td>
<td>The MDS MLA is adjacent to the Glencore Rolleston West MLA. Glencore are also the landowner in this case. Glencore are making a claim that the Naroo Dam where it enters the MDS MLA is considered &quot;Restricted Land&quot; under the Qld MRA. Consent from Glencore is required for the inclusion of the restricted land in the ML area. If no consent is obtained then the area of the dam would be classified as restricted from mining. Boundary agreement negotiations are being considered by U&amp;D with a view to furthering discussions after grant of the ML is received. In order for MDS to place the flood levee outside the lease boundary a boundary agreement will be required. Negotiations have not been reviewed by Palaris as part of this report. MDS will be required to obtain the compensation agreement for the land affected by the MLA from Glencore in order for the ML to be granted.</td>
<td>Medium</td>
</tr>
<tr>
<td>Coal Resources and Reserve</td>
<td>Reserves are predominantly within the Measured resource category (specific Proven and Probable categories were not supplied)</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Total tonnage is dependent on the inclusion of the restricted land in the ML area</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Further risk is that the '1 in 1000 year flood' levy will reduce the pit reserve if a boundary agreement with Glencore cannot be made</td>
<td></td>
</tr>
<tr>
<td>Geology</td>
<td>Shallow dipping with three coal seams, coalescing to two throughout the majority of the mining area</td>
<td>Low</td>
</tr>
<tr>
<td>Coal Handling and Preparation</td>
<td>Coal is prone to spontaneous combustion and dust emissions are above normal levels, requires extra care with stockpiling and transporting coal</td>
<td>Medium</td>
</tr>
<tr>
<td>Mining Method</td>
<td>Cast/doze/excavate method in a strip mining sequence. Risks include costs being increased with use of dozers in production role when small/medium sized contractors are not experienced with dozer push. Sequence relies on coal being removed as soon as it is exposed and being placed on ROM stockpiles. This could increase risk of spontaneous combustion before product reaches the customer</td>
<td>Medium</td>
</tr>
<tr>
<td>Mining Complexity</td>
<td>Two to three coal seams dipping into a confined corner/area. Parting thickness down to 0.1m to be mined separately. Strips reduce in length as overall depth of pit and strip ratios increase. Last strips will be congested and will require more than one strip to be mined concurrently to ensure accesses to all levels</td>
<td>Medium</td>
</tr>
<tr>
<td>Transport Access</td>
<td>MDS does not have port capacity and as such does not have rail capacity</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Marketing feasibility study highlights best return for MDS is with Free on Truck and Free on Rail sales. Synergies exist with nearby mines that have port and rail capacity. Subsequent sales price is subject to negotiation</td>
<td></td>
</tr>
</tbody>
</table>

*Table 2.5 Risks Identified*
**Report**

**Independent Geological Expert’s Report**

<table>
<thead>
<tr>
<th>Company</th>
<th>U&amp;D Mining Industry (Australia) Pty Ltd and U&amp;D Coal Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site</td>
<td>Various</td>
</tr>
<tr>
<td>Date</td>
<td>December 2013</td>
</tr>
<tr>
<td>Doc No</td>
<td>UDM1707-01</td>
</tr>
</tbody>
</table>
Important Notice

U&D Mining Industry (Australia) Pty Ltd and U&D Coal Limited ("the Client")

This document has been produced by or on behalf of Palaris Australia Pty Ltd ("Palaris") solely for use by the Client for inclusion in the Replacement Prospectus dated on or around 5th December 2013 ("the Purpose") in the form and context in which it appears in this report. Use of this document is otherwise subject to the provisions of Palaris’ Terms and Conditions of Service.

Palaris owns copyright in this document. Palaris grants the Client a non-transferable royalty-free licence to use this report for the Purpose and to make copies of this report as it requires for the Purpose.

Third Parties

If the Client wishes to make this document or information contained herein, available to a third party for purposes other than the Purpose, it must obtain Palaris’ prior written consent.

Palaris will not be responsible for any loss or damage suffered by any third party who relies on anything within this report; even if Palaris knows that the third party may be relying on this report, unless Palaris provides the third party with a written warranty to that effect. The full extent of Palaris’ liability in respect of this report, if any, will be specified in that written warranty.

Scope of the Document

This document should only be used for the Purpose. Palaris will not be liable for any use of this document outside its intended scope. If the Client has any queries regarding the appropriate use of this document, it should address its concerns in writing to Palaris.

Currency of Information

Palaris has used its best endeavours to ensure the information included in this report is as accurate as possible, based upon the information available to Palaris at the time of its creation. Any use of this document should take into account that it provides a 'point in time' based assessment and may need to be updated. That is, any information provided within this document may become outdated as new information becomes available. Before relying upon this document, the Client, or an approved third party, should consider its appropriateness based upon the currency of the information it contains. Palaris is under no obligation to update the information within this document at any time.

Completeness of Information

This document has been created using information and data provided by the Client and third parties. Palaris is not liable for any inaccuracy or incompleteness of the information or data obtained from, or provided by, the Client, or any third party.

Reliance on Information

Palaris is proud of its reputation as a provider of prudent and diligent consultancy services when addressing risks associated with mining operations. Nevertheless, mining has inherent risks which can never totally be removed. As such the contents of this document, including any findings or opinions contained within it are not warranted or guaranteed by Palaris in any manner, expressed or implied. The Client and any approved third party should accommodate for such risk when relying upon any information supplied in this report. Such risks include, but are not limited to:

- Mining and geological condition of the site
- Environmental constraints or hazards and natural disasters
- Plant and equipment constraints
- Capability and availability of management and employees (of Palaris, the Client and relevant third parties)
- Workplace health and safety issues
- Availability of funding to the operation
- Availability and reliability of supporting infrastructure and services
- Efficiency considerations
- Variations in cost elements
- Market conditions and global demand
- Industry development
- Regulatory and policy changes
## Contents

1. U&D Mining Projects ................................................................. 4
2. Orion Downs – Meteor Downs South and Inderi .................... 7
3. Broughton ........................................................................... 12
4. Rockwood .......................................................................... 16
5. Stockyard Creek ................................................................. 21
6. Nebo .................................................................................. 24
7. Talwood and Sullivan Creek ................................................ 27
8. Springton .......................................................................... 30
9. Essex .................................................................................. 32
10. Expedition Peak ................................................................. 34
11. Pretoria Hill JV ................................................................. 36
12. Other U & D Mining Tenure ............................................... 38
13. References ........................................................................ 43
1 U&D Projects

(i) Introduction

Palaris Australia Pty Ltd (Palaris) was commissioned by U&D Mining Industry (Australia) Pty Ltd and U&D Coal Limited (U&D) to undertake a review of U&D’s coal tenements and complete an Independent Geological Expert’s Report for inclusion in the Replacement Prospectus for U&D’s initial public offering (IPO).

U&D acquired Australian junior coal explorer Endocoal Limited (Endocoal) in April, 2013. Endocoal had an extensive tenure base in the Bowen Basin, Queensland and had successfully identified coal resources at Meteor Downs South and Inderi (Orion Downs), and Rockwood. Additionally, Endocoal had applied for a mining lease application (MLA) over the proposed Meteor Downs South open cut.

U&D acquired the Broughton project (EPC818) in 2012 and combines this asset into U&D’s extensive portfolio.

Palaris has undertaken a review of U&D’s exploration assets (EPCs) in the Bowen and Basin and provide a summary of the location, geological setting and stratigraphy, coal quality, historical and recent exploration, resource base and exploration potential. The location of U&D’s Bowen Basin assets is shown in Figure 1.1. Recent exploration permit – coal (EPC) applications located in the Galilee Basin are also included in this report.

(ii) Geological Setting

The Bowen Basin is part of a connected group of Permian coal basins in Eastern Australia that includes the Sydney and Gunnedah Basins (Mallett et al, 1995). Coal rank in the basin is largely related to relative position to a Triassic thrust front and Early Cretaceous intrusions. These conditions resulted in relatively shallow and undisturbed coal seams developed over large areas of the central and north-western parts of the basin. These coal seams are medium to high volatile bituminous with coking characteristics. On the eastern edge of the basin, coal rank varies from low volatile bituminous to anthracite with complex structure. Towards the south-western limits of the Bowen Basin, coal rank decreases and coking properties show a general deterioration.

(iii) Stratigraphy

Coal-bearing sequences occur in numerous stratigraphic levels throughout the Bowen Basin; however, those that have economic significance are classified as four distinct groups, referred to as Group I to IV. These are described by Mutton in *Queensland Coals* (2003) and a simplified stratigraphic table is presented in Table 1.1 below.

Group I coal measures are the oldest coal-bearing sequence and are largely confined to the Denison Trough in the south-west of the Bowen Basin. This group is represented by the Reid Dome Beds (RDB), deposited in extensional basins during the Early Permian. Group I coal seams have variable thicknesses and while targeted at Minerva on the Springsure Anticline, generally occur at significant depths.

Group II coal measures consist of several unconnected Permian sub-basins; the Collinsville Coal Measures (CCM) in the north of the basin, the Blair Athol Coal Measures and the Wolfang Basin in the Clermont area, the Rugby Coal Measures situated south-west of Moranbah and coal in the Aldebaran Sandstone and Freitag Formation in the Emerald district. The latter units were deposited in shallow to marginal marine conditions during the Early Permian and their marine influence is indicated by high sulphur contents in associated coals. Group II coal seams are mined at Collinsville, Clermont and previously at Blair Athol.

Group III coal measures consist of the freshwater Moranbah Coal Measures (MCM) developed in the north, which are transitional to the marine influenced Late Permian German Creek Formation (GCF) in the central Bowen Basin. These formations contain mostly high grade coking coals mined in Queensland. A marine transgression in the south ended deposition of coal but did not extend northwards where coal continued to be deposited.

Volcanism during this period resulted in deposition of tuffaceous material, interbedded in Group IIIA coal-bearing sequences. Group IIIA coal measures consist of the Fort Cooper Coal Measures (FCCM) in the north; the Fair Hill Formation (FHF) and the overlying Burngrove Formation (BF) in the southern central Bowen Basin, and the Kaloola Formation (KF) in the south-east near Moura. High inherent ash contents and typically low yields limit the potential for economic exploitation of Group IIIA coal seams (Mallett et al, 1995).

Coal seams above the Yarrabee Tuff are relatively free of tuffaceous material and are known as Group IV coal measures. In areas where the Yarrabee Tuff does not exist, the widespread appearance of clean coals is the distinguishing characteristic of Group IV coal measures. Group IV coal measures are Late Permian in age, and consist of the Rangel Coal Measures in the north and central areas of the Bowen Basin, the Baralaba Coal Measures in the south-east, and the Bandanna Formation in the southwest. Group IV coals vary in quality and rank and are mined extensively in the Bowen Basin.
<table>
<thead>
<tr>
<th>Coal Group</th>
<th>Bowen Basin and Structural Outliers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>North</td>
</tr>
<tr>
<td>IV</td>
<td>Rangal Coal Measures (RCM)</td>
</tr>
<tr>
<td>IIIA</td>
<td>Fort Cooper Coal Measures (FCCM)</td>
</tr>
<tr>
<td>III</td>
<td>Moranbah Coal Measures (MCM)</td>
</tr>
<tr>
<td>II</td>
<td>Collinsville Coal Measures (CCM)</td>
</tr>
<tr>
<td>I</td>
<td>Reids Dome Beds (RDB)</td>
</tr>
</tbody>
</table>

**Table 1.1  Bowen Basin Stratigraphy (Modified from Mutton, 2003)**

**Figure 1.1  U&D Bowen Basin Projects – Location Plan**
(iv) U&D Projects and Prospectivity Ranking

Palaris has conducted a review of each of U&D’s project areas and these are summarised in the following Sections 2 – 12. The U&D project names and associated tenements are summarised in Table 1.2 below. The target stratigraphy identified at each project is also identified, and acronyms used for stratigraphy are specified in the stratigraphic table (Table 1.1).

A prospectivity ranking has been provided for each project area and is based on historical and recent exploration work completed. Coal resources reported in compliance with the 2004 Edition of the JORC Code, have been estimated for the Meteor Downs South, Inderi, Broughton and Rockwood project areas. In the Stockyard Creek, Talwood / Sullivan Creek, and Essex project areas Endocoal has intersected coal seams in recent drilling programs, but to date there has been insufficient exploration to define a coal resource. The remaining projects may be prospective and target stratigraphy has been identified, but will require further exploration by U&D to determine their true potential.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Tenements</th>
<th>Targets</th>
<th>Prospectivity Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orion Downs</td>
<td>EPC1517, EPC2025, EPC2253, MLA70452</td>
<td>BCM and RDB</td>
<td>High – BCM resources reported at Meteor Downs South and Inderi (EPC1517 / MLA70452)</td>
</tr>
<tr>
<td>Broughton</td>
<td>EPC818 and MLA70511</td>
<td>RCM, FCCM and MCM</td>
<td>High - resources reported in RCM (EPC818)</td>
</tr>
<tr>
<td>Rockwood</td>
<td>EPC1514, EPC2022, EPC2822, EPCA2857 and EPC2833</td>
<td>MCM</td>
<td>High – MCM resources reported (EPC1514)</td>
</tr>
<tr>
<td>Stockyard Creek</td>
<td>EPC2339, EPC1516 and EPC1620</td>
<td>Stockyard Creek Coal Measures (SCCM)</td>
<td>Medium – SCCM coal seams identified in EPPC2339</td>
</tr>
<tr>
<td>Nebo</td>
<td>EPC1513, EPC2306, EPCA2825, EPCA2833 and EPCA2857</td>
<td>MCM</td>
<td>Medium – similar conditions to Rockwood expected</td>
</tr>
<tr>
<td>Talwood and Sullivan Ck</td>
<td>EPC1590 and EPC1518</td>
<td>CCM</td>
<td>Low to medium - coal seams identified (EPC1590)</td>
</tr>
<tr>
<td>Springfield</td>
<td>EPC1803, EPC2461 and EPC2283</td>
<td>ROM, FCCM, GCF</td>
<td>Low to medium</td>
</tr>
<tr>
<td>Essex</td>
<td>EPC1515</td>
<td>GCF</td>
<td>Low to medium - coal seams identified (EPC1515)</td>
</tr>
<tr>
<td>Expedition Peak</td>
<td>EPC1512</td>
<td>CCM, GCF and FF</td>
<td>Low</td>
</tr>
<tr>
<td>Pretoria Hill JV</td>
<td>EPC2135</td>
<td>CCM</td>
<td>Low</td>
</tr>
<tr>
<td>Other Bowen Basin Tenements</td>
<td>EPCA2596, EPC2854, EPCA2709 and EPC2173</td>
<td>Various</td>
<td>Low</td>
</tr>
<tr>
<td>Galilee Basin Tenements</td>
<td>EPCA2262, EPCA2858 and EPCA2348</td>
<td>Betts Creek beds</td>
<td>Low – medium (application stage only)</td>
</tr>
</tbody>
</table>

Table 1.2 U&D Projects, Targets and Prospectivity Ranking
2 Orion Downs – Meteor Downs South and Inderi

(i) Tenements

U&D’s Orion Downs tenure is comprised of three EPCs and one Mining Lease Application (MLA). EPC1517 is referred to as Orion Downs and contains the prospective Meteor Downs South and Inderi project areas. On 29th April 2011, Endocoal lodged a Mining Lease Application (MLA70452) for development of the proposed Meteor Downs South open cut mine, which is located in the south-eastern portion of EPC1517 (Figure 2.1). In addition to Orion Downs, U&D also holds two granted EPCs which are contiguous with the southern portion of EPC1517. These tenements are Overlander (EPC2025) and Mt Inglis (EPC2253). The Orion Downs project (EPC1517) is a priority project for U&D, hosting the Meteor Downs South and Inderi projects where coal resources have been estimated and reported.

(ii) Nearby Operations and Projects

Orion Downs is located approximately 100 km south of Emerald and approximately 20 km south-east of Springsure, in central Queensland. Glenore’s Rolleston open cut coal mine, targeting the Bandanna Formation, is located approximately 8 km to the south of the Meteor Downs South project area. Sojitz’ Minerva open cut mine is located 5 km to the north-west of EPC1517, targeting coal seams within the Reids Dome Beds. Bandanna Energy’s Arcturus deposit and proposed Springsure Creek underground mine are located adjacent to the north-eastern portion of EPC1517. Nearby operations are shown in Figure 2.1.

(iii) Regional Geology

Orion Downs is situated in the western margins of the Denison Trough, in the Permian aged Bowen Basin. The Denison Trough is bounded to the west by the Springsure Shelf and to the east by the Comet Ridge and likely formed during a number of transgression and regression phases in the early Permian period. Deposition of the coal-bearing Reids Dome Beds occurred during the early Permian period followed by a marine phase of sedimentation that produced the Cattle Creek Formation. The Minerva Mine is located on an uplifted block containing the Reids Dome Beds.

Later phases of transgression and regression occurred in the early to mid-Permian periods, with late Permian deposition of the marine Peawaddy Formation, marginal marine Black Alley Shale, and terrestrial Blackwater Group. The Bandanna Formation (Blackwater Group) is coal-bearing, and conformably overlies the Black Alley Shale. The Bandanna Formation contains the same group of seams mined at Glencore’s Rolleston mine, also prevalent in the eastern parts of Orion Downs EPC1517.

In the Orion Downs project area, the Springsure Anticline is the prominent feature in the west. In the east, extensions of the Consuelo and Inderi Anticlines exist under Tertiary basalt cover. The Bandanna Formation dips to the north-west on the eastern limb of the Springsure Anticline. Further to the east of EPC1517, the eastern limb of the Inderi Anticline is intersected by the Albinia fault which displaces strata downward on the eastern side. Thick sheets of Tertiary aged flood basalt, subordinate pyroclastics and igneous intrusions exist in the northern part of the Denison Trough.

(iv) Local Geology and Stratigraphy

While there are several potentially prospective areas within Orion Downs project tenements, two known coal deposits have been identified by Endocoal within EPC1517; the Meteor Downs South and Inderi deposits, which are adjacent to Glenore’s Rolleston mine to the south-east.

The coal seams present in the Inderi and Meteor Downs South project areas are contained in the Bandanna Formation, stratigraphic equivalents of the Rangal Coal Measures. Coal seams of the Bandanna Formation have been interpreted to have been deposited in the lower regime of a fluvial system; a general absence of stone partings and the consistency of quality and thickness suggest a widespread, undisturbed environment of deposition.

Within the Inderi and Meteor Downs South (MDS) project areas, coal seams of the Bandanna Formation dip shallowly towards the south-east at approximately three degrees, with some areas of localised steepening. Four coal seams have been identified in the Inderi and MDS deposit and named in descending stratigraphic order the B, C, BC and D seams. The BC seam represents the combined B and C plies.

The MDS deposit represents a shallow coal resource containing the B, C, BC and D seams. All seams are essentially combined into a single, thick seam at MDS with a cumulative coal thickness averaging 6.9 metres and exceeding 9 metres in places. The seams occur at shallow depths of cover with a maximum depth of cover of 108 metres near the EPC boundary.

The proposed MDS open cut will primarily target the D seam which is approximately 4 to 5 metres thick and the BC seam which typically 2.7 to 3 metres thick. Where coal seams sub-crop against the Tertiary basalt cover, the coal appears to be only mildly affected by weathering. A cross section taken from the JB Mining geological model is shown in Figure 2.2 below.
Figure 2.1  Meteor Downs South, Orion Downs and Associated Tenure – Location and Nearby Operations

Figure 2.2  Cross Section Through MDS (JB Mining MDS JORC Resource Statement, 2013)
At the Inderi prospect, the coal seams occur at greater depths of cover than at MDS, and are potentially amenable to underground mining. The basal seam in the sequence, the D seam, is the primary target identified by U&D. The D seam depth of cover is typically between 70 and 160 metres below topography, and has a greater extent than the upper seams which are affected by the overlying basalt.

Coverage of Tertiary basalt material is significantly thicker at Inderi than at the adjacent MDS area, with an average thickness of 90 metres. U&D’s proposed Inderi underground mine would target the D seam which has an attractive seam thickness averaging five metres, and achieving a maximum thickness of six metres. There is a possibility of extending the Inderi resource to the west, reliant on whether the D seam remains intact under Tertiary cover. A cross section from the JB Mining Inderi JORC Resource report (2012) is illustrated in Figure 2.3 below.

![Figure 2.3 Cross Section Through Inderi (JB Mining Inderi JORC Resource Statement, January 2012)](image)

(v) Coal Quality

The Bandanna coal seams are characterised as high volatile bituminous coals with a mean maximum vitrinite reflectance (RoMax) of 0.48%. The coal seams of the Bandanna Formation sampled and tested at MDS and Inderi are largely free of stone partings and have favourable low ash contents (8–12% adb), and low total sulphur contents (0.4%). The calorific value of the coal is approximately 5,890 kcal / kg on an air-dried basis. Due to the low raw ash content, coal mined from the proposed MDS open cut could be sold as a run of mine product, without any beneficiation required. The coal would be marketed as an export thermal product.

A review of the likely product quality for the proposed MDS open cut in February 2012 provided indicative product specifications including an as-received calorific value of 5,350 kcal / kg based on an as-received moisture content estimated at 20%. Chlorine and phosphorous levels are favourable but nitrogen levels exceed 2% in some areas and may require scheduling and blending to manage. Coal qualities for the Inderi and MDS resource estimates are summarised in Table 2.1 and Table 2.2 respectively. The D seam at Inderi also has low raw ash contents (averaging 8.9% adb). Corresponding with a slight increase in rank the inherent moisture content is lower than the seams at MDS and the air-dried calorific value averages 6,231 kcal / kg.

(vi) Historical Exploration

Theiss Exploration Company Pty Ltd on behalf of Brigalow Mines Pty Ltd explored the Rolleston area within historical tenement ATP57 from as early as 1968 (CR3994). This included a drilling program that identified the Meteor Park deposit (now Glenore’s Rolleston mine). Several boreholes were also drilled in U&D’s Inderi project area within EPC1517, intersecting the D coal seam of the Bandanna Formation.

Stratigraphic holes were drilled in the area by the Geological Survey of Queensland (GSQ) in the 1970s. These stratigraphic bores were located in the western and northern portions of EPC1517 and targeted the Reids Dome Beds. Several coal seams were intersected, but typically at depth.

White Mining previously explored the Denison Trough area in the 1990s with exploration drilling carried out within the relinquished EPC512. This tenement was explored to assess the possibility of coal seams belonging to the Reids Dome Beds occurring at shallow depths. The White Mining exploration program in EPC512 consisted of a series of relatively deep (approximately 400 metres) percussion holes over the tenement area. Xstrata explored the area within historical tenement EPC737 which included part of the ATP57 explored by Brigalow Mines. Aquila Resources and Bowen Central Energy explored the area to the north-east of EPC1517 in historical EPC778, intersecting coal seams of the Bandanna Formation at depth, in what is now Bandanna Energy’s Arcturus project (EPC1221).
(vii) Recent Exploration

Endocoal completed a desktop review in 2009 and commenced exploration within EPC1517 shortly after, initially targeting the Reids Dome Beds and Freitag Formation. Endocoal's drilling in the west and north-west of Orion Downs intersected some coal seams, although the focus of exploration was diverted to the eastern part of the tenement.

Historical drilling by Theiss / Brigalow Mines suggested coal seams of the Bandanna Formation were recorded near the Inderi homestead, in the eastern portion of EPC1517. Drilling by Endocoal to test this area intersected several coal seams of the Bandanna Formation and identified what is now referred to as the Inderi project area. In 2010, Endocoal focused on drilling at the Inderi prospect in order to define a coal resource. Drilling identified that continuity of the seams was limited by variable thicknesses of Tertiary basalt and alluvial channels, with the basal D seam the most extensive.

The sub-crop location of the Bandanna Formation coal seams was identified in windows through the basalt cover in the MDS area. Subsequent drilling in the MDS area resulted in the intersection of the BC and D seams of the Bandanna Formation dipping shallowly towards the Rolleston mine. Basalt cover limits the seams in a westerly direction, where only the D seam is typically preserved.

Work conducted at MDS during 2011 focused on drilling to Measured resource classification and acquiring the necessary data to facilitate mining and feasibility studies, including gas content testing, piezometer (water monitoring) bores and geotechnical testing. Exploration at Inderi involved improving the level of resource confidence and defining the extent of the Inderi deposit for a potential underground mining operation. Coal core samples from Inderi and MDS have been subject to laboratory analysis, including raw coal analyses on individual plies and detailed analytical testwork on seam composite samples.

**Figure 2.4 Meteor Downs South and Inderi Borehole Locations**
(viii) Coal Resources

An open cut coal resource for the MDS deposit (within EPC1517) was estimated for Endocoal by JB Mining Services, as at November, 2013. The MDS resource estimate totalled 16.82 Mt; of which 13.32 Mt was classified as Measured and 3.5 Mt was classified as Indicated. A large proportion of the resource estimate (approximately 15 Mt) was identified in the BC seam (2.7 – 2.9m thick) and D seam (3.9 – 5m thick). Coal seams typically occur at depths less than 100 metres below topography in the MDS area. The JB Mining resource estimates and corresponding air-dried coal quality parameters for MDS are summarised in Table 2.1 below. The MDS JORC resources have been reported in compliance with the 2012 Edition of the JORC Code.

<table>
<thead>
<tr>
<th>Seam</th>
<th>Measured</th>
<th>Indicated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (ha)</td>
<td>Thick (m)</td>
<td>Mt</td>
</tr>
<tr>
<td>B</td>
<td>55</td>
<td>1.0</td>
</tr>
<tr>
<td>C</td>
<td>56</td>
<td>1.4</td>
</tr>
<tr>
<td>BC</td>
<td>78</td>
<td>2.69</td>
</tr>
<tr>
<td>D</td>
<td>150</td>
<td>4.99</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>13.32</td>
<td>3.50</td>
</tr>
<tr>
<td>TOTAL</td>
<td>16.82</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.1 MDS Resource Estimate and Air-Dried Quality Variables (JB Mining, 2013)

A coal resource for the Inderi deposit (within EPC1517) was estimated for Endocoal by JB Mining Services, as at 31st December, 2011. The JB Mining resource estimate totalled 34.58 Mt; 18.48 Mt was classified as Measured, 8.1 Mt was classified as Indicated and 8.0 Mt was classified as Inferred (Table 2.2). The Measured resources are identified in the D seam, which has an average seam thickness of 4.92 metres. Indicated resources were estimated for the BC seam (4.1 metres) and the D seam (4.5 metres), while Inferred resources were estimated for the B, C, BC and D seams. A large proportion of the Inderi resource (23.8 Mt) occurs between depths of 100 and 150 metres below topography. The JB Mining resource estimates and corresponding air-dried quality parameters for Inderi are summarised in Table 2.2 below.

<table>
<thead>
<tr>
<th>Seam</th>
<th>Measured</th>
<th>Indicated</th>
<th>Inferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (ha)</td>
<td>Thick (m)</td>
<td>Mt</td>
<td>Area (ha)</td>
</tr>
<tr>
<td>B</td>
<td>33</td>
<td>1.0</td>
<td>&lt;0.5</td>
</tr>
<tr>
<td>C</td>
<td>37</td>
<td>2.0</td>
<td>1.0</td>
</tr>
<tr>
<td>BC</td>
<td>45</td>
<td>4.1</td>
<td>2.6</td>
</tr>
<tr>
<td>D</td>
<td>247</td>
<td>4.92</td>
<td>18.48</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>18.48</td>
<td>8.10</td>
<td>8.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>34.58</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2.2 Inderi Resource Estimate and Air-Dried Quality Variables (JB Mining, January 2012)

The Inderi JORC resource estimates were prepared and first disclosed under the JORC Code (2004). These estimates have not been updated since to comply with the JORC Code (2012) on the basis that the information has not materially changed since it was last reported. Coal resources have not been defined in the Overlander and Mt Inglis EPCs.

(ix) Exploration Potential

A desktop review of the Orion Downs geological and geophysical data in January, 2012 suggests the D seam may be preserved under Tertiary cover south of Inderi, and could potentially lead to additional coal resources being identified. There may also be potential to add to the Meteor Downs South resource with further drilling to the west.

Within EPC2025 (Overlander), Bandanna Formation stratigraphy has been mapped in a creek by U&D geologists, and is interpreted under basalt cover to the north-west and south-east over a strike length of up to 6km. Within EPC2253 (Mt Inglis), U&D reports that field mapping has detected coal seams outcropping in a creek cutting, although at this stage the presence of coal seams has not been confirmed through exploratory drilling.

EPC1517 will be subjected to regional-scale exploration activities by U&D in an attempt to further define other areas with potential for discovery of other coal occurrences. There may be potential for coal in the Freitag Formation and Reids Dome Beds in the untested western portions of EPC1517. Exploration boreholes drilled by Endocoal in 2009 intersected coal within the Reids Dome Beds, and further exploration is warranted.
3 Broughton

(i) Tenements
Broughton is comprised of coal exploration permit EPC818 and Mining Lease Application MLA70511, located approximately 35 km west of Nebo and 40 km south-east of Glendon in the northern Bowen Basin. Broughton was acquired by U&D in 2012 and MLA70511 was lodged in August, 2013. The Suttor Creek Development Road passes through the tenure from west to east and the Hail Creek rail spur also passes through the western part of the tenement (Figure 3.1).

(ii) Nearby Operations and Projects
Broughton represents a southern extension of the Hail Creek open cut mine, which is located adjacent to the north of EPC818 (Figure 3.1). Rio Tinto Coal Australia (RTCA) operates the Hail Creek mine. The Hail Creek mining lease (ML4738) partially overlaps the northern portion of EPC818. RTCA’s Lake Elphinstone project area is located to the north-west. BMA’s South Walker Creek (Kemmis Walker) open cut mine is situated to the south-west of EPC818. Broughton is approximately 160 km by rail to Dalrymple Bay via the Goonyella rail system.

Figure 3.1 Broughton Location and Nearby Operations

(iii) Regional Geology
The Broughton project is located in the northern Bowen Basin, on the eastern margin of the Nebo Synclinorium, characterised by a series of broad, open, doubly-plunging fold and dome structures and faults (Ward et al, 1995). In the Broughton area, the Nebo Synclinorium contains sediments of Permian and Triassic age which can be affected by Cretaceous intrusions. Permian sediments were subsequently folded into a series of anticlines and synclines. One of these structures, the Hail Creek Syncline (also known as Bee Creek Syncline) is a basin like structure with fold closures to the north and south.

Broughton is located on the western limb of the Hail Creek Syncline and in the eastern area, the Permian strata strikes broadly north-south and dips east towards the syncline axis with moderate seam dips (15 degrees). To the west of the project area, the strata dip westward below the Carborough Range. A review of geology and seismic profiles suggests that two anticlines and one smaller syncline may exist within EPC818. Three faults have been interpreted in the project area and fault axes generally orientate towards the north to north-east. Permian sediments have been sporadically intruded by Cretaceous and Tertiary volcanics, which can occur in isolated outcrops and as sills within coal seams.
(iv) **Local Geology and Stratigraphy**

The project area is typically covered with relatively thin layers of Cainozoic sediments and Quaternary alluvium associated with Bee Creek and its tributaries. In the eastern part of EPC818, the Sagittarius Sandstone, which is the basal formation of the Triassic Rewan Group, underlies the Cainozoic cover.

The coal seams which have been targeted by the previous EPC holders, Eastern Corporation and Alpha Coal, belong to the Rangal Coal Measures, and are referred to as the Elphinstone and Hynds seams. Splitting and coalescing of the seams is common and they range from groups of sub-seams to individual, coalesced seams. The topmost seam identified is the Elphinstone seam which is around five metres thick in the northern area, splitting into two plies towards the south. The lower seam group is the Hynds seam which is typically comprised of four closely separated seam plies.

The location of exploration boreholes, the Elphinstone and Hynds seam sub-crops, interpreted fault locations and the approximate 15:1 bcm/t strip ratio limit are shown in Figure 4.4. Coal seams of the Fort Cooper Coal Measures are known to exist to the west of the prospective zone of Rangal Coal Measures. Two coal seams of the Fort Cooper Coal Measures (Hynds Lower and Girrah seams) occur near the base of the Rangal Coal Measures although they have not been sampled or tested. The coal seams of the Fort Cooper Coal Measures typically have a high proportion of stone partings and are not currently mined within the Bowen Basin.

The Moranbah Coal Measures were intersected at depth (greater than 250 metres) in several deeper historical and recent boreholes which were drilled in the central-western parts of the tenement. There may be potential for underground mining opportunities for coal seams of the Moranbah Coal Measures occurring at shallower depths in the central-western parts of the tenement which remains relatively untested by drilling.

An unpublished report commissioned by U&D in June 2013 indicates there is likely to be a series of north to north-east trending dykes and one buried Cretaceous intrusive in the centre of the tenure. Dykes cut across the eastern resource area in the Rangal Coal Measures and have locally affected the Elphinstone and Hynds seams.

![Figure 3.2 EPC818 West-East Borehole Profile Cross Section – Elphinstone and Hynds Seams (JB Mining, from Broughton QGESS JORC Report, 2005)](image)

(v) **Coal Quality**

The Elphinstone and Hynds coal seams of the Rangal Coal Measures are classified as medium volatile bituminous rank coal (ASTM) with a mean maximum vitrinite reflectance (Romax) between 1.41 and 1.49. Average raw coal quality values for the Elphinstone and Hynds seams are summarised in Table 3.1 below. The coal seams have moderate ash contents which range from 13.8 to 48.3% (adb) which suggests beneficiation would be required.
A review of washed product quality was completed for Eastern Corporation by geological consultants in 2005. The float sink testwork and coal quality testwork completed on clean coal composites has suggested that a primary coking product would be available for the low density fractions of the washed product with potential for a secondary thermal middlings product available. This is consistent with the processing technique and coal products marketed by the adjacent Hail Creek mine (RTCA).

Broughton clean coal composites were tested on cumulative float (CF) fractions at 1.375 and 1.40. Average values based on fresh floats at CF1.375 are summarised in Table 3.2. Coke strength after reaction (CSR) values exceeding 60 were also obtained from test work undertaken suggesting that a hard coking coal product may be achieved from Broughton coals. U&D are currently progressing with studies to optimise coal beneficiation strategies in order to maximise yield and revenue. These studies will determine likely yields and product mixtures.

(vi) Historical Exploration

Between 1970 and 1971, the Department of Mines drilled two deep stratigraphic holes within and adjacent to EPC818 (CR41682). Wodehouse NS1 was located in the western portion of current EPC818. The borehole intersected the Fort Cooper Coal Measures to 158 metres depth, and achieved a depth of 916 metres within the Moranbah Coal Measures. Nine seams of thickness for underground extraction were noted, although three were affected by intrusions.

Coal exploration occurred in the Bee Creek area as early as 1973 within coal tenement ATP3C (CR29301). Theiss Dampier Mitsui (TDM) applied for a mining lease over the Bee Creek West area which is now U&D’s area of interest within EPC818. The Elphinstone and Hynds seams of the Rangal Coal Measures were identified and a modest in situ tonnage of 9.2 Mt was estimated in the Bee Creek West area (Quinn, 1982).

In 1991, MGC Resources Australia Pty Ltd drilled a coal seam gas exploration well in historical ATP364P to explore the potential of the Fort Cooper and Moranbah Coal Measures. The well Kemmis Creek 1, located in the central-western portion of EPC818, commenced in the Fort Cooper Coal Measures and intersected seven coal seams. The hole reportedly intersected the Moranbah Coal Measures at around 250 metres depth. The Kemmis Creek 1 well intersected a number of significant, uncorrelated coal seams at depth.

MGC conducted a series of 22 seismic lines in the northern Bowen Basin between 1990 and 1991 with a report completed by Japex Geoscience (1992). A review of the seismic profiles by U&D (2013) assisted in the interpretation of several anticlines being present within EPC818. The eastern portion of current EPC818 was located as part of historical EPC643 “Bee Creek West” which was held by Nebo Central Coal Pty Ltd. Exploration conducted in the late 1990s identified that the Elphinstone and Hynds seams had deteriorated into a number of splits along the western limb of the Hail Creek Syncline and the tenement was relinquished.

(vii) Recent Exploration

Restpine Pty Ltd was the original holder of the current tenement EPC818 granted in 2002. Contractors for Restpine drilled 35 exploration holes in the area previously explored by TDM where the Rangal Coal Measures approached the sub-crop. The work confirmed the presence of the Elphinstone and Hynds seams at depths potentially amenable to open cut mining.

In 2004, Eastern Corporation Limited acquired Restpine’s assets and commenced further drilling in order to prove a resource and to better define coal quality and washability characteristics (QGESS, 2005). During 2005, Eastern Corporation completed an extensive drilling program within EPC818. A total of 62 boreholes were completed and nine partially cored holes were sampled and tested for analytical testwork. The exploration work by Eastern Corporation led to characterisation of the resource in the Elphinstone and Hynds seams and an open cut resource estimate was reported by QGESS in 2005. Detailed analytical testwork was conducted along with float sink testing and detailed testing on clean coal composites.
No exploration activities were undertaken between 2005 and 2010, until ownership of EPC818 was transferred to Arch Coal Australia and Resource Portfolio Partners. During 2010, four deep open holes and one cored hole were drilled in the central and western parts of EPC818 to determine prospectivity of the Fort Cooper and Moranbah Coal Measures. The four locations were positioned along the Suttor Development Road and indicated that the Moranbah Coal Measures occur at depths greater than 250m with a number of thick coal seams present, similar to those identified in Kemmis Creek 1. These may present underground mineable targets, but more exploration, correlation work and modelling is required. The Fort Cooper Coal Measures were present at shallower depths, but these coal seams require sampling and analytical testing. Following acquisition of the Broughton project in early 2012, U&D have commenced with mining studies concentrating on the Rangal Coal Measures where open cut resources has been identified.

Figure 3.3 Broughton Borehole Locations, Resource Domain and Formation Boundaries
(viii) Coal Resources
Following an exploration campaign completed in 2005, a resource estimate was reported by Eastern in November 2005. Coal resource estimates were prepared for the Elphinstone and Hynds seams of the Rangal Coal Measures within EPC 818. The 2005 estimate was confined between the sub-crop of the Hynds seam on the western side and down-dip by a 15:1 (bcm/t) cumulative stripping ratio. The resource domain occurs within MLA70511; along a strike length of 4.25 km between the southern extent of ML4738 in the north and the southern EPC boundary. Within this potential open cut mining area, the depth of weathering is typically 15m to 20m. The 2005 resource estimate totalled 30 Mt; of which 16.5 Mt was classified as Measured, 8.5 Mt is classified as Indicated and 5.0 Mt was classified as Inferred.

JB Mining updated the Broughton resource estimate in August, 2013. The resource model was based on 130 boreholes typically spaced 100m apart perpendicular to strike, on drill traverses 200m to 400m apart. Coal quality data points were typically spaced at a distance of ~500 metres. The 2013 resource estimate totals 41.47 Mt, of which 15.97 Mt is classified as Measured, 10.5 Mt is classified as Indicated and 15 Mt is Inferred. The 2013 resource estimate by JB Mining was not limited by stripping ratio; open cut coal resources were reported to a maximum depth of 200 metres below topography.

Potentially underground mineable resources were extrapolated past 200 metres depth and included the Elphinstone and Hynds seams where seam thicknesses were greater than 1 metre. This has resulted in a material increase in the Inferred resource category from 5 Mt in 2005 to 15 Mt in 2013. The JB Mining 2013 resource estimate was prepared in compliance with the 2012 Edition of the JORC Code and is summarised in Table 3.3 below.

<table>
<thead>
<tr>
<th>Seam</th>
<th>Measured</th>
<th>Indicated</th>
<th>Inferred</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elphinstone</td>
<td>6.50</td>
<td>3.4</td>
<td>7</td>
<td>16.94</td>
</tr>
<tr>
<td>Hynds</td>
<td>9.47</td>
<td>7.1</td>
<td>8</td>
<td>24.53</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15.97</td>
<td>10.5</td>
<td>15</td>
<td>41.47</td>
</tr>
</tbody>
</table>

Table 3.3 Broughton 2013 Resource Estimate (JB Mining, August 2013)

(ix) Exploration Potential
There is potential to increase the Broughton project Rangal Coal Measures resource estimate and classification through additional exploration and acquisition of coal quality and washability data. Historical drilling records and recent drilling by Arch Coal indicate there is also potential for additional coal occurrences to be identified in the Fort Cooper and Moranbah Coal Measures, located to the west of the sub-crop zone of the Rangal Coal Measures. The Girrah seam (Fort Cooper Coal Measures) has been intersected at shallow depths in the central parts of the tenement and appears to have a relatively clean geophysical signature, although the seam has not been sampled and tested. Other coal seams of the Fort Cooper Coal Measures appear to occur at relatively shallow depths based on the drilling by Arch Coal, but further exploration is required to determine if a coal resource will be identified.

The Moranbah Coal Measures will be likely to occur at depths greater than 250 metres unless intersected near the axis of an anticline. U&D suggests the presence of eastern and western anticlines within the tenement, although these remain untested and further exploration is warranted. There may be potential for underground mineable seams within the Moranbah Coal Measures in the western parts of the tenement, although more exploration needs to be conducted to determine seam thickness, dip, and continuity, and to define the extent of igneous intrusions within the Moranbah Coal Measures.

4 Rockwood

(i) Tenements
The Rockwood project consists of three coal exploration permits; EPC1514 (Rockwood), EPC2022 (Rockwood 2) and EPC2822 (Carfax West) and two EPC applications (EPCA2857 and EPCA2833) as shown in Figure 4.1. Rockwood is located 50 km north-east of Dysart, and approximately 150 kilometres south-west of Mackay in Central Queensland. Rockwood is adjacent to the Fitzroy Development Road, and the Isaac River passes through the tenure. The Oaky Creek rail line passes approximately 55 kilometres north-west of the project area.

(ii) Nearby Operations and Projects
The Picardy deposit, held by BHPB Mitsubishi Alliance (BMA), is located approximately 15km to the south-west of Rockwood (Figure 4.1). Peabody Energy acquired a number of mines and greenfields projects in the Coxendean Syncline area through Macarthur Coal, which are located in close proximity to EPC1514. These projects target the Rangal Coal Measures, and include Daunia East, Devlin Creek, Codrilla, Codrilla South, Willunga and Vermont East.

(iii) Regional Geology
Rockwood is located in the central to eastern portion of the Bowen Basin in central Queensland, close to the boundary between the structural domains commonly referred to as the Folded Zone to the south, and Nebo Synclinorium of the
Taroom Trough to the north. The Nebo Synclinorium is a structurally asymmetric region characterised by a series of north to north-west trending folds and faulted zones.

The area occurs on the edge of the eastern limb of the Coxendean Syncline where the Rangal, Fort Cooper and Moranbah Coal Measures sub-crop in succession. Seismic lines and some drill holes have assisted in defining the structural setting and the positioning of a major north-west trending thrust zone, within a series of closely spaced anticlines and synclines. An internal report by Endocoal in January, 2012 suggests that little has been described of the geology within the tenure area because of the limited exposure of Permian sediments at the surface.

(iv) Local Geology and Stratigraphy

The Rockwood project contains a series of coal seams of anthracite rank (ASTM classification) belonging to the Moranbah Coal Measures (Blackwater Group), of Permian age. The coal seams at Rockwood occur from shallowly to steeply dipping, to both the west and the east across several anticlines and synclines. Coal seams with shallower depths of cover are typically located near the crests of the anticlines. A representative cross section, from JB Mining’s March 2012 JORC Resource Statement, is shown in Figure 4.2 below.

The nature and quantity of coal seams at Rockwood in the north-eastern Bowen Basin is markedly different to the stratigraphic equivalent coal seams mined along the central and western parts of the Bowen Basin. A comparison between Rockwood and western Bowen Basin stratigraphy is illustrated in Figure 4.3. The coal-bearing strata of the Moranbah Coal Measures at Rockwood contains up to 40 individual seams, ranging in thickness from 0.3m to greater than 4 metres. The coal seams have been subjected to tectonic stresses and are typically heat affected. Coal seams are inclined on fold limbs with some steeply dipping seams (up to 50 degrees). Several holes drilled in the west on Carfax Road allowed the determination of the boundary between the Moranbah Coal Measures and the overlying Fort Cooper Coal Measures.

Figure 4.1 Rockwood Location and Nearby Projects
Figure 4.2  Cross Section West to East (JB Mining JORC Resource Statement, March 2012)

Figure 4.3  Rockwood MCM Stratigraphy Correlated with the Western Bowen Basin
(v) Coal Quality

The Rockwood coal seams are high in rank with a mean maximum vitrinite reflectance (RoMax) of 4.0 to 4.1, which classifies them as anthracite (ASTM classification). The coal seams are devolatilised, exhibiting ultra-low volatile contents (typically ranging between 4–8% adb). Petrography on selected coal seams indicates high vitrinite contents averaging 76%. The Rockwood coal seams vary in terms of grade but can be described as having moderate to high raw ash contents (typically 20 – 40% ad) which would require beneficiation in order for a marketable product. Inherent moisture contents are very low averaging 2.7% and relative density values for Rockwood coals are high (averaging 1.78 g/cc adb). The coal also has high phosphorous levels which will need to be managed. The coal exhibits a relatively low Hardgrove Grindability Index (HGI) of 40.

Endocoal conducted detailed analytical testwork on raw samples and conducted float sink analyses to determine washability characteristics. Detailed analytical testwork has been conducted on clean coal composites at CF1.60 targeting a product with 10–12% ash content.

On 16th November 2011, Endocoal announced to the Australian Stock Exchange (ASX) the findings of a report completed on Rockwood coal’s physical and chemical properties. The report identified that there was quite a degree of variability in raw ash content and washability characteristics between the seams. Estimated weighted average product quality, based on clean coal composites at CF1.60, as shown in the Endocoal November 2011 ASX release, are summarised in Table 4.1 below.

<table>
<thead>
<tr>
<th>Ash Content % (ad)</th>
<th>Volatile Matter % (daf)</th>
<th>Fixed Carbon % (daf)</th>
<th>Specific Energy MJ/kg (ad)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.3</td>
<td>6.5</td>
<td>91.8</td>
<td>30.1</td>
</tr>
</tbody>
</table>

Table 4.1 Rockwood Quality Specification (Nov 2011 ASX Endocoal Company Announcement)

A separate study was undertaken to investigate marketing potential of Rockwood product coal for the Pulverised Coal Injection (PCI) market. The study in September, 2011 found that the Rockwood product specifications suggest a coke replacement ratio of 0.82, higher than the replacement ratio of high volatile PCI coals. Endocoal reported to the ASX that the product specification indicates the coal is potentially suitable for the Rockwood coal to be marketed as an ultra-low volatile (ULV) PCI product.

The study also found that the coal may take extra milling to pulverise the low HGI coal and that high phosphorous levels may be a marketing issue. While other Australian ULV PCI products have volatile contents exceeding 10% (Coppabella, South Walker Creek), there may also be other marketing opportunities for secondary products (e.g. export thermal and sinter coal), and this requires further investigation.

(vi) Historical Exploration

The majority of the historical exploration in the region was undertaken by Macarthur Coal in the Coxendean Syncline, and BMA, around the Picardy deposit. Only one historical coal exploration borehole was drilled within current EPC1514, in the area where Endocoal has concentrated exploration activities.

Clutha Development Pty Ltd (Bellambi Coal) conducted some scout exploration drilling in the Leichardt Downs area (ATP51) in 1968. Coal seams were intersected in the historical drill holes and some limited analytical testwork was conducted. The report submitted to the Department of Mines (CR02944) noted that faulting was prevalent and that coal seams could not be correlated between adjacent holes.

Macarthur Exploration Pty Ltd (Macarthur Coal) explored the area near Rockwood in the early mid-2000s within historical EPC688 “Bombandy” after the Codrilla deposit was discovered in the adjacent tenement in EPC676. Using a combination of mapping, 2D seismic and scout drilling to explore in the region, Macarthur Coal conducted little exploration in the area which is now EPC1514. Macarthur Coal chose to relinquish the eastern portions of EPC688 stating that the area was likely to be affected by Tertiary cover and intrusions.

Much of BMA’s exploration in the area was focused on the Picardy deposit; however, exploration activities were conducted further east in relinquished sub-blocks of historical EPC718, adjacent to EPC1514. BMA recognised that the sediments of the German Creek Formation / Moranbah Coal Measures existed within a series of faulted anticlines and synclines.

(vii) Recent Exploration

Exploration activities were undertaken by Endocoal following the granting of EPC1514 in March, 2009. These activities included drilling, coal analysis, gravity surveys, approximately 30 kilometres of 2D seismic and an airborne magnetic survey. Initial exploration by Endocoal in 2009 included four scout non-cored boreholes, all of which intersected coal seams. Two boreholes were twinned to enable coal quality testwork to be completed. The seams tested were higher ash coal seams (possibly Fort Cooper Coal Measures), and further exploration was planned near the interpreted location of the antclinal axes.
In 2010, a second phase of exploration resulted in the intersection of coal seams which appeared to be more likely coal seams of the Moranbah Coal Measures, and Endocoal focused on defining a coal resource. Two Mini-Sosie 2D seismic lines were surveyed in the second half of 2010 to assist in the interpretation of structure, clearly showing a series of closely spaced anticlines and synclines.

Gravity surveys were undertaken and another three seismic lines in 2011 demonstrated the presence of 11 anticline structures defined within EPC1514. Drilling was scaled up to four rigs and an initial JORC compliant resource estimate was reported in 2011. The aims of recent exploration activities were to prove the extension of the known coal seams towards the south-eastern tenement border and secondly, to identify areas potentially amenable to open cut mining. During 2012, Endocoal completed a further 25 boreholes over the area to the south of the northern resource area defined in 2011 (Figure 4.4).

Figure 4.4  Rockwood Borehole Locations and Resource Domains
Coal Resources

After a concerted drilling campaign in 2011 and 2012, and following inclusion of the Endocoal drilling and modelling of the deposit by JB Mining in 2012, a resource was announced to the ASX by Endocoal on the 31st October, 2011. The October 2011 resource estimate totalled 312.5 Mt, of which 44.5 Mt was classified as Indicated and 268 Mt was classified as Inferred.

Additional drilling and recorrelation work by JB Mining in 2012 resulted in an increased resource estimate reported in March 2012. In an ASX announcement by Endocoal on 1st March, 2012, Endocoal increased the JORC compliant resource estimate to 337.3 Mt, of which 44.5 Mt was Indicated and 292.8 Mt was classified as Inferred.

On 31st July, 2012 Endocoal announced to the ASX that the Rockwood resource estimate had increased further to a total of 447.1 Mt. The increase was based on drilling in the southern area along Carfax Road, which allowed the resource to be extended to the south. The resource domains used for this estimate are shown in Figure 4.4. Indicated resources were estimated at 47.1 Mt while the remaining 400 Mt was classified as Inferred. The estimate, as summarised by resource category in Table 4.2, is at 31st July, 2012 and is from JB Mining's Rockwood JORC Resource Report (August, 2012).

<table>
<thead>
<tr>
<th>Resources</th>
<th>Measured</th>
<th>Indicated</th>
<th>Inferred</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million Tonnes</td>
<td>0</td>
<td>47.1</td>
<td>400.0</td>
<td>447.1</td>
</tr>
</tbody>
</table>

The Rockwood JORC resource estimates were prepared and first disclosed under the JORC Code (2004). These estimates have not been updated since to comply with the JORC Code (2012) on the basis that the information has not materially changed since it was last reported.

The JB Mining resource estimates includes coal seams with sufficient coal quality data points, between the limit of weathering to a maximum 300 metres depth below topography. Air-dried relative densities for coal seams were adjusted to an assumed in situ moisture content of 6%. All coal resource estimates were reported to be compliant with the 2004 Edition of the JORC Code.

Exploration Potential

U&D reports that it aims to conduct closely spaced ground gravity surveys over Carfax West (EPC2822). This area is located to the west of the resource identified in EPC1514, and the survey is planned to investigate the potential for the occurrence of coal in the Rangal Coal Measures. There is significant potential within EPC1514 and EPC2022 to expand the current resources estimated by JB Mining (2012) which have been estimated within EPC1514. The structure is dominated by a series of north to north-west trending synclines and anticlines and the sequences are essentially repeated, with areas near the anticline axes presenting the best opportunities for locating coal seams at depths potentially amenable to open cut mining.

Stockyard Creek

Tenements

The Stockyard Creek project consists of three coal exploration permits: Stockyard Creek (EPC2339), Cedars (EPC1516) and Barfield (EPC1620). The Stockyard Creek project is located in the south-eastern Bowen Basin, east of Moura and Theodore. The Dawson Highway and the Moura-Gladstone rail link passes through the project area, and the U&D tenure is shown in Figure 5.1. The original project consisted of the Cedars and Barfield tenements, with the Stockyard Creek tenement being granted to Endocoal in August, 2011.

Nearby Operations and Projects

There are a number of established and proposed coal mines in the immediate area, as shown in Figure 5.1. Anglo Coal’s Dawson open cut mine is located approximately 20 km to the north-west in the Moura area. Vale’s proposed Belvedere underground mine is located adjacent to the west of northern EPC1516. Cockatoo Coal’s Baralaba open cut mine is located 15km to the north-west. Anglo-American’s Callide open cut mine and the Callide mine-mouth Power Station are situated approximately 35 km to the north-east. In addition to coal mining operations, the Meridian Seamgas production field, operated by Westside Corporation, is located down-dip of the Dawson open cut mine.

Regional Geology

The Stockyard Creek project is situated within the south-eastern limb of the Bowen Basin, on the eastern flank of the north to north-west striking Mimosa Syncline. The Mimosa Syncline was a broad depositional syncline and following deep burial under a thick accumulation of Triassic and Jurassic sediments, the basin suffered major compression from the east resulting in folding and over-thrusting in the Gogango Overfolded Zone. The Stockyard Creek area is affected by the Gogango Overfolded Zone and tight folding and thrust faulting in the region has led to the formation of moderately to
steeply dipping coal seams. Regionally, the Permian coal-bearing strata dip towards the centre of the basin in a south-westerly direction.

(iv) Local Geology and Stratigraphy

The principal coal-bearing target in the region is the Baralaba Coal Measures, Upper Permian in age and laterally equivalent to the Rangal Coal Measures. The Baralaba Coal Measures are immediately underlain by the coal-bearing Burngrove Formation and marine sediments of the Gyranda Formation. The Stockyard Creek tenements occur to the east of the sub-crop of the Baralaba Coal Measures.

The target stratigraphy is referred to as the ‘Stockyard Creek Coal Measures’ and were identified by Utah Development Company in the early 1960’s. These coal seams have not yet been correlated into other parts of the Bowen Basin, and are understood to be Permian aged coals which have been deposited in a sub-basin similar to those in the western Bowen Basin (Collinsville Coal Measures). The Stockyard Creek Coal Measures are understood to occur near the basal contact between the Bowen Basin sediments and underlying basement andesite of the Camboon Formation. The remaining stratigraphy of the Stockyard Creek tenements appears to be dominated by easterly dipping Flat Top Formation and the overlying Gyanda Formation. In the north and north-east of the tenements, the Barfield Formation is also exposed. The unconformable Tertiary aged Duaringa Formation and Quaternary fluvial sediments also occur in the region.

Figure 5.1 Location of Stockyard Creek Project and Nearby Operations
(v) Coal Quality

There is little data available as the Stockyard Creek project is in the early stages of exploration. Initial drilling of coal seams in the Endocoal borehole STK003H involved sampling and testing of two coal seams. The coal seams were banded and had high ash contents typically between 32 – 50% (adu). Samples tested for petrography indicate a bituminous rank coal with a mean maximum vitrinite reflectance (RoMax) of 1.50. Vitrinite contents were high at 78.3% (mmf) in the tested sample. An ASX announcement by Endocoal on 18th July, 2012 reported that washability testwork indicated potential for a coking coal product.

It is uncertain whether the coal seams of the Baralaba Coal Measures will be found within the Stockyard Creek tenements. At the Anglo Coal Dawson open cut mine, the coal rank is highest in the north with rank and coking properties deteriorating in a southerly direction. Anglo is able to produce a mix of hard coking, semi-soft coking and export thermal products. Cockatoo Coal’s Baralaba mine markets a low volatile PCI product.

(vi) Historical Exploration

Exploration in the Moura area commenced in the 1960’s by Theiss Brothers Pty Ltd and Mines Administration Pty Ltd. Most of the previous work by others including Thiess was focused on the outcropping Baralaba Coal Measures to the west of the Stockyard Creek tenements (particularly in the Dawson Complex) and records of historical coal exploration within the Stockyard Creek EPC’s is limited.

Utah Development Company explored the Theodore district in the early 1960’s and in a coal prospecting licence application by Utah Development Company (CR709), it was reported that coal was recorded in water bores in the Stockyard Creek area. The coal seams were “of appreciable widths” and recorded at shallow depths in water bores. The coal seams appeared to be underlain by a hard sandstone formation which outcrops to the west of the water bores, and dipping at 10 – 15 degrees to the west.

In the early 1970’s the Geological Survey of Queensland (GSQ) drilled stratigraphic boreholes Banana NS 1 to NS 8 south of the township of Banana and within the northern part of current EPC1516. The drilling provided useful stratigraphic information but coal occurrences of any significance were observed.

The GSQ drilled another series of stratigraphic boreholes between Theodore and Cracow within the southern portion of EPC1516. Boreholes GSQ Mundubbera 5-8 were completed with some holes drilled to more than 900m depth (Gray and Heywood, 1978). These holes were aimed at providing a composite reference section of Permian strata from the base of the Baralaba Coal Measures to the top of the Camboon Volcanics. GSQ Mundubbera 5, to the west of EPC1516, intersected coal seams within the Baralaba Coal Measures. The Banana Formation was considered by the GSQ as having the best potential for coal outside of the Kaloola Member sub-crop zone, and suggested that a coal forming environment may have existed to the north.

(vii) Recent Exploration

Endocoal commenced a detailed desktop review of open file historical data and between March and April 2012 commenced exploration with six boreholes (STK001 to STK006) drilled within the central to southern portion of EPC2339 (Figure 5.2). The holes were drilled as open holes with geophysical logs. Coal seams were intersected in five of the drill holes completed at Stockyard Creek. Borehole STK001 was cored and two three metre coal seams were intersected around 311 metres depth. Borehole STK003 intersected promising coal intersections and these intervals were cored and sampled in twin STK003HC. A thick coal seam was intersected between 99.09 and 104.60 metres and another between 105.1 and 108.2 metres. Borehole STK006 intersected a shallow coal seam between 42.74 and 49.52 metres although the coal seam was not cored and sampled.

The tested seams returned high raw ash contents and washability testwork indicates the low density fractions have excellent coking properties (ASX Announcement, 3rd April 2012) but the seams tested indicated low yields. Endocoal conducted a ground gravity survey over the Stockyard Creek and Cedars EPCs in March 2013 and announced to the ASX on 8th April, 2013 the identification of new potential exploration zones within the Stockyard Creek and Cedars tenements.

(viii) Exploration Potential

No coal resources have been reported by U&D and exploration is still in the very early stages. Scout exploration drilling is planned in the areas to the north and south of the area explored by Endocoal in 2012, with the aim of identifying a resource in the Stockyard Creek Formation.

The possibility of locating repeated stratigraphy of the Baralaba Coal Measures remains possible due to the large areas which remain untested. U&D are planning on a continuation of exploration drilling to further investigate the potential for coal seams of the Stockyard Creek Formation, Baralaba Coal Measures or Kaloola Member within the Stockyard Creek tenements.
6 Nebo

(i) Tenements

The Nebo project area includes EPC1513 (Nebo) and EPC2306 (Cooper Creek) which are located in the north-eastern Bowen Basin. There are several U&D EPC applications near or adjacent to granted EPCs including EPCA2825 (Bee Creek), EPCA2833 (Morpeth) and EPCA2857 (South Creek), as shown in Figure 6.1 below. Nebo (EPC1513) is located approximately currently 12km south of Nebo. Cooper Creek (EPC2306) was recently granted to Endocoal on 25th March, 2013 for a period of five years. Cooper Creek is a large tenement which is contiguous with EPC1513 in the north and extends for 50 km south towards the northern boundary of U&D’s Rockwood project.

(ii) Nearby Operations and Projects

The Nebo and Cooper Creek tenements are located a short distance to the east from a number of existing and proposed mines which are shown in Figure 6.1. Nearby operations in the area target the Rangal Coal Measures, with coal typically marketed as low volatile PCI and export thermal products. These operations include Peabody Energy’s Moorvale and Coppabella mines, Coddilla and Coddilla South, Olive Downs and Willunga deposits, BMA’s Daunia and South Walker Creek mines, and proposed Nebo West mine. The Goonyella Branch passes through Nebo and Cooper Creek connecting the northern Bowen Basin to Dalrymple Bay.
Regional Geology

The Nebo project is located in the north-eastern Bowen Basin, on the eastern limb of the Nebo Synclinorium. The Nebo Synclinorium is characterised by a series of broad, open, doubly-plunging fold and dome structures and faults (Ward et al., 1995). In this region, the Nebo Synclinorium contains sediments of Permian and Triassic age folded into a series of north to north-west aligned synclines and anticlines, intruded by Cretaceous granodiorites. The southern extent of the tenure is adjacent to the eastern limb of the Coxendean Syncline where the Codrilla and Willunga deposits (Rangal Coal Measures) occur.

The Nebo and Cooper Creek area suffers from poor exposure of Permian geology as the central and western sections in particular are concealed by thick Tertiary and Quaternary sediments including basalt. In the western part of Cooper Creek the geology is comprised of relatively shallow dipping Permian strata of the Moranbah Coal Measures on the southern flank of the Bundarra Granodiorite shown in orange in Figure 6.2), but mostly concealed under Tertiary cover.

Local Geology and Stratigraphy

The sub-surface geology of EPC1513 and EPC2306 appears to be dominated by the lower Permian Back Creek Group which underlies the Moranbah Coal Measures. The Back Creek Group is of marine origin and typically non-coal-bearing. The Back Creek Group is exposed in the east bordering andesitic basement of the Lizzie Creek Volcanics.

The western portion of the tenements is prospective for the Moranbah Coal Measures on the southern flank of the Bundarra Granodiorite concealed underneath Tertiary cover. Extensive deposits of Tertiary flow basalts and alluvium cover large portions of Nebo and Cooper Creek, as shown in brown on Figure 6.2. With the Nebo tenements along strike to the north of U&D’s Rockwood tenements, similar geological conditions are anticipated.

Coal Quality

No coal seams from within Nebo or Cooper Creek have been sampled or submitted for analytical testing.
(vi)  Historical Exploration

Theiss Peabody Mitsui Coal Pty Ltd (TPM) explored the area as early as 1964 within ATP3C. Twenty non-cored holes indicated thick Tertiary sediments and no shallow open cut mineable coal. Clutha Development Pty Ltd drilled a series of holes in which most were abandoned in Tertiary sediments. Some thin seams were intersected. One sample tested indicated the coal rank was low volatile anthracite (5 – 8% adb). In 1971, the GSQ drilled stratigraphic borehole Killarney NS1 to a depth of 230m close to the western margin of Cooper Creek (CR41750). The borehole intersected steeply dipping Permian stratigraphy (approximately 40 degrees), including six coal seams greater than two feet in thickness. A tested sample indicated the coal was anthracitic, with a maximum mean vitrinite reflectance of 3.39. The seams were thought to be within the Moranbah Coal Measures.

In the 1980’s White Industries drilled a series of holes on the southern flank of the Bundarra Granodiorite and west of Cooper Creek to test the Moranbah Coal Measures. While some of these holes intersected coal, the seams were thin, heat affected and concealed beneath thick Cainozoic cover. The current Cooper Creek (EPC2306) comprises relinquished sub-blocks of EPC971 previously held by BHPB Mitsubishi Alliance (BMA). Drilling of 20 holes by BMA intersected coal in one hole only, 52017, in the far west where a 1m heat affected coal seam (114-115m) and a 0.26m seam (184.5-184.76m) was encountered.

(vii)  Recent Exploration

U&D have recently conducted ground gravity surveys within EPC1513 and also undertaken detailed field mapping. Cooper Creek was recently granted to UDM although no recent exploration drilling has been undertaken.

(viii)  Exploration Potential

Coal resources have not been identified within the Nebo or Cooper Creek tenements. A review of Cooper Creek in 2012 indicates that based on open file records, there is not a high probability of significant coal in the western area at shallow to moderate depths. There is only one deep historical borehole in the area (BMA borehole 52017) and that was affected by intrusions. There may be a possibility of Back Creek Group and a sub-basin bordering an apparent structural embayment into basement volcanics in the eastern parts of Cooper Creek, although the coal seams would be underlying the Back Creek Group at depth.

Although there are no historical boreholes located within EPC1513 (Nebo) a review of geological, geophysical and drilling data for the region by U&D suggests that thick Tertiary basalt and sediments overlie Permian strata in the tenure. Back Creek Group is the most likely possibility for the latter given the position relatively close to the eastern margin of the Bowen Basin. A gravity low feature in the south of the Nebo tenement may be representative of thick Tertiary sediments, rather than thick Permian sequences. The German Creek / Moranbah Coal Measures may be present under Tertiary sediments. Gravity lows in the south-western portion may present thinner Tertiary cover and the best likelihood of preservation of German Creek / Moranbah Coal Measures stratigraphy.
# 7 Talwood and Sullivan Creek

(i) **Tenements**

Talwood (EPC1590) and Sullivan Creek (EPC1518) are located approximately 50 kilometres north-west of Moranbah in the north-western Bowen Basin. The Suttor Development Road and the Bowen Developmental Roads cut through the tenure. EPC1590 partially overlies a Restricted Area for the proposed Suttor River Dam site. Nearby rail spurs connect to the Goonyella Rail Network, approximately 190 km to Dalrymple Bay and Hay Point.

(ii) **Nearby Operations and Projects**

The Talwood and Sullivan Creek tenements are located a short distance to the west of a number of existing operations targeting the Moranbah Coal Measures along their western limit. Existing operating mines include BMA’s Goonyella Riverside and Broadmeadows, Peabody’s North Goonyella, BMA’s proposed Wards Well, Xstrata’s Suttor Creek, QCoal’s proposed Byerwen open cut and Glenore’s Newlands mine. Carabella Resources’ EPC1069 “Mabbin Creek” and EPC2186 “Bell Lagoon” are contiguous with the south-eastern boundaries of Talwood and Sullivan Creek. Carabella Resources Mabbin Creek project area contains the proposed Grosvenor West open cut mine.

![Figure 7.1 Talwood and Sullivan Creek Location and Nearby Projects](image)

(iii) **Regional Geology**

The Talwood and Sullivan Creek areas are situated outside the western limit of the Bowen Basin proper, on the edge of the Collinsville Shelf. In this area, only a relatively thin sequence of Bowen Basin sediments has been developed. Metamorphic rocktypes of the Anakie Inlier form the basement. South from the project area, the Blair Athol, Rugby and Moorlands deposits were discovered as Permian outliers west of the interpreted edge of the Bowen Basin.

Historical drilling by CRA (Rio Tinto), BMA and Macarthur Coal has defined sub-basins deposited on basement material with variable thicknesses of sedimentary sequences. Coal bearing strata is usually overlain by marine Back Creek Group and overlain by Tertiary or Cainozoic cover. Structurally these sub-basins are controlled by north-west trending basement high features or exist as half grabens.

(iv) **Local Geology and Stratigraphy**

The Permian stratigraphy is poorly known as there is an extensive cover of Tertiary (Suttor Formation) and Quaternary sediments. Bulgonunna Volcanics of Carboniferous age crop out in the northern central part of EPC1518 and Blenheim Formation sediments crop out in the southern part of EPC1590.

Rio Tinto recognised four Permian units occurring below thick sequences of overlying Tertiary sediments; the Coobyanga Coal Unit, an unnamed sandstone sequence, the Manar Coal Unit, and lower sandstone sequence. It is not known whether these coal seams can be correlated or are stratigraphic equivalents of the Collinsville Coal Measures which occur to the north-east of EPC 1518. Drilling by Endocoal between May and June 2012 within Talwood EPC1590...
identified a number of coal seams, but they remain uncorrelated with other Permian sub-basins. An interpretive cross section is shown in Figure 7.2.

![Figure 7.2 Interpretive Cross Section Through EPC1590](image)

(v) Coal Quality

Coal seams intersected within Endocoal borehole TLD002HC suggested the samples had moderate to high ash contents (greater than 37%). More exploration will be required before a more reliable assessment can be made regarding rank and grade. BMA’s review of Rio Tinto exploration (CR36729) suggests that the Coobyanga seams in a nearby un-named sub-basin are moderate to high ash, low sulphur seams with volatile matter 36 to 45% (ad). Air-dried moisture is 2.9 to 10.6%. The Manar seams are low to moderate ash and high in sulphur. Volatile matter is 36 to 51% (adb). BMA’s borehole AVCO3015 in the Avon Downs area intersected Coobyanga and Manar coal seams with raw ash contents between 18.4 and 47.2% (adb).

(vi) Historical Exploration

The Geological Survey of Queensland (GSQ) conducted stratigraphic drilling on the western margin of the Bowen Basin in 1987. Three holes (GSQ Mount Coolon 10, 11 and 12) were drilled in the Eaglefield area within the western sub-blocks of EPC1590. Coal, interpreted as the Collinsville Coal Measures, was intersected in Mount Coolon 10 and 12 around 67 metres depth. In each borehole the Permian strata was found to contain numerous thin coal seams within a 60m thick interval. St Josephs Phelps Dodge Exploration Pty Ltd held ATP49C in 1969 which covered southern EPC1518. Eighteen regional exploration holes were drilled by the company; P4/16 and P4/17 fall within EPC1518 and contained clastic sediments, possibly of marine origin. CRA Exploration Pty Ltd (Rio Tinto) explored the region west of the Bowen Basin in the search for Permian sub-basins and a review of the historical data was conducted by BMA in 2003 (CR36729). Rio Tinto identified two north-south aligned fault controlled sub-basins. The northern sub-basin was thought to extend to the north-east, possibly through U&D’s tenure.

In the early 2000’s the Talbot Group (Macarthur Coal) explored EPCs 659, 660 and 707 which covered portions of current EPC1518 and EPC1590. Exploration within EPC660 (CR49265) included borehole CHC0103C, which intersected Permian strata without significant coal seams. CHC0102C intersected a 6.4m weathered coal and carbonaceous shale unit at 137 metres belonging to the Tertiary Suttor Formation. In 2004 and 2005 BMA explored within now relinquished EPC878 known as the Wyena project (CR39777). Boreholes WYP4001, 4002, 4004 and 4005 were drilled within or close to the southern portion of EPC1518. The holes encountered thick Suttor Tertiary sediments and intersected basement material.

(vii) Recent Exploration

Between May and June, 2012, Endocoal drilled a series of five open holes within the south-eastern portion of EPC1590. Boreholes TLD001, 002 and 003 were located on an east-west drill traverse along the edge of the Suttor Development Road. Endocoal reported to the ASX on 17th May, 2012 that two coal seams were intersected in the first borehole drilled. All three boreholes intersected coal seams as summarised in Table 7.1 below and confirmed the presence of Permian
sub-basins within U&D’s tenure. Borehole TLD002 was twinned as cored hole TLD002HC, and the coal seams were cored and submitted for analysis.

![Figure 7.3 Historical Borehole Locations](image)

<table>
<thead>
<tr>
<th>Hole Name</th>
<th>Coal Seam Depth (m)</th>
<th>Coal Seam Thickness (m)</th>
<th>Depth to Basement (m)</th>
<th>Total Depth (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TLD001</td>
<td>53.9</td>
<td>0.8</td>
<td>76</td>
<td>112</td>
</tr>
<tr>
<td>TLD002HC</td>
<td>78.11</td>
<td>0.34</td>
<td>116.66</td>
<td>122.3</td>
</tr>
<tr>
<td></td>
<td>79.93</td>
<td>0.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>106.67</td>
<td>1.01</td>
<td>115.67</td>
<td></td>
</tr>
<tr>
<td></td>
<td>108.49</td>
<td>1.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>115.67</td>
<td>0.68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TLD003</td>
<td>21</td>
<td>0.1</td>
<td>25</td>
<td>59.5</td>
</tr>
<tr>
<td>TLD005</td>
<td>55</td>
<td>1</td>
<td>83</td>
<td>115.7</td>
</tr>
<tr>
<td></td>
<td>62</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7.1 Coal Seams in Endocoal Boreholes (2012)

Borehole TLD005 intersected two coal seams of approximately 1 and 2 metres thickness at depths of 55 and 62 metres respectively, although the coal seams were not cored. TLD004 was barren, intersecting basement at 110 metres. The drilling suggested that the depth of the Permian basin was relatively thin with basement intersected between 76 and 120 metres. Coal seams appeared to be dipping eastward and were better developed to the east towards the centre of the sub-basin.

(viii) Exploration Potential

Coal resources have not been identified within U&D’s tenure. The object of any exploration in the area is to identify thick coal seams in formations equivalent to the Collinsville Coal Measures or Blair Athol Coal Measures. There has been little exploration conducted within U&D’s tenure to date and it is considered that the potential exists to investigate the areas further for deposits of this type. A review of gravity data by U&D indicates gravity low features in both the south and the north-eastern parts of EPC1518 and part of EPC1590. According to U&D, the south-eastern portion of EPC1590 has potential for a Permian sub-basin developed on Carboniferous basement, beneath marine Back Creek Group sediments.

This assessment is based on the GSQ stratigraphic boreholes and the few preliminary exploration holes drilled to date by Endocoal. While only relatively thin seams have been intersected to date, there is potential further north within EPC1590 for coal occurrences based on stratigraphic bores GSQ Mount Coolon 10 and 12, which show evidence of seam splitting and additional coal seams to those intersected in Endocoal’s TLD002.
8 Springton

(i) Tenements

The Springton project consists of three tenements: Springton Duaringa (EPC1803), 12 Mile Creek (EPC2461) and Kola Bar (EPC2283). Springton Duaringa (EPC1803) was originally contained within sub-blocks of EPC1511 and EPC1616. Endocoal reapplied for EPC1511 and EPC1616 to be combined and the tenure was re-granted to Endocoal as EPC1803. Springton is located close to the Capricorn Highway approximately 25 km east of Dingo.

12 Mile Creek (EPC2561) was granted to Endocoal on 28th September, 2012 for a period of five years. Kola Bar (EPC2283) was granted to U&D in October, 2013. 12 Mile Creek and Kola Bar are situated approximately 50 km northeast of Blackwater.

(ii) Nearby Operations and Projects

Bandanna Energy’s proposed Dingo West open cut mine and Carabella Resources’ proposed Bluff open cut mine are located approximately 25 and 40 km to the west of EPC1803 (Figure 8.1). Cockatoo’s Baralaba mine is located 50 km to the south-south-east while Whitehaven Coal’s Dingo project is located 25 km to the south. 12 Mile Creek and Kola Bar are located a short distance to the west of established coal mines targeting the Rangal Coal Measures including Curragh (Wesfarmers), Yarrabee (Yancoal) and Jellinbah (Jellinbah Group) as shown in Figure 8.1 below.

(iii) Regional Geology

Springton Duaringa (EPC1803) is located in the south-eastern Bowen Basin and is overlain by the Tertiary aged Duaringa Basin in the east. This region forms part of the Folded Zone of the Bowen Basin, where folding is tight on north-west trending axes. To the east the interpreted edge of the Tertiary Duaringa Basin is bounded by northwest trending Wallaroo Fault. The Folded Zone occupies the western one third of Springton Duaringa where the strike lines of the Gyanda Formation are intensely folded. 12 Mile Creek is also located within the Folded Zone of the Bowen Basin east of the Comet Ridge with similar geology to the Rockwood project. The regional geology is characterised by complex geology from west to east across a series of regional thrust faults into the Folded Zone and the Yarrabee Zone, where open cut mineable coal is mined at Yarrabee and Jellinbah. To the west the Yarrabee fault thrusts Permian Rangal Coal Measures over Triassic aged Rewan Formation (CR28183).

(iv) Local Geology and Stratigraphy

The stratigraphy of the north-western parts of EPC1803 comprises Permian sediments assigned to the Gyanda Subgroup locally overlain by Tertiary sediments and Quaternary alluvium. The Rangal Coal Measures occur to the west of EPC1803 at Bluff and Yarrabee in a series of thrust blocks which are also characteristic of the Folded Zone.
In the 12 Mile Creek (EPC2461) and Kola Bar (EPCA2283) tenements, the geology is complex and the stratigraphy poorly defined. The GSQ solid geology layer shows these EPCs being dominated by the Gyanda Sub-group (Banana Formation and overlying Wiseman Formation). The lower Banana Formation is a potential stratigraphic equivalent of the German Creek Formation further west. In the 12 Mile Creek area, there is potential for occurrences of the Rangal Coal Measures in synclinal positions, while anticlinal positions may expose Fort Cooper Coal Measures and the German Creek Formation. Thicknesses of Tertiary cover increases in the east towards the interpreted edge of the Tertiary Duaringa Basin.

Figure 8.2 Springton Duaringa CSIRO Geology and Historical Boreholes

(v) Coal Quality

No testing of coal cores for coal quality has been conducted from samples at Springton Duaringa or 12 Mile Creek. Historical borehole TH1, located near the north-western edge of EPC1803 was sampled and tested by Theiss Bros in 1968. This revealed the topmost two coal seams to moderate – high raw ash (30.6 – 36.3% adb), with low volatile contents (5.9 – 8.4% adb). The sampled coal did not exhibit coking properties and appears to be semi-anthracitic. Coal seams mining the Rangal Coal Measures to the west of 12 Mile Creek (Yarrabee and Jellinbah) market their coal as low volatile PCI and export thermal products. Closer to Springton Duaringa, Bandanna Energy’s proposed Dingo West mine aims to market a mix of low volatile PCI and thermal products.

(vi) Historical Exploration

12 Mile Creek was originally overlain by the southern part of Yarrabee Coal Company’s EPC123 “Yarrabee South” which was relinquished in 1996. Originally granted to Brigalow Mines in 1972, Yarrabee Coal Company relinquished the tenement citing that the Rangal Coal Measures are likely to be at present at depths too deep for open cut mining and too complex for underground mining. A single barren borehole, R007, was drilled to 102 metres. The 21 sub-blocks of EPC2461 (12 Mile Creek) were relinquished from Anglo Coal’s EPC748 (Carlo Creek) in 2001. Anglo Coal confirmed that the area is structurally complex with tight folding and steeply dipping limbs, with potential for fault block repeats of either German Creek Formation or Rangal Coal Measures. Three holes were drilled in the far north-west of the EPC. These showed stony coal intersections at depths of 58m, 62m and 153m with thicknesses ranging from 1m to 5m.

At Springton Duaringa (EPC1803), there is little historical information available. Stratigraphic bore Duaringa 1-2R, located near the south-western portion of EPC1803, recorded two 4 metre thick coal seams at 910 and 1160 metres depth. One historic borehole TH1 was drilled by Theiss within historical tenement ATP45C. TH1 is located near the north-western tip of current EPC1803 and recorded coal in three shallow coal seams in a hole drilled to 36m (CR2733). The stratigraphy was noted to be steeply dipping on the limb of a fold and the coal seams high in raw ash content. MacArthur Coal / Capricorn Coal has explored the adjacent EPC769 for coal in discreet fault blocks similar to Yarrabee by detailed aeromagnetic surveys and Mini-Sosie seismic traverses, followed by scout holes. Four of these holes (DN0112, DN0113, DN0114, and DN0115) intersected coal with the thickest in DN0113, with two seams of coal, 5.11m of stony coal at 147.24m and 3.12m of coal at 152.35m, assigned to Fort Cooper Coal Measures.
(vii) Recent Exploration

Pure Energy (now BG Group) drilled a series of coal seam gas exploration wells in EPP758; the KMANN series (within U&D’s EPC1803), and Boombah 1 (just north of the EPC), in 2008. Coals of Tertiary age were being targeted. KMANN 1R4 reached 618 metres with no notable coal seams (CR55691). Boombah 1 reached a depth of 966m without any notable coal seams. Within the Dingonose coal seam gas (CSG) field to the south-west of EPC1803, Pure Energy intersected over 30 metres net coal within Permian Bowen Basin stratigraphy.

Endocoal undertook ground gravity survey, 2D seismic lines, and field mapping at Springton Duaringa (ECP1803). No exploration work has been conducted in the 12 Mile Creek area since granted to Endocoal, although desktop reviews of the geological setting, historical drilling and geophysical survey data has been conducted in 2012. Kola Bar (EPCA2283) is still in the application stage.

(viii) Exploration Potential

Coal resources have not been identified or reported within EPC1803, EPC2461 or EPCA2283. A review of open file borehole, down-hole geophysical, aerial photo, geophysical survey and seismic profiles for Springton Duaringa was completed in 2012. This work suggests that the central and western parts of EPC1803 (Springton Duaringa) has potential for coal discovery at shallow to moderate depths. Coal occurrences are likely to be tightly folded Rangal Coal Measures and Fort Cooper Coal Measures within a gravity low within a series of repeated anticlines and synclines apparent on seismic lines.

The 12 Mile Creek tenement has potential for occurrences of coal in the Rangal Coal Measures, Fort Cooper Coal Measures and German Creek Formation. The fold plunges will determine if the coal-bearing Rangal Coal Measures are preserved in synclinal structures, whereas Fort Cooper Coal Measures and the German Creek Formation are most likely to occur through the anticlines.

9 Essex

(i) Tenements

Essex is comprised of one coal exploration permit (EPC1515) in the eastern Bowen Basin. Essex is located approximately 15 km north-east of Middlemount and 10 km east of the Fitzroy Development Road in central Queensland (Figure 9.1).

(ii) Nearby Operations and Projects

BHP Mitsubishi’s (BMA) Picardy deposit (Rangal Coal Measures) is located approximately 20 km to the west of EPC1515. The Middlemount coal mine, a joint venture between Yancoal and Peabody, is located 23 km to the south-west and Anglo Coal’s Foxleigh mine located 15 km to the south-west. The area to the south-east is covered by a mineral development licence application (MDLA) for oil shale lodged in 1999 by Laguna Resources. Essex is overlain by Arrow Energy’s petroleum exploration permit EPP759.

Figure 9.1 Essex Location and Nearby Projects
(iii) Regional Geology

Essex is located in the eastern part of the Bowen Basin in central Queensland, situated in the Folded Zone structural domain, close to the southern boundary between the Nebo Synclinorium and the Folded Zone. The Folded Zone is a structurally complex region characterised by a series of north to north-west trending folds and faulted zones. In the western portion of the project area, seismic lines and historical drilling have assisted in defining the structural setting characterised by a series of closely spaced anticlines and synclines. The area occurs to the east of the Picardy deposit (BMA) on the eastern limb of the Coxendean Syncline, where the Rangal Coal Measures approach the eastern sub-crop. Permian Bowen Basin strata are overlain by Tertiary aged sediments of the Duaringa Basin in the eastern two-thirds of the tenement area located east of the Duaringa fault.

(iv) Local Geology and Stratigraphy

Permian strata within EPC1515 will be overlain by a substantial thickness of basalts and Tertiary aged sediments. CSIRO solid geology indicates the sub-surface geology is dominated by Tertiary aged Duaringa Formation and Tertiary basalt flows. There is currently a poor level of understanding with regard to the underlying Permian sediments concealed by Tertiary cover. A series of coal seams that are thought to belong to the German Creek Formation have been identified in the western area. The German Creek Formation is the stratigraphic equivalent of the Moranbah Coal Measures further north in the Bowen Basin. More work will be required to determine if the coal seams belong to the German Creek Formation, Fort Cooper Coal Measures, or both.

Figure 9.2 Essex CSIRO Solid Geology and Historical Boreholes

(v) Coal Quality

Currently the coal seams identified during recent drilling have not yet been sampled and tested within EPC1515. Nearby mines targeting the Rangal Coal Measures typically market coal produced as low volatile PCI products.

(vi) Historical Exploration

In the early 1970’s Griffin Coal Mining Company explored the eastern Bowen Basin for coal seams of the German Creek Formation and Rangal Coal Measures. May Downs 1 was drilled to 590 metres to the north of EPC1515, intersecting possible Permian sediments between 509 and 590m without any coal seams of significance.

BHBP Mitsubishi Alliance (BMA) explored the area in the early 2000’s and identified the Picardy deposit to the west of EPC1515. Exploration work included 2D Mini-Sosie seismic surveys on nine lines, one of which (Line A) is within the EPC. BMA was focused on finding coal in the less deformed zones, and identified that the German Creek Formation occurs in the region and potentially coal-bearing. Historical boreholes drilled by BMA to the west of EPC1515 were positioned on seismic lines and are shown in green Figure 9.2. These boreholes intersected the German Creek Formation and overlying Fort Cooper Coal Measures in a series of closely spaced, north-north-west trending anticlines and synclines. Borehole 42716 intersected steeply dipping coal seams that were suggested to correlate with the Upper German Creek Formation and Lower Fort Cooper Coal Measures. The seams included 4m of coal at 26m, 2.8m of coal at 86m, 2.1m of coal at 116.90m. The closest borehole to EPC1515 is BMA’s 42715, which intersected weathered coal at 20.92m and a 2.5m thick coal seam at 56.6m.
(vii) Recent Exploration

In 2008, Arrow Energy conducted a Vibroseis seismic survey program in overlying EPP759, with the western most line (08-CKS-02) within U&D’s EPC1515 (CR60024). The results were varied, depending on the thickness of basalt cover, and little interpretation work was conducted. Arrow Energy drilled two coal seam gas exploration wells within overlying EPP759 in 2012 (CR77286). CK001P was drilled in the central-southern part of EPC1515 to a depth of 800 metres. While a relinquishment report suggests coal seams were intersected, none of the seams were cored or tested. The files remain closed on the QDEX portal.

Endocoal drilled one scout exploration hole, ESX001, to a depth of 308 metres in late 2011. The location of this borehole is shown in Figure 9.2. ESX001 intersected 127m of Tertiary basalt cover before entering Permian sediments with five coal seams intersected. The coal seams were correlated with seams present at Rockwood EPC1514 indicating they belong to the German Creek Formation. The borehole was non-cored so coal quality data was not obtained. The intersections are summarised in Table 9.1 below. Endocoal also conducted ground gravity data surveys on 400m centres within the western portion of EPC1515 to define gravity highs and lows, and conducted photo-geological mapping to better allow definition of fold structures within the project area.

<table>
<thead>
<tr>
<th>Seam Name</th>
<th>From Depth (m)</th>
<th>To Depth (m)</th>
<th>Thickness (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>144.7</td>
<td>146.2</td>
<td>1.5</td>
</tr>
<tr>
<td>P</td>
<td>206.05</td>
<td>206.55</td>
<td>0.5</td>
</tr>
<tr>
<td>AT</td>
<td>267.75</td>
<td>268.2</td>
<td>0.45</td>
</tr>
<tr>
<td>ATB</td>
<td>268.55</td>
<td>268.95</td>
<td>0.4</td>
</tr>
<tr>
<td>AB</td>
<td>269.25</td>
<td>269.45</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Table 9.1 Seams Intersected in Borehole ESX001

(viii) Exploration Potential

Coal resources have not yet been identified by U&D. A review of historical drilling data and geophysical survey data conducted in 2012 concluded that Essex has potential for coal occurrences within the German Creek Coal Measures based on the intersection of five coal seams in borehole ESX001, and the extrapolation of stratigraphy and structure from outside the EPC. U&D identified three gravity low features within the far south-western section of EPC1515 which warrant further exploration. BMA’s drilling to the north-west suggests coal seams of the Fort Cooper Coal Measures and German Creek Formation can be expected. The thickness of Tertiary basalt flows will impact on depth to coal and may determine which seams of the German Creek Formation and Fort Cooper Coal Measures are preserved within synclines.

10 Expedition Peak

(i) Tenements

Expedition Peak consists of a single coal exploration permit EPC1512, located in the western Bowen Basin. The project area is located approximately 30 km north-east of Capella and 60 km north of Emerald. The tenement was granted to Endocoal in March 2009, and extended on 10th March, 2012 for a further five years. In March, 2013 Endocoal surrendered eight sub-blocks in the north-eastern portion of the tenement for relinquishment.

(ii) Nearby Operations and Projects

Expedition Peak is located a short distance to the west of a number of established mines targeting the German Creek Formation. These include the German Creek mine (Anglo Coal), Oaky Creek (Xstrata), Crinum (BMA) as shown in Figure 10.1. Existing rail spurs exist at German Creek, Oaky Creek and Crinum / Gregory which connect the Oaky Creek rail line to the Dysart to Mackay line. Dalrymple Bay is approximately 300 km by rail.

(iii) Geology and Stratigraphy

The Expedition Peak tenement is located on the southern part of the Collinsville Shelf in the central-western Bowen Basin, outside the western sub-crop of the German Creek Formation. Coal mines located to the east (Oaky Creek, German Creek) mine the coal seams of the German Creek Formation. The coal seams of the German Creek Formation dip towards the east suggesting that coal seams of the German Creek Coal Measures will not be present in the area unless there is folding or fault repetition. Permian sub-basins are located further to the west, including the Blair Athol and Clermont deposits. It is possible that similar sub-basins may be present concealed by Tertiary cover.

Endocoal has divided the tenement into two structural domains. The western domain of Expedition Peak is dominated by the Back Creek Group and the eastern domain by the Freitag Formation. There may be potential for the Cygnus or Liskeard seams in the Freitag Formation where a thin to medium thickness seam of coking coal has been identified in the German Creek area below the German Creek Coal Measures. Carboniferous volcanic basement has been intersected in
some stratigraphic drill holes through the Back Creek Group and is known further west in the Clermont area. Tertiary basalt cover is evident in the south-west and north-west of the EPC as shown in Figure 10.2.

(iv) Coal Quality

No coal seams have been cored, sampled or tested in the Expedition Peak tenure. Operating mines to the east typically produce premium medium volatile hard coking coals. The Rio Tinto Blair Athol mine (now closed) and Clermont mines marketed export thermal products.

(v) Historical Exploration

There has been very little previous exploration within EPC1512, although there was exploration near the existing mines targeting the German Creek Formation, and several stratigraphic holes in the area. Rio Tinto explored historical EPCs 848 and 949 between Dysart and Tieri to determine whether the German Creek Formation could be repeated in the area
either by faulting or folding. Two shallow Rio Tinto holes in the west of the tenement area did not intersect coal, and Rio Tinto concluded that the observed rock sequence was dominated by Back Creek Group.

The Geological Survey of Queensland (GSQ) drilled several stratigraphic boreholes in the area. Cairns County 3 was drilled about 5 km north of the tenement and did not intersect coal. Borehole NS18 located further north of the tenement, was drilled to 272m and intersected basement material of the Silver Hills Volcanics at 232m. A second hole, NS20 was drilled further to the north-west, and while a thin coal seam was intersected at 40m depth, both holes were dominated by marine sequences.

(vi) Recent Exploration

Endocoal has undertaken field mapping campaigns and has undertaken a review of the geology and geophysical survey data available. No exploration drilling has been conducted within the tenement in recent times.

(vii) Exploration Potential

Coal resources have not been identified or estimated at Expedition Peak. To date, there are no known coal occurrences within the Expedition Peak tenement area. Further exploration will be necessary to better define target stratigraphy. Exploration will aim to provide a better understanding of stratigraphy in the tenement and confirm whether there is any coal-bearing potential in the untested portions of the EPC. Several possible targets have been identified including Permian Collinsville Coal Measures (or equivalents), repeated German Creek Formation stratigraphy in the western part of the tenement, and coal seams of the Freitag Formation stratigraphically below the German Creek Formation.

11 Pretoria Hill JV

(i) Tenements

Pretoria Hill (EPC2135) is a joint venture between U&D and Carabella Resources, located approximately 15 km west of Moranbah in the western Bowen Basin (Figure 11.1). The project is comprised of EPC2135 “Pretoria Hill” which was granted to Carabella Resources, as trustee of the JV on 1st August, 2012. The Goonyella Rail Line passes several kilometres to the east, connecting the area with the Dalrymple Bay and Hay Point.

(ii) Nearby Operations and Projects

Carabella’s proposed Grosvenor West open cut mine (MLA70480) is located adjacent to the west of EPC2135. Pretoria Hill is located a short distance from a number of existing operations including BMA’s Goonyella Riverside and Broadmeadows mine, Peabody’s North Goonyella mine and Anglo’s Moranbah North underground mine. Carabella Resources’ Mabbin Creek project area is contiguous with the tenement to the north. The Rugby deposit is located approximately 18 km to the south of EPC2135.

Figure 11.1 Pretoria Hill JV Location and Nearby Operations
(iii) Regional Geology

Pretoria Hill is situated outside the western limit of the Bowen Basin proper, on the edge of the Collinsville Shelf in an area where there is only a relatively thin sequence of Bowen Basin sediments are typically developed. Metamorphic rocktypes of the Anakie Inlier form the basement. South from the project area, the Blair Athol, Rubgy and Moorlands deposits were discovered as Permian outliers west of the interpreted edge of the Bowen Basin. Historical drilling by CRA (Rio Tinto), BMA and Macarthur Coal has defined sub-basins deposited on basement material with variable thicknesses of sedimentary sequences. Coal bearing strata is usually overlain by marine Back Creek Group and overlain by Tertiary or Cainozoic cover. Structurally these sub-basins are controlled by north-west trending basement high features or half grabens.

(iv) Local Geology and Stratigraphy

The Permian stratigraphy is poorly known as there is an extensive cover of Tertiary (Suttor Formation) and Quaternary sediments. Pretoria Hill exists to the west of the sub-crop limit of the Moranbah Coal Measures and Permian targets will be extensions or equivalents of the Collinsville / Rugby Coal Measures. To the west Rio Tinto recognised four Permian units; the Coobyanga Coal Unit, an unnamed sandstone sequence, the Manar Coal Unit, and lower sandstone sequence. The marine deposited Back Creek Group of Lower Permian age is expected to dominate the eastern portion of the tenement and is typically not bearing coal seams of any significance (Figure 11.2). Devonian-Carboniferous volcanics and sediments of the Mt Rankin Beds and Bulgonunna Volcanics occur in the west.

(v) Coal Quality

BMA’s review of Rio Tinto exploration (CR36729) in Permian sub-basin to the south-west suggests that the coal seams are likely to be moderate ash, low sulphur seams. More exploration will be required before a more reliable assessment can be made regarding rank and grade.

(vi) Historical Exploration

The Geological Survey of Queensland (GSQ) carried out stratigraphic drilling of the western margin of the Bowen Basin in the Sullivan Creek and Eaglefield areas (Matheson, 1987). Several of these boreholes intersected equivalents of the Collinsville or Rugby Coal Measures. One borehole, Mount Coolon 9, located within the eastern part of EPC2135, intersected 11 thin coal seams within the Rugby Coal Measures.

Rio Tinto Exploration carried out a significant exploration program of 25 holes within historical EPC645 (Mabbin Creek), with a selection of those near or within the eastern part of EPC2135. Rio Tinto also carried out extensive gravity surveys and defined possible sub-basins with some containing Rugby Coal Measures. They were able to define marine isopachs for the Back Creek Group and surmised that there were a series of sub-basins which had developed in the region. In 2003, BMA reviewed the CRA’s earlier exploration and description of the Coobyanga and Manar coal intervals in a sub-basin to the south-west of Pretoria Hill (CR36729). This was followed up with exploration in the Avon Downs area where these seams were encountered below thick Tertiary sequences.
(vii) Recent Exploration

BHP Billiton Minerals explored six tenements in the Wyena area for lower Permian sub-basins that may contain coal using airborne gravity gradiometer (FALCONTM). Gravity lows were then tested. Most of the gravity lows were explained by deeply weathered basement or thickening of the Tertiary cover. WYB028B1, located 10 km east of the tenure and west of Goonyella, intersected a 0.4m seam in sandstone of the Back Creek Group. QCoal Pty Ltd / Diamond Creek Coal explored EPC709 surrounding the Rugby coal deposit, but have since reduced the size of the tenure based on a review of open file data. No ground work was conducted in the tenements relinquished.

(viii) Exploration Potential

No coal resources have been identified or reported to date. Likely coal occurrences within the Pretoria Hill tenement would be developed within Permian aged sub-basin or graben structure, in a similar style to Blair Athol, Moorlands or Rugby. Interpretation of open file historical data by U&D has enabled definition of at least one sub-basin within EPC2135. The southern extent of this basin is uncertain, but it appears to continue beyond the tenure based on reported coal occurrences in a water bore. Two possible smaller sub-basins have been suggested, although they are yet to be tested with exploratory drilling. While coal seams are reported in stratigraphic bore GSQ Mount Coolon 9 which is located within EPC2135, most of the coal seams intersected are thin. A drilling program will be required to determine whether any of these sub-basins host any coal seams of economic significance.

12 Other U & D Mining Tenure

(i) Milray (EPCA2262) and Deep Creek (EPCA2858)

Milray (EPCA2262) and Deep Creek (EPCA2858) are located near the north-eastern edge of the Galilee Basin. The tenements are in application stage (competing application), with Endocoal being the priority applicant. The tenements are located a short distance from the township of Pentland and approximately 230 kilometres from the port at Townsville. Nearby projects include the Pentland deposit (expired MDL356) which was held by Xstrata Coal Queensland Pty. Ltd. Linc Energy holds EPC526 which covers the West Pentland project area (Figure 12.1). To the south-east of Milray and Deep Creek, large scale open cut mines are proposed including the Carmichael project (Adani), Macmines Aust Asia (Meijin) and Alpha and Kevins Corner (Hancock Coal).

![Figure 12.1 Location of Milray, Deep Creek and Sandilands EPCA’s](image_url)

During the 1970s and 1980s the Shell Company of Australia Pty. Ltd. conducted exploration within the ATP56, ATP249C, ATP460C and ATP526C tenements which covered the Pentland and West Pentland areas at the time. The Milray deposit was identified by the Shell Company of Australia in the area to the south-east of the Pentland deposit (CR16241). The majority of the Milray deposit is now within EPC771 which is currently held by Xstrata Coal Queensland Pty Ltd and the remainder within Vale’s EPC907. The Milray and Deep Creek tenement applications are relinquished portions of...
Vale’s EPC907 Pentland South project area; the sub-blocks were relinquished between 2008 and 2011. Vale considered the relinquished portions to be beyond the sub-crop of the Betts Creek Beds.

The main coal intervals of the Pentland deposits occur within the Permian aged Betts Creek Beds, which unconformably overlie the Boonaroo Beds and unconformably onlap Carboniferous (Drummond Basin) sediments and older crystalline rocks. Triassic sandstones and Conglomerates of Cenozoic age stratigraphically overlie the Betts Creek Beds. The base of weathering in the Pentland area is typically deep and this is due to the porous / permeable nature of the overlying Triassic sandstones.

In the Pentland and Milray areas the Betts Creek Beds are present in both boreholes and outcrops. The coal-bearing Betts Creek Beds are Permian in age with bedding dipping gently towards the south-west. The coal and shale associations of the Pentland seam occur in two main intervals; the Pentland Upper Coal Member and the Pentland Lower Coal Member. Raw coal quality results suggest that the Pentland Upper (PU) and Pentland Lower (PL) seams are typically moderate ash, low total sulphur coal with low to moderate energy values. The Pentland Upper is generally of poor quality with high raw ash contents and low energy values.

Based on the Shell exploration at Milray, the Pentland Lower coal seam however exhibits more desirable raw quality characteristics. The PL1, PL2, PL4, PL6 and PL8 ples are the main coal ples displaying lower ash values typically in the range of 25 to 30% (adb). These correspond with the highest specific energy values which typically range from 18 to 24 MJ / kg (adb). The Pentland Lower seam washability data available suggests that a separating fluid density of 1.75 g/cc would be optimal to achieve acceptable yields. A product coal of between 17 and 21% ash at a yield mass of 60-80% is likely to be achieved by washing the composited Pentland Lower seam ples at 1.75g/cc.

An examination of available geophysical and historical drilling data by Endocoal (January 2012), notes that drill hole SP0054 in Shell’s Milray deposit, located towards the southwest of the tenure and bordering the Milray EPCA2262, intersected nine or more coal seams with a combined thickness of 18.91m. The Milray and Deep Creek have potential to host coal seams of the Permian Betts Creek Beds and exploration by U&D will be warranted once the tenements are granted.

(ii) EPCA2348 – Sandilands

Sandilands (EPCA2348) is a competing application and is located about 50 km south-east of the Milray and Deep Creek EPC Applications. The closest projects of relevance are Cuesta Coal’s Eastern Galilee tenements which are located adjacent to Deep Creek. Adani’s Carmichael project is located 50 km to the south. The Deep Creek project area is located to the east of the original interpreted eastern boundary of the Galilee Basin. The coal-bearing Betts Creek Beds which mark the base of the Galilee Basin sediments are Permian in age and dip towards the south-west. The Betts Creek Beds are overlain by the Triassic Warang Sandstones and Eromanga Basin sediments, and to the north-east the Betts Creek Beds are underlain by pre-Cambrian schists.

In 2011, Cuesta Coal commenced scout exploration drilling within EPC1802 and discovered coal existing 8 km east of the interpreted basin margin (Cuesta website). During 2011 and 2012, Cuesta Coal intersected coal in a number of boreholes from the Permian Creek Beds within EPC1802. Located a short distance to the south-east along strike from Deep Creek, this area is now referred to as the Yellow Jacket project Area. These coal occurrences are thought to be blind extensions of the Galilee Basin, probably preserved by overlying Triassic sequences. Cuesta Coal’s Yellow Jacket project is directly along strike from Deep Creek which suggests good potential for coal occurrences.

Stratigraphic holes drilled by the GSQ (Buchanan 2 – 6) to the west of the Sandilands tenure all intersected coal in the Betts Creek Beds. Additional support for the existence of a Permian Betts Creek Beds within the tenure is from two seismic lines carried out in 1983 by Conarco, which show a strong monoclinal flexure. This suggests possible repetition of sediments in associated minor folding. A gravity low feature present may also suggest Betts Creek Beds at shallow depths.

(iii) EPCA2596 - Turrawulla

Turrawulla is an EPC application submitted by Endocoal in June 2011 although six other parties have submitted competing applications. Turrawulla is located in the north-eastern Bowen Basin, approximately 100 km west of Mackay. The Bowen River passes through the western portion of the EPCA. Glenore’s Suttor Creek, Newlands mine and Eastern Creek extension are located approximately 20 km to the west (Figure 12.2).

Turrawulla occurs on the north-eastern most sector of the Permo-Triassic Bowen Basin, in the Nebo Synclinorium. Exploration within the tenement focused on intruded coal seams of the Moranbah and Rangal Coal Measures. The area is characterised by Cretaceous intrusives including dykes, sills and large scale plugs. Xstrata reports that coal seams in the area are dipping between 30 and 90 degrees. The sub-blocks were relinquished from the EPC774 “Redcliffe” controlled by Xstrata (CR56763). Xstrata employed field mapping, aeromagnetic survey interpretation and exploration drilling. Coal seams intersected in these boreholes were heavily intruded and were difficult to correlate. The location of Xstrata’s boreholes is shown in Figure 12.3 below. Nearly all of these boreholes intersected significant coal seams but most appeared to be affected by intrusions.

The sub-blocks which now comprise EPCA2596 were relinquished by Xstrata based on extensive intrusions and steep dips affecting the coal seams. Based on the regional geology and historical exploration conducted by Xstrata, EPCA2596
has potential for coal in the Rangal, Fort Cooper and Moranbah Coal Measures over a strike distance of 21 km, although work will need to be conducted to determine whether there are any coal occurrences amenable to open cut mining.

Figure 12.2 Turrawulla Location and Nearby Operations

Figure 12.3 Turrawulla CSIRO Geology and Historical Boreholes
(iv)  EPC2854 – Thirty Mile Creek

The Thirty Mile Creek project (EPC2854) is located adjacent to the township of Coppabella and 150 km south-west of Mackay in the north-eastern Bowen Basin. The project is comprised of three sub-blocks relinquished from Peabody’s EPC666 (West Walker project). Thirty Mile Creek is located adjacent to the west of BMA’s South Walker Creek mine, Peabody’s Coppabella mine and the planned northern extension of Coppabella within EPC351. The Coppabella and South Walker Creek mines target the Rangal Coal Measures and products are marketed as low volatile PCI. The Wanella project (EPC1197) held by Bandanna Energy is adjacent to the south. EPC2854 is situated in the northern Bowen Basin, on the south-western edge of the Carborough Syncline. The sediments hosted within the Carborough Syncline are folded and characterised by a major north to north-west striking fault system. These thrusts have resulted in fault repeats of the Rangal Coal Measures.

Figure 12.4 Thirty Mile Creek Location, Boreholes and Nearby Operations

In 2005 CH4 Gas Ltd (Arrow Energy) drilled a series of coal seam gas wells within the South Walker project (ATP364). SW007 was drilled near the north-eastern tip of the northern sub-block of EPC2854 (Figure 12.4). The Triassic Rewan Formation was encountered to 139m, followed by the Rangal Coal Measures between 139 and 289m and the Fort Cooper Coal Measures to 332m. The Leichardt (1.36m) and Vermont (3.96m) seams of the Rangal Coal Measures were intersected, although both were intruded. The Vermont seam was found between 288.09 and 292.05 metres depth, with a thickness of 3.96m (Figure 12.5). The basal 1.5 metres of the Vermont seam appears to be heat affected or stony coal. SW008 and SW009 were barren and dominated by the Triassic Rewan Formation (CR40131). SW006, drilled further west within EPC351, intersected thick seams of the Rangal and Fort Cooper Coal Measures within EPC351.

Macarthur Coal relinquished the EPC2854 sub-blocks on the basis that the top of the Rangal Coal Measures are likely to be at depths of 400 metres or more (CR68430). Thirty Mile Creek is prospective for seams of the Rangal and Fort Cooper Coal Measures, and more drilling will be required to identify if any potential targets exist within the project area.

(v)  EPC2173 - Bundarra and EPACA2709 - Devlin Creek

Bundarra (EPC2173) and Devlin Creek (EPACA2709) are EPC applications located in the northern Bowen Basin. Bundarra is a competing application with U&D being the priority applicant while Devlin Creek is a non-competitive application. The tenements are relinquished sub-blocks and are therefore separated or non-contiguous. The tenements are located approximately 40 km from Moranbah. Bundarra and Devlin Creek are surrounded by operating mines and greenfields sites targeting the Rangal Coal Measures. The tenure is situated adjacent to the east of Peabody’s Moorvale and Coppabella mines, while Peabody’s Oben Park, Mavis Downs, Devlin Creek and Codrilla West exploration areas are located a short distance away.

The tenements are located within the Carborough Syncline, north of the northern closure of the Coxendean Syncline. The major geological feature in the area is the Bundarra Granodiorite (Mt Orange), a Cretaceous intrusive, which is located to the east. The Bundarra Granodiorite has domed the Triassic and Permian strata and these wrap around the granodiorite, which has altered the westward regional dip of the strata. The tenure area is prospective for coal in the Moranbah Coal Measures and Fort Cooper Coal Measures.
The tenure was mostly relinquished from Vale’s Oben Park project in EPC1146 (CR63502). The Harrybrandt Upper seam of the Moranbah Coal Measures was identified as the main exploration target. Vale drilled two holes (OP008 and OP014) within the relinquished tenure, as shown in Figure 12.6. OP008, in the northern sub-blocks, intersected sediments of the marine Back Creek Group. OP014, located in the southern portion of EPCA2709, intersected a thick, banded coal seam between 47.2 and 68.4 metres which is likely to belong to the Fort Cooper Coal Measures. The sub-blocks were relinquished by Vale on the basis that the area was characterised by complex structure, steeply dipping seams, with deep weathering profiles and mostly thin coal seams. The southern EPCAs appear to be prospective for the Moranbah Coal Measures and Fort Cooper Coal Measures, with Fort Cooper seams having the dominant representation near the surface. Further exploration will be required in order to determine whether any coal seams exist at shallow depths and whether the coal seams are dominated by the Fort Cooper Coal Measures.

**Figure 12.5** Bundarra and Devlin Creek Location and Nearby Projects

**Figure 12.6** Bundarra and Devlin Creek CSIRO Geology and Historical Bores
## 13 References

- Endocoal Limited, 2013a – *Stockyard Creek / Cedars Geophysical Surveys & Other Tenements Update*; ASX Announcement dated 8th April, 2013.
9. Tenements Report
TENEMENT REPORT
U&D Mining Industry (Australia) Pty Ltd and U&D Coal Limited

31 October 2013

Prepared by
Environmental & Licensing Professionals Pty Ltd
# TABLE OF CONTENTS

## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
</tr>
<tr>
<td>1.1</td>
<td>Purpose</td>
</tr>
<tr>
<td>1.2</td>
<td>Methodology</td>
</tr>
<tr>
<td>1.3</td>
<td>Use of Report</td>
</tr>
<tr>
<td>2</td>
<td>Summary of Findings</td>
</tr>
<tr>
<td>2.1</td>
<td>Tenement status</td>
</tr>
<tr>
<td>2.2</td>
<td>Native Title &amp; Indigenous cultural heritage</td>
</tr>
<tr>
<td>3</td>
<td>Results of Initial Analysis - Tenements</td>
</tr>
<tr>
<td>4</td>
<td>Background Information – Obligations of EPC Holders</td>
</tr>
<tr>
<td>4.1</td>
<td>Rental and Royalties</td>
</tr>
<tr>
<td>4.2</td>
<td>Application for Superior Tenements</td>
</tr>
<tr>
<td>4.3</td>
<td>Records and Reporting</td>
</tr>
<tr>
<td>4.4</td>
<td>Security</td>
</tr>
<tr>
<td>4.5</td>
<td>Renewal</td>
</tr>
<tr>
<td>4.6</td>
<td>Conditions of EPC</td>
</tr>
<tr>
<td>4.7</td>
<td>Assessable Transfer</td>
</tr>
<tr>
<td>4.8</td>
<td>Reduction in Land</td>
</tr>
<tr>
<td>4.9</td>
<td>Overlapping Tenements – Part 7AA of the Mineral Resources Act 1989, Petroleum Interests</td>
</tr>
<tr>
<td>5</td>
<td>Background Information – Obligations of ML Holders</td>
</tr>
<tr>
<td>5.1</td>
<td>Activities under the ML</td>
</tr>
<tr>
<td>5.2</td>
<td>Rental and Royalties</td>
</tr>
<tr>
<td>5.3</td>
<td>Security</td>
</tr>
<tr>
<td>5.4</td>
<td>Renewal</td>
</tr>
<tr>
<td>5.5</td>
<td>Conditions of ML</td>
</tr>
<tr>
<td>5.6</td>
<td>Variation of Conditions</td>
</tr>
<tr>
<td>5.7</td>
<td>Compensation</td>
</tr>
<tr>
<td>5.8</td>
<td>Transfer, Mortgage and Sublease</td>
</tr>
<tr>
<td>6</td>
<td>Results of Initial Analysis – Native Title and Cultural Heritage</td>
</tr>
<tr>
<td>6.1</td>
<td>Scope of this analysis</td>
</tr>
<tr>
<td>6.2</td>
<td>Searches</td>
</tr>
<tr>
<td>6.2.1</td>
<td>Public enquiry report searches</td>
</tr>
<tr>
<td>6.2.2</td>
<td>Native Title searches</td>
</tr>
<tr>
<td>6.2.3</td>
<td>Cultural Heritage searches</td>
</tr>
<tr>
<td>6.3</td>
<td>Search results – public enquiry reports (native title category)</td>
</tr>
<tr>
<td>6.3.1</td>
<td>Native title category - Exclusive land</td>
</tr>
<tr>
<td>6.3.2</td>
<td>Native title category - Native title excluded</td>
</tr>
<tr>
<td>6.3.3</td>
<td>Native title category – expedited procedures</td>
</tr>
<tr>
<td>6.3.4</td>
<td>Native title category – “native title application assessment”</td>
</tr>
<tr>
<td>6.3.5</td>
<td>Tenements in application</td>
</tr>
<tr>
<td>6.4</td>
<td>Search results - native title claims and determinations</td>
</tr>
<tr>
<td>6.5</td>
<td>Search results – Indigenous Land Use Agreements</td>
</tr>
<tr>
<td>6.6</td>
<td>Search results – Cultural heritage</td>
</tr>
</tbody>
</table>
7  Background Information – Public Enquiry Reports & Native Title Tenement Grant Categories ..................................................................................................................... 7-26

7.1  Exclusive Land and Native Title Excluded ................................................................. 7-26

7.2  Native Title Protection Conditions (NTPCs) ............................................................ 7-26

8  Background Information - Native Title ......................................................................... 8-27

8.1  What is native title? ....................................................................................................... 8-27

8.1.1  The future act provisions of the NT Act ................................................................. 8-27

8.1.2  Obtaining grant through the right to negotiate ..................................................... 8-27

8.1.3  Obtaining grant through the expedited procedure .............................................. 8-27

8.2  Native title claims on the schedule of applications .................................................. 8-28

8.3  Indigenous Land Use Agreements ............................................................................. 8-28

9  Background Information – Aboriginal Cultural Heritage ......................................... 9-29

9.1  What is Aboriginal Cultural Heritage? ....................................................................... 9-29

9.2  Indigenous cultural heritage ...................................................................................... 9-29

Tables:

Table 1: Tenement Status
1 INTRODUCTION

1.1 Purpose

U&D Mining Industry (Australia) Pty Ltd and U&D Coal Limited (collectively called “U&D” in this report) has requested that Environmental & Licensing Professionals Pty Ltd (ELP) conduct an independent review of the tenement status and provide a tenement report for their 32 tenements being, 22 Exploration Permits for Coal (EPC) 8 Exploration Permits for Coal applications (EPCA) and 2 Mining Lease applications (MLA):

EPC 1512, EPC 1513, EPC 1514, EPC 1515, EPC 1516, EPC 1517, EPC 1518, EPC 1590, EPC 1620, EPC 2022, EPC 2025, EPC 2173, EPC 2253, EPCA 2262, EPC 2283, EPC 2306, EPC 2339, EPCA 2348, EPC 2461, EPCA 2596, EPCA 2709, EPC 2822, EPCA 2825, EPCA 2833, EPC 2854, EPCA 2857, EPCA 2858, EPC 818, EPC 2135, MLA 70452, MLA 70511.

The majority of these tenements are held in the name of Endocoal Limited. The exceptions are as follows:

- EPC 818 & MLA 70511 – U&D Mining Industry (Australia) Pty Ltd (80%) and Resource Portfolio Partners Pty Limited (20%);
- EPC 2135 – Carabella Resources Limited (100%), a joint venture agreement exists with Endocoal Limited.

This report provides a review of tenement and environmental authority status of the aforementioned properties, and summarises findings from the Queensland Department of Environment and Heritage Protection (DEHP), Queensland Department of Natural Resources and Mines (DNRM), and the National Native Title Tribunal (NNTT). No departmental files or correspondence between U&D and any government department were accessed nor were site visits conducted by ELP.

This report details:

- the status of all tenements in relation to their compliance with the conditions of the Mineral Resources Act 1989 (Qld) (MR Act);
- the status of the Environmental Authorities (EAs) for all tenements in accordance with the Environmental Protection Act 1994 (Qld) (EP Act);
- the status of financial assurance for each of the tenements;
- Native title considerations; and
- Indigenous and historical cultural heritage considerations.

1.2 Methodology

For the purposes of this report, we have reviewed available documentation for the tenements and conducted searches of the registers maintained by DNRM in accordance with the MR Act, by DEHP in accordance with the EP Act, the Department of Aboriginal and Torres Strait Islander and Multicultural Affairs (DATSIMA) in accordance with the Aboriginal Cultural Heritage Act 2003 (Qld). ELP has also consulted with DATSIMA, DNRM and the NNTT to clarify issues where relevant. Results of the findings are dependent on the accuracy of available documentation to ELP and the registers maintained by regulating government agencies. We have also obtained copies of the current Instruments of Permit directly from U&D, which provided an overview of expenditure commitments (not normally available on public searches).

Searches upon which this report is based are current as at 31st October 2013.

All searches relied upon have been provided to U&D.

1.3 Use of Report

ELP compiles all tenement reports in accordance with the requirements of the VALMIN Code (2005). This tenement report would normally be considered an “Independent Expert Report” under the code. ‘Independent’ is defined as “able to satisfy any relevant legal tests of independence and must be perceived to be willing and able to undertake an impartial assessment of valuation and to prepare an Independent Expert Report that is free of bias”.

Neither ELP nor any of its directors or employees has any beneficial interest in U&D, nor in any of the tenements which are the subject of this report nor in any adjacent tenements. Consent is hereby given by ELP to the inclusion of this report in and ELP being named in, the Replacement Prospectus to be issued by U&D (on or about 5th December 2013) for the Company’s initial public offering and listing, in the form and context in which they appear. This consent relates to the distribution of the Prospectus in both paper and electronic form. Other than the statements included in this report, ELP does not make, or purport to make, any other statement that is included in the Prospectus. This report does not constitute legal advice.
2 SUMMARY OF FINDINGS

2.1 Tenement status

We are satisfied that the information and particulars included in this report comprise an accurate statement of these tenements. Based on the results of the searches and enquiries undertaken, the tenements described are in good standing.

No upcoming actions other than those identified throughout this report are required on the tenements described.

All granted tenements have financial assurances lodged and up-to-date rent and annual fee payments, in accordance with DNRM and DEHP requirements.

2.2 Native Title & Indigenous cultural heritage

Relevant Aboriginal Parties and current Native Title Parties have been identified for each tenement. Additionally, where available, information relating to native title conditions affecting the grant of each tenement has also been provided. This information has been compiled from publicly available databases and has not considered what arrangements are in place between U&D and the relevant Aboriginal Parties.

The presence of registered cultural heritage sites and areas for Aboriginal cultural heritage have been identified for each tenement. This information is not a comprehensive list of all cultural heritage values present, but provides a preliminary indication of what cultural heritage values are recorded within the boundaries of each tenement at the present time.
3 RESULTS OF INITIAL ANALYSIS - TENEMENTS

Table 1 indicates the current status and gives a complete overview, including number of sub-blocks, rent, financial assurance held, location and expenditure commitment, of U&D’s tenements as of 31st October 2013.

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expedition Peak Project</strong></td>
<td></td>
</tr>
<tr>
<td>EPC 1512</td>
<td></td>
</tr>
<tr>
<td><strong>Nebo Project</strong></td>
<td></td>
</tr>
<tr>
<td>EPC 1513</td>
<td></td>
</tr>
<tr>
<td>Tenement</td>
<td>Summary</td>
</tr>
<tr>
<td>----------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Rockwood Project</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EPC 1514</th>
<th>Holder: Endocoal Limited (100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Status:</strong> Granted – Exclusive Land; current until 9th March 2017. (Lodged 18th July 2008, Granted 10th March 2009).</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-blocks:</strong> 29, located 50km southeast of Moranbah.</td>
<td></td>
</tr>
<tr>
<td><strong>Rent:</strong> Up-to-date. Next payment due 10th March 2014 in the amount of $3,941.10.</td>
<td></td>
</tr>
<tr>
<td><strong>Reporting:</strong> Up-to-date. Annual report and statement of expenditure due 10th April 2014.</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Authority:</strong> MIC200800008 Level 1, non-code compliant (EPPR00759113). Annual fee and return up-to-date.</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Assurance:</strong> Current in the amount of $133,646.22.</td>
<td></td>
</tr>
<tr>
<td><strong>Expenditure Commitment:</strong> Minimum Expenditure for this exploration year is $600,000 and for next exploration year is $400,000.</td>
<td></td>
</tr>
<tr>
<td><strong>Exclusions:</strong> This permit is exclusive of other than the following:</td>
<td></td>
</tr>
<tr>
<td>1. Land where native title is extinguished in accordance with s.23B of the Native Title Act 1993 (Cth). Land where native title is previously extinguished and is now held or currently set aside for the benefit of Aboriginals and Torres Strait Islanders or unallocated State Land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included.</td>
<td></td>
</tr>
<tr>
<td>2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts.</td>
<td></td>
</tr>
<tr>
<td><strong>Overlapping Tenements:</strong> EPP 759 – Arrow Energy Pty Ltd; EPP 811 – New South Oil Pty Ltd; PSL 82 – Arrow Bowen Pipeline Pty Ltd; PCA 27 – New South Oil Pty Ltd.</td>
<td></td>
</tr>
</tbody>
</table>

| Essex Project | |

<table>
<thead>
<tr>
<th>EPC 1515</th>
<th>Holder: Endocoal Limited (100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Status:</strong> Granted – Exclusive Land; current until 9th March 2017. (Lodged 18th July 2008, Granted 10th March 2009).</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-blocks:</strong> 48, located 60km east of Dysart.</td>
<td></td>
</tr>
<tr>
<td><strong>Rent:</strong> Up-to-date. Next payment due 10th March 2014 in the amount of $6,523.20.</td>
<td></td>
</tr>
<tr>
<td><strong>Reporting:</strong> Up-to-date. Annual report and statement of expenditure due 10th April 2014.</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Authority:</strong> MIC200799708 Level 2, code compliant (EPSX00169013). Annual fee and return up-to-date.</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Assurance:</strong> Current in the amount of $2,501.04.</td>
<td></td>
</tr>
<tr>
<td><strong>Expenditure Commitment:</strong> Minimum Expenditure for this exploration year is $200,000 and for next exploration year is $200,000.</td>
<td></td>
</tr>
<tr>
<td><strong>Exclusions:</strong> This permit is exclusive of other than the following:</td>
<td></td>
</tr>
<tr>
<td>1. Land where native title is extinguished in accordance with s.23B of the Native Title Act 1993 (Cth). Land where native title is previously extinguished and is now held or currently set aside for the benefit of Aboriginals and Torres Strait Islanders or unallocated State Land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included.</td>
<td></td>
</tr>
<tr>
<td>2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts.</td>
<td></td>
</tr>
<tr>
<td><strong>Overlapping Tenements:</strong> EPP 759 – Arrow Energy Pty Ltd; EPP 811 – New South Oil Pty Ltd; PSL 82 – Arrow Bowen Pipeline Pty Ltd; PCA 27 – New South Oil Pty Ltd.</td>
<td></td>
</tr>
<tr>
<td>Tenement</td>
<td>Summary</td>
</tr>
<tr>
<td>----------</td>
<td>---------</td>
</tr>
<tr>
<td>Cedars Project</td>
<td></td>
</tr>
<tr>
<td><strong>EPC 1516</strong></td>
<td><strong>Holder:</strong> Endocoal Limited (100%)&lt;br&gt;<strong>Current Status:</strong> Granted – Exclusive Land; current until 9th March 2017. (Lodged 18th July 2008, Granted 10th March 2009).&lt;br&gt;<strong>Sub-blocks:</strong> 240, located west of the township of Biloela.&lt;br&gt;<strong>Rent:</strong> Up-to-date. Next payment due 10th March 2014 in the amount of $32,616.00.&lt;br&gt;<strong>Reporting:</strong> Up-to-date. Annual report and statement of expenditure due 10th April 2014.&lt;br&gt;<strong>Environmental Authority:</strong> MIC200799908 Level 2, code compliant (EPSX00169113). Annual fee and return up-to-date.&lt;br&gt;<strong>Financial Assurance:</strong> Current in the amount of $2,501.04.&lt;br&gt;<strong>Expenditure Commitment:</strong> Minimum Expenditure for this exploration year is $250,000 and for next exploration year is $250,000.&lt;br&gt;<strong>Exclusions:</strong> This permit is exclusive of other than the following:&lt;ol&gt;&lt;li&gt;Land where native title is extinguished in accordance with s.23B of the Native Title Act 1993 (Cth). Land where native title is previously extinguished and is now held or currently set aside for the benefit of Aboriginals and Torres Strait Islanders or unallocated State Land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included.&lt;/li&gt;&lt;li&gt;All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts.&lt;/li&gt;&lt;li&gt;Railway land containing current or past constructed railways and/or associated infrastructure that are previous exclusive possession acts.&lt;/li&gt;&lt;/ol&gt;&lt;br&gt;<strong>Dealings:</strong> Removal/Withdrawal of Caveat Dealing No. 1050861, date received 11.12.2012, expected completion 11th March 2013. Actual completion – pending. Consent caveat forbidding assignments – caveator U&amp;D Mining Industry (Australia) Pty Ltd, Level 1 Suite 21, 7 Clunies Ross Court BTP, Eight Mile Plains Qld 4113, Ph 3147 8010.&lt;br&gt;<strong>Overlapping Tenements:</strong> PPL 30 – Jemena Queensland Gas Pipeline (1) Pty Ltd; PPL 166 – Santos GUNG Pty Ltd; EPM 15779 – Central Minerals Pty Ltd; EPM 25300 – Central Minerals Pty Ltd; EPM 17054 – Ausgold Exploration Pty Ltd; EPM 17059 – Ausgold Exploration Pty Ltd; EPM 15981 – Newcrest Operations Limited; EPM 19691 – Central Minerals Pty Ltd; EPM 18032 – Central Minerals Pty Ltd.</td>
</tr>
<tr>
<td>Orion Downs Project</td>
<td></td>
</tr>
</tbody>
</table>
| **EPC 1517** | **Holder:** Endocoal Limited (100%)<br>**Current Status:** Granted – Expedited Procedures Advertised; current until 9th February 2017. (Lodged 18th July 2008, Granted 10th February 2009).<br>**Sub-blocks:** 300, located near the township of Springsure.<br>**Rent:** Up-to-date. Next payment due 10th February 2014 in the amount of $40,770.00.<br>**Reporting:** Up-to-date. Annual report and statement of expenditure due 10th March 2014.<br>**Environmental Authority:** MIC200799608 Level 2, code compliant (EPSX00168913). Annual fee and return up-to-date.<br>**Financial Assurance:** Current in the amount of $2,501.06.<br>**Expenditure Commitment:** Minimum Expenditure for this exploration year is $300,000 and for next exploration year is $300,000.<br>**Exclusions:** This permit is exclusive of other than the following:<ol><li>Land where native title is extinguished in accordance with s.23B of the Native Title Act 1993 (Cth). Land where native title is previously extinguished and is now held or currently set aside for the benefit of Aboriginals and Torres Strait Islanders or unallocated State Land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included.</li><li>All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts.</li><li>Railway land containing current or past constructed railways and/or associated infrastructure that are previous exclusive possession acts.</li></ol><br>**Dealings:** Removal/Withdrawal of Caveat Dealing No. 1050861, date received 11.12.2012, expected completion 11th March 2013. Actual completion – pending. Consent caveat forbidding assignments – caveator U&D Mining Industry (Australia) Pty Ltd, Level 1 Suite 21, 7 Clunies Ross Court BTP, Eight Mile Plains Qld 4113, Ph 3147 8010.<br>**Overlapping Tenements:** EPP 817 – Eureka Petroleum Pty Ltd; EPP 337 – Santos QNT Pty Ltd; EPP 756 – OME Resources Australia Pty Ltd; ML 70452 – Endocoal Limited.
<table>
<thead>
<tr>
<th>Tenement</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sullivan Creek Project</strong></td>
<td></td>
</tr>
</tbody>
</table>
| EPC 1518 | Holder: Endocoal Limited (100%)  
Sub-blocks: 192, located west of the township of Moranbah.  
Rent: Up-to-date. Next payment due 3rd May 2014 in the amount of $26,092.80.  
Environmental Authority: MIC200797708 Level 2, code compliant (EPSX00967313). Annual fee and return up-to-date.  
Financial Assurance: Current in the amount of $2,500.76.  
Expenditure Commitment: Minimum Expenditure for this exploration year is $2,400,000. Expenditure for the next exploration year is yet to be decided.  
Exclusions: n/a.  
Overlapping Tenements: EPP 688 – BNG (Surat) Pty Ltd; EPM 19411 – Archer Resources Limited; EPM 25294 – Kenex Pty Ltd. |
| **Talwood Project** |
| EPC 1590 | Holder: Endocoal Limited (100%)  
Sub-blocks: 52, located northwest of the township of Moranbah.  
Rent: Up-to-date. Next payment due 22nd October 2014 in the amount of $7,066.80.  
Environmental Authority: MIC200826408 Level 1, non-code compliant (EPPR00800613). Annual fee and return up-to-date.  
Financial Assurance: Current in the amount of $2,500.68.  
Expenditure Commitment: Proposed Minimum Expenditure for this exploration year is $1,044,000 and for next exploration year is $250,000.  
Exclusions: n/a.  
Conditions: RA 8 Conditions – Suttor River Dam Site Condition 1: The sub-blocks to which this condition applies contain all or part of a potential future dam site. Exploration or works that involve any degree of surface or subsurface disturbance within the sub-blocks containing the dam site are not permitted unless specific approval is given by DEHP in accordance with requirements listed in file.  
Overlapping Tenements: EPM 18546 – Byerwen Coal Pty Ltd. |
<table>
<thead>
<tr>
<th>Tenement</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Barfield Project</strong></td>
<td></td>
</tr>
<tr>
<td>EPC 1620</td>
<td>Holder: Endocoal Limited (100%)</td>
</tr>
<tr>
<td><strong>Sub-blocks:</strong></td>
<td>106, located west of the township of Biloela.</td>
</tr>
<tr>
<td><strong>Rent:</strong></td>
<td>Up-to-date. Next payment due 20th May 2014 in the amount of $14,405.40.</td>
</tr>
<tr>
<td><strong>Reporting:</strong></td>
<td>Up-to-date. Annual report and statement of expenditure due 20th June 2014.</td>
</tr>
<tr>
<td><strong>Environmental Authority:</strong></td>
<td>MIC200834108 Level 2, code compliant (EPSX00950813). Annual fee and return up-to-date.</td>
</tr>
<tr>
<td><strong>Financial Assurance:</strong></td>
<td>Current in the amount of $2,501.00.</td>
</tr>
<tr>
<td><strong>Expenditure Commitment:</strong></td>
<td>Minimum Expenditure for this exploration year is $200,000 and for next exploration year is $200,000.</td>
</tr>
<tr>
<td><strong>Exclusions:</strong></td>
<td>This permit is exclusive of other than the following:</td>
</tr>
<tr>
<td>1.</td>
<td>Land where native title is extinguished in accordance with s.23B of the Native Title Act 1993 (Cth). Land where native title is previously extinguished and is now held or currently set aside for the benefit of Aboriginals and Torres Strait Islanders or unallocated State Land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included.</td>
</tr>
<tr>
<td>2.</td>
<td>All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts.</td>
</tr>
<tr>
<td>3.</td>
<td>Railway land containing current or past constructed railways and/or associated infrastructure that are previous exclusive possession acts.</td>
</tr>
<tr>
<td><strong>Overlapping Tenements:</strong></td>
<td>EPM 19578 – Ausgold Exploration Pty Ltd; EPM 19579 – Ausgold Exploration Pty Ltd; EPM 18541 – Global Resources Corporation Limited.</td>
</tr>
<tr>
<td><strong>Springton Duaringa Project</strong></td>
<td></td>
</tr>
<tr>
<td>EPC 1803</td>
<td>Holder: Endocoal Limited (100%)</td>
</tr>
<tr>
<td><strong>Sub-blocks:</strong></td>
<td>180, located 20km northeast of Dingo.</td>
</tr>
<tr>
<td><strong>Rent:</strong></td>
<td>Up-to-date. Next payment due 24th January 2014 in the amount of $24,462.00.</td>
</tr>
<tr>
<td><strong>Reporting:</strong></td>
<td>Up-to-date. Annual report and statement of expenditure due 24th February 2014.</td>
</tr>
<tr>
<td><strong>Environmental Authority:</strong></td>
<td>MIC200901908 Level 2, code compliant (EPSX00448813). Annual fee and return up-to-date.</td>
</tr>
<tr>
<td><strong>Financial Assurance:</strong></td>
<td>Current in the amount of $5,001.40.</td>
</tr>
<tr>
<td><strong>Expenditure Commitment:</strong></td>
<td>Minimum Expenditure for this exploration year is $669,000 and for next exploration year is $866,000.</td>
</tr>
<tr>
<td><strong>Exclusions:</strong></td>
<td>Woorabinda Dogit Land.</td>
</tr>
<tr>
<td><strong>Overlapping Tenements:</strong></td>
<td>PPL 121 – Central Queensland Pipeline Pty Ltd; EPP 758 – OME Resources Australia Pty Ltd; DAA 17 – OME Resources Australia Pty Ltd.</td>
</tr>
<tr>
<td>Tenement</td>
<td>Summary</td>
</tr>
<tr>
<td>----------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Rockwood 2 Project</strong></td>
<td></td>
</tr>
<tr>
<td><strong>EPC 2022</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Holder:</strong> Endocoal Limited (100%)</td>
<td></td>
</tr>
<tr>
<td><strong>Current Status:</strong> Granted – Exclusive Land; current until 11th October 2015. (Lodged 23rd December 2009, Granted 12th October 2010).</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-blocks:</strong> 2, located northeast of Dysart.</td>
<td></td>
</tr>
<tr>
<td><strong>Rent:</strong> Up-to-date. Next payment due 12th October 2014 in the amount of $271.80.</td>
<td></td>
</tr>
<tr>
<td><strong>Reporting:</strong> Up-to-date. Annual report and statement of expenditure due 12th November 2013.</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Authority:</strong> MIC201064910 Level 2, code compliant (EPSX00361113). Annual fee and return up-to-date.</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Assurance:</strong> Current in the amount of $2,500.68.</td>
<td></td>
</tr>
<tr>
<td><strong>Expenditure Commitment:</strong> Minimum Expenditure for this exploration year is $10,000 and for next exploration year is $20,000.</td>
<td></td>
</tr>
<tr>
<td><strong>Exclusions:</strong> n/a.</td>
<td></td>
</tr>
<tr>
<td><strong>Overlapping Tenements:</strong> EPP 759 – Arrow Energy Pty Ltd; PSL 82 – Arrow Bowen Pipeline Pty Ltd.</td>
<td></td>
</tr>
<tr>
<td><strong>Overlander Project</strong></td>
<td></td>
</tr>
<tr>
<td><strong>EPC 2025</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Holder:</strong> Endocoal Limited (100%)</td>
<td></td>
</tr>
<tr>
<td><strong>Current Status:</strong> Granted – Expedited Procedures Processing; current until 13th February 2017. (Lodged 4th January 2010, Granted 14th February 2012).</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-blocks:</strong> 2, located 41km west of Rolleston.</td>
<td></td>
</tr>
<tr>
<td><strong>Rent:</strong> Up-to-date. Next payment due 14th February 2014 in the amount of $271.80.</td>
<td></td>
</tr>
<tr>
<td><strong>Reporting:</strong> Up-to-date. Annual report and statement of expenditure due 14th March 2014.</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Authority:</strong> ESPX00370713. Level 2, code compliant. Annual fee and return up-to-date.</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Assurance:</strong> Current in the amount of $2,500.32.</td>
<td></td>
</tr>
<tr>
<td><strong>Expenditure Commitment:</strong> Minimum Expenditure for this exploration year is $2,000 and for next exploration year is $10,000.</td>
<td></td>
</tr>
<tr>
<td><strong>Exclusions:</strong> This permit is exclusive of other than the following:</td>
<td></td>
</tr>
<tr>
<td>1. Land where native title is extinguished in accordance with s.23B of the Native Title Act 1993 (Cth). Land where native title is previously extinguished and is now held or currently set aside for the benefit of Aboriginals and Torres Strait Islanders or unallocated State Land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included).</td>
<td></td>
</tr>
<tr>
<td>2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts.</td>
<td></td>
</tr>
<tr>
<td>3. Railway land containing current or past constructed railways and/or associated infrastructure that are previous exclusive possession acts.</td>
<td></td>
</tr>
<tr>
<td><strong>Overlapping Tenements:</strong> EPP 756 – OME Resources Australia Pty Ltd.</td>
<td></td>
</tr>
</tbody>
</table>
## Tenement Summary

### Bundarra Project

**EPC 2173**
- **Holder:** Endocoal Limited (100%)
- **Current Status:** Granted – Exclusive Land; current until 20th October 2018. (Lodged 2nd August 2010, Granted 21st October 2013).
- **Sub-blocks:** 4, located 22km southeast of Moranbah.
- **Rent:** Up-to-date. Next payment due 21st October 2014 in the amount of $543.60.
- **Environmental Authority:** EPSX00583813, Level 2, code compliant. Annual fee and return up-to-date.
- **Financial Assurance:** Current in the amount of $2,500.00.
- **Expenditure Commitment:** Minimum Expenditure for this exploration year is $10,000 and for the next exploration year is $50,000.
- **Exclusions:** Any current Mining Claim, Mineral Development Licence or Mining Lease at the time of lodgement of this permit pursuant to Section 132 of the MR Act.
- **Overlapping Tenements:** EPP 759 – Arrow Energy Pty Ltd; PSL 82 – Arrow Bowen Pipeline Pty Ltd; ML 70455 – Peabody Coppabella Pty Ltd.

### Mt Inglis Project

**EPC 2253**
- **Holder:** Endocoal Limited (100%)
- **Sub-blocks:** 18, located 35km southwest of Rolleston.
- **Rent:** Up-to-date. Next payment due 29th August 2014 in the amount of $2,446.20.
- **Reporting:** Up-to-date. Annual report and statement of expenditure due 29th September 2014.
- **Environmental Authority:** MIC202797311 Level 2, code compliant (EPSX00582113). Annual fee and return up-to-date.
- **Financial Assurance:** Current in the amount of $2,500.20.
- **Expenditure Commitment:** Minimum Expenditure for this exploration year is $60,000 and for next exploration year is $100,000.
- **Exclusions:** Sterile Land – 2956, Mount Hope.
- **Overlapping Tenements:** EPP 756 – OME Resources Australia Pty Ltd.

### Milray Project

**EPC 2262**
- **Holder:** Endocoal Limited (100%)
- **Current Status:** Competing Application – Priority Applicant, Expedited Procedures Processing. (Lodged 1st November 2010).
- **Sub-blocks:** 37, located 115km southwest of Charters Towers.
- **Rent:** n/a.
- **Reporting:** n/a.
- **Environmental Authority:** EPSX00733113.
- **Financial Assurance:** n/a.
- **Expenditure Commitment:** n/a.
- **Exclusions:** n/a.
- **Overlapping Tenements:** EPP 1010 – Queensland Energy Resources Limited; EPC 2251 – Mineral & Coal Investments Pty Limited (competing); EPC 2259 – Guildford Coal Limited (competing); EPC 2252 – Golden Cross Operations Pty Ltd (competing); EPC 2255 – Queensland Coal Investments Pty Ltd (competing).
<table>
<thead>
<tr>
<th>Tenement</th>
<th>Summary</th>
</tr>
</thead>
</table>
| Kola Bar Project | **Holder:** Endocoal Limited (100%)  
**Current Status:** Granted – Native Title Excluded, current until 20th October 2018. (Lodged 1st December 2010, Granted 21st October 2013).  
**Sub-blocks:** 10, located 44km northeast of Blackwater.  
**Rent:** Up-to-date. Next payment due 21st October 2014 in the amount of $1,359.00.  
**Reporting:** Up-to-date. Annual report and statement of expenditure due 21st November 2014.  
**Environmental Authority:** EPSX00584113, Level 2, code compliant. Annual fee and return up-to-date.  
**Financial Assurance:** Current in the amount of $2,500.00.  
**Expenditure Commitment:** Minimum Expenditure for this exploration year is $15,000 and for the next exploration year is $120,000.  
**Exclusions:** n/a.  
**Overlapping Tenements:** Nil. |
| Cooper Creek Project | **Holder:** Endocoal Limited (100%)  
**Current Status:** Granted – Native Title Excluded; current until 24th March 2018. (Lodged 4th January 2011, Granted 25th March 2013).  
**Sub-blocks:** 292, located 47km southwest of Nebo.  
**Rent:** Up-to-date. Next payment due 25th March 2014 in the amount of $39,682.80.  
**Reporting:** Up-to-date. Annual report and statement of expenditure due 25th April 2014.  
**Environmental Authority:** MIC203987912 Level 2, code compliant (ESPX00937313). Annual fee and return up-to-date.  
**Financial Assurance:** Current in the amount of $2,500.08.  
**Expenditure Commitment:** Minimum Expenditure for this exploration year is $60,000 and for next exploration year is $150,000.  
**Exclusions:** Sterile Land – NP – Dipperu National Park.  
Any current Mining Claims, Mineral Development Licences or Mining Leases at the time of lodgement of this permit pursuant to section 132 of the MR Act.  
**Overlapping Tenements:** EPP 759 – Arrow Energy Pty Ltd; PSL 82 – Arrow Bowen Pipeline Pty Ltd; ML 70293 – CQ Dolomite Pty Ltd; EPM 19570 – Drummond West Pty Ltd; EPM 19714 – Mt Hector Gold Pty Limited. |
<table>
<thead>
<tr>
<th>Tenement Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stockyard Creek Project</strong></td>
</tr>
<tr>
<td><strong>EPC 2339</strong></td>
</tr>
<tr>
<td><strong>Holder:</strong> Endocoal Limited (100%)</td>
</tr>
<tr>
<td><strong>Current Status:</strong> Granted – Native Title Excluded; current until 8th August 2016. (Lodged 19th January 2011, Granted 9th August 2011).</td>
</tr>
<tr>
<td><strong>Sub-blocks:</strong> 18, located 9km east of Theodore.</td>
</tr>
<tr>
<td><strong>Rent:</strong> Up-to-date. Next payment due 9th August 2014 in the amount of $2,446.20.</td>
</tr>
<tr>
<td><strong>Reporting:</strong> Up-to-date. Annual report and statement of expenditure due 9th September 2014.</td>
</tr>
<tr>
<td><strong>Environmental Authority:</strong> MIC202354711 Level 2, code compliant [EPSX00493213]. Annual fee and return up-to-date.</td>
</tr>
<tr>
<td><strong>Financial Assurance:</strong> Current in the amount of $2,500.48.</td>
</tr>
<tr>
<td><strong>Expenditure Commitment:</strong> Minimum Expenditure for this exploration year is $175,000 and for next exploration year is $200,000.</td>
</tr>
<tr>
<td><strong>Exclusions:</strong> This permit is exclusive of other than the following:</td>
</tr>
<tr>
<td>1. Land where native title is extinguished in accordance with s.23B of the Native Title Act 1993 (Ch). Land where native title is previously extinguished and is now held or currently set aside for the benefit of Aboriginals and Torres Strait Islanders or unallocated State Land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included.</td>
</tr>
<tr>
<td>2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts.</td>
</tr>
<tr>
<td><strong>Overlapping Tenements:</strong> EPM 17054 – Ausgold Exploration Pty Ltd; EPM 17059 – Ausgold Exploration Pty Ltd.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenement Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sandlands Project</strong></td>
</tr>
<tr>
<td><strong>EPCA 2348</strong></td>
</tr>
<tr>
<td><strong>Holder:</strong> Endocoal Limited (100%)</td>
</tr>
<tr>
<td><strong>Current Status:</strong> Competing Application – Priority Applicant, Expedited Procedures Processing. (Lodged 1st February 2011).</td>
</tr>
<tr>
<td><strong>Sub-blocks:</strong> 39, located 145km south of Charters Towers.</td>
</tr>
<tr>
<td><strong>Rent:</strong> n/a.</td>
</tr>
<tr>
<td><strong>Reporting:</strong> n/a.</td>
</tr>
<tr>
<td><strong>Environmental Authority:</strong> n/a.</td>
</tr>
<tr>
<td><strong>Financial Assurance:</strong> n/a.</td>
</tr>
<tr>
<td><strong>Expenditure Commitment:</strong> n/a.</td>
</tr>
<tr>
<td><strong>Exclusions:</strong> n/a.</td>
</tr>
<tr>
<td><strong>Overlapping Tenements:</strong> EPP 1010 – Queensland Energy Resources Limited; EPP 744 – Comet Ridge Ltd; EPC 2344 – Adani Mining Pty Ltd (competing); EPC 2347 – Blackwood Exploration Pty Ltd (competing); EPC 2345 – REM Resources Pty Ltd (competing); EPC 2341 – Resolve Geo Pty Ltd (competing).</td>
</tr>
</tbody>
</table>
### Twelve Mile Creek Project

**EPC 2461**

- **Holder:** Endocoal Limited (100%)
- **Current Status:** Granted – Native Title Excluded; current until 27th September 2017. (Lodged 1st April 2011, Granted 28th September 2012).
- **Sub-blocks:** 21, located 80km northwest of Rockhampton.
- **Rent:** Up-to-date. Next payment due 28th September 2014 in the amount of $2,853.90.
- **Reporting:** Up-to-date. Annual report and statement of expenditure due 28th October 2014.
- **Environmental Authority:** EPSX00937913, Level 2, code compliant. Annual fee and return up-to-date.
- **Financial Assurance:** Current in the amount of $2,500.18.
- **Expenditure Commitment:** Minimum Expenditure for this exploration year is $250,000 and for next exploration year is $250,000.
- **Exclusions:** n/a.
- **Overlapping Tenements:** EPP 811 – New South Oil Pty Ltd; PPL 121 – Central Queensland Pipeline Pty Ltd; PCA 33 – New South Oil Pty Ltd; PCA 32 – New South Oil Pty Ltd; DAA 18 – New South Oil Pty Ltd

### Turrawalla Project

**EPC 2596**

- **Holder:** Endocoal Limited (100%)
- **Current Status:** Competing Application – Priority Applicant (Proposed), Expedited Procedures Processing. (Lodged 1st June 2011).
- **Sub-blocks:** 17, located 100km west of Mackay.
- **Rent:** n/a.
- **Reporting:** n/a.
- **Environmental Authority:** EPSX00728213.
- **Financial Assurance:** n/a.
- **Expenditure Commitment:** n/a.
- **Exclusions:** n/a.
- **Overlapping Tenements:** EPP 688 – BNG (Surat) Pty Ltd; EPC 2595 – Blackburn Coal Pty Ltd (competing); EPC 2583 – Dysart Col Mine Management Pty Ltd (competing); EPC 2578 – Ashburton Resources Pty Ltd (competing); EPC 2581 – AUSINDO Minerals and Energy Pty Ltd (competing); EPC 2585 – Aarti Minerals (Australia) Pty Ltd (competing); EPC 2592 – Mineral & Coal Investments Pty Limited (competing); EPC 2591 – Queensland Coal Investments Pty Ltd (competing).
<table>
<thead>
<tr>
<th>Tenement</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Devlin Creek Project</strong></td>
<td></td>
</tr>
</tbody>
</table>
| EPCA 2709    | **Holder:** Endocoal Limited (100%)  
**Current Status:** Application – Exploration Permit Proposed, Expedited Procedures Processing. (Lodged 2nd August 2011).  
**Sub-blocks:** 5, located 35km southwest of Nebo.  
**Rent:** n/a.  
**Reporting:** n/a.  
**Environmental Authority:** EPSX00781113.  
**Financial Assurance:** n/a.  
**Expenditure Commitment:** n/a.  
**Exclusions:** n/a.  
**Overlapping Tenements:** EPP 1103 – CH4 Pty Ltd; PSL 82 – Arrow Bowen Pipeline Pty Ltd; ML 70455 – Peabody Coppabella Pty Ltd. |
| **Carfax West Project**                         |                                                                                                                                                                   |
| EPC 2822     | **Holder:** Endocoal Limited (100%)  
**Sub-blocks:** 1, located 40km northeast of Dysart.  
**Rent:** Up-to-date. Next payment due 12th September 2014 in the amount of $135.90.  
**Reporting:** Up-to-date. Annual report and statement of expenditure due 12th October 2014.  
**Environmental Authority:** EPSX00945913, Level 2, code compliant. Annual fee and return up-to-date.  
**Financial Assurance:** Current in the amount of $2,500.18.  
**Expenditure Commitment:** Minimum Expenditure for this exploration year is $100,000 and for next exploration year is $150,000.  
**Exclusions:** n/a.  
**Overlapping Tenements:** PSL 82 – Arrow Bowen Pipeline Pty Ltd. |
| **Bee Creek Project**                           |                                                                                                                                                                   |
| EPCA 2825    | **Holder:** Endocoal Limited (100%)  
**Current Status:** Competing Application – Expedited Procedures Processing. (Lodged 3rd October 2011).  
**Sub-blocks:** 8, located 13km southwest of Nebo.  
**Rent:** n/a.  
**Reporting:** n/a.  
**Environmental Authority:** n/a.  
**Financial Assurance:** n/a.  
**Expenditure Commitment:** n/a.  
**Exclusions:** n/a.  
**Overlapping Tenements:** EPC 2829 – Coal Face Resources Pty Ltd (competing); EPC 2826 – Mining Investments Six Pty Ltd (competing). |
<table>
<thead>
<tr>
<th>Tenement</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Morpeth Project</strong></td>
<td></td>
</tr>
</tbody>
</table>
| EPCA 2833 | Holder: Endocoal Limited (100%)  
Current Status: Competing Application – Native Title Application Assessment. (Lodged 3rd October 2011).  
Sub-blocks: 10, located 45km northeast of Dysart.  
Rent: n/a.  
Reporting: n/a.  
Environmental Authority: n/a.  
Financial Assurance: n/a.  
Expenditure Commitment: n/a.  
Exclusions: n/a.  
Overlapping Tenements: EPP 759 – Arrow Energy Pty Ltd; PSL 82 – Arrow Bowen Pipeline Pty Ltd; EPC 2834 – Queensland Coal Investments Pty Ltd (competing); EPC 2828 – Mining Investments Six Pty Ltd (competing); EPC 2823 – BT Minerals Pty Ltd (competing); EPC 2831 – Coal Face Resources Pty Ltd (competing); EPC 2832 – China Coal Resources Pty Ltd (competing). |
| **Thirty Mile Creek Project** | |
| EPC 2854 | Holder: Endocoal Limited (100%)  
Sub-blocks: 3, located 35km southwest of Nebo.  
Rent: Up-to-date. Next payment due 12th September 2014 in the amount of $407.70.  
Environmental Authority: EPSX00937713. Annual fee and return up-to-date.  
Financial Assurance: Current in the amount of $2,500.18.  
Expenditure Commitment: Minimum Expenditure for this exploration year is $250,000 and for next exploration year is $250,000.  
Exclusions: n/a.  
Overlapping Tenements: PSL82 – Arrow Bowen Pipeline Pty Ltd; EPP 1103 – CH4 Pty Ltd. |
| **South Creek Project** | |
| EPCA 2857 | Holder: Endocoal Limited (100%)  
Current Status: Competing Application – Native Title Application Assessment. (Lodged 1st November 2011).  
Sub-blocks: 8, located 50km south of Nebo.  
Rent: n/a.  
Reporting: n/a.  
Environmental Authority: n/a.  
Financial Assurance: n/a.  
Expenditure Commitment: n/a.  
Exclusions: n/a.  
Overlapping Tenements: EPP 759 – Arrow Energy Pty Ltd; PSL 82 – Arrow Bowen Pipeline Pty Ltd; EPC 2856 – Queensland Coal Investments Pty Ltd (competing); EPC 2851 – Coal Face Resources Pty Ltd (competing). |
<table>
<thead>
<tr>
<th>Tenement</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deep Creek Project</strong></td>
<td></td>
</tr>
</tbody>
</table>
| EPCA 2858 | **Holder:** Endocoal Limited (100%)  
**Current Status:** Competing Application – Native Title Application Assessment. (Lodged 1st November 2011).  
**Sub-blocks:** 30, located 100km southwest of Charters Towers.  
**Rent:** n/a.  
**Reporting:** n/a.  
**Environmental Authority:** n/a.  
**Financial Assurance:** n/a.  
**Expenditure Commitment:** n/a.  
**Exclusions:** n/a.  
**Overlapping Tenements:** EPP 1010 – Queensland Energy Resources Limited; EPC 2873 – Queensland Coal Investments Pty Ltd (competing); EPC 2852 – Coal Face Resources Pty Ltd (competing). |
| **Broughton Project** | |
| EPC 818 | **Holder:** U&D Mining Industry (Australia) Pty Ltd (80%) and Resource Portfolio Partners Pty Limited (20%).  
**Current Status:** Granted – Expedited Procedures Grant; current until 21st November 2017. (Lodged 26th July 2002, Granted 22nd November 2002).  
**Sub-blocks:** 17, located 25km northwest of Nebo.  
**Rent:** Up-to-date. Next payment due 22nd November 2013 in the amount of $2,310.30.  
**Reporting:** Up-to-date. Annual report and statement of expenditure due 22nd December 2013.  
**Environmental Authority:** MIC201684910 Level 2, code compliant (EPSX00718213). Annual fee and return up-to-date.  
**Financial Assurance:** Current in the amount of $5,002.88.  
**Expenditure Commitment:** Minimum Expenditure for this exploration year is $55,000 and for next exploration year is $110,000.  
**Exclusions:** Any current Mining Claim, Mineral Development License or Mining Lease at the time of lodgment of the permit pursuant to section 132 of the MR Act.  
**Overlapping Tenements:** EPP 749 – CH4 Pty Ltd; EPP 1103 – CH4 Pty Ltd; ML 4738 – Queensland Coal Pty Limited; PSL 82 – Arrow Bowen Pipeline Pty Ltd. |
| **Pretoria Hill Project** | |
| EPC 2135 | **Holder:** Carabella Resources Limited (100%) – Joint venture agreement with Endocoal Limited.  
**Current Status:** Granted – Native Title Excluded; current until 31st July 2017. (Lodged 28th June 2010, Granted 1st August 2012).  
**Sub-blocks:** 128, located northwest of the township of Moranbah.  
**Rent:** Up-to-date. Next payment due 1st August 2014 in the amount of $17,395.20.  
**Reporting:** Up-to-date. Annual report and statement of expenditure due 1st September 2014.  
**Environmental Authority:** EPSX00541613 Level 2, code compliant.  
**Financial Assurance:** Current in the amount of $2,500.00.  
**Expenditure Commitment:** Minimum Expenditure for this exploration year is $256,000 and for the next exploration year is $288,000.  
**Exclusions:** n/a.  
**Overlapping Tenements:** EPM 19292 – Gold Fields Australasia Pty Ltd. |
<table>
<thead>
<tr>
<th>Tenement</th>
<th>Summary</th>
</tr>
</thead>
</table>
| **Meteor Downs South Project** | **MLA 70452**  
**Holder:** Endocoal Limited (100%)  
**Current Status:** Application – Exclusive Land. (Lodged 29th April 2011).  
**Area:** 1607Ha, located 30km southeast of Springsure.  
**Rent:** n/a.  
**Environmental Authority:** n/a.  
**Financial Assurance:** n/a.  
**Exclusions:** n/a.  
**Overlapping Tenements:** EPP 756 – OME Resources Australia Pty Ltd. |

| **Broughton Project** | **MLA 70511**  
**Holder:** U&D Mining Industry (Australia) Pty Ltd (80%) and Resource Portfolio Partners Pty Limited (20%).  
**Current Status:** Application – Exclusive Land. (Lodged 29th August 2013).  
**Area:** 2227Ha, located 25km northwest of Nebo.  
**Rent:** n/a.  
**Environmental Authority:** n/a.  
**Financial Assurance:** n/a.  
**Exclusions:** n/a.  
**Overlapping Tenements:** PSL 82 – Arrow Bowen Pipeline Pty Ltd; EPP 1103, 749 – CH4 Pty Ltd; PCA 140 – CH4 Pty Ltd. |
4 BACKGROUND INFORMATION – OBLIGATIONS OF EPC HOLDERS

The holder of an application for an EPC has none of the rights and obligations of the holder of a granted EPC. An applicant for an EPC is also precluded from transferring their interest in the application and must instead wait for the EPC to be granted before transferring the tenement.

The holder of a granted EPC has the following rights and obligations under the MR Act:

4.1 Rental and Royalties

The Holder must pay rental for the EPC calculated at $135.90 per sub-block in accordance with the *Mineral Resources Regulation 2013*. Rental for the first year of the term of an EPC is to be paid before the granting of the permit. On renewal of the EPC, rental is payable within 20 business days after the renewal is granted. Failure to comply with rent requirements is not in compliance with the MR Act and could result in the termination of a holder’s tenement (s138). The Holder does not acquire title to any minerals taken or discovered under the EPC unless the Minister consents. If the Minister consents, a royalty will be payable (s178).

4.2 Application for Superior Tenements

Subject to compliance with the MR Act, the holder of an EPC may be considered for grant in priority to all other persons, any number of Mineral Development Licenses (MDL) and Mining Leases (ML) in respect of any land specified in the EPC or mining leases for other purposes for which mining leases may be granted and may enter that land for the purpose of doing all acts necessary to comply with the MR Act relating to that application (s129).

4.3 Records and Reporting

The holder must give the following reports to the Minister:

(a) A report for each year of the term of the EPC, given within one month after each day that is an anniversary of the day the EPC takes effect;
(b) A report about reduction in the area of the EPC, given within two months after the reduction takes effect;
(c) A report summarising the results of exploration for the whole terms of the EPC, given within two months after the EPC ends;
(d) If required by the Minister, any other report about the EPC; and
(e) If required by the Minister, a report on materials obtained because of the holder’s activities under the EPC.

Failure to comply with the reporting requirements in not in compliance with the MR Act and could result in the termination of a holder’s tenement (s 141).

Within 14 days after discovery of any material of commercial value in what appears to be payable quantities within the area of the EPC, the holder must report to the Minister the discovery. The Minister may direct the holder of an EPC to apply for MDL or ML over all or part of the land specified in the EPC (s176).

4.4 Security

Before an EPC is granted or renewed or a condition of the permit is varied, the Minister must determine the amount of the security to be deposited by the Holder of that EPC as reasonable security for: (a) compliance with conditions of the EPC; (b) compliance with the provisions of the MR Act; (c) rectification of any actual damage that may be caused by any person whilst purporting to act under the authority of the EPC; and (d) amounts (other than penalties) payable to the State under the MR Act.
An EPC must not be granted or renewed, or a condition of an EPC must not be varied, until the applicant for the grant, renewal or variation deposits the security determined. If the Minister is satisfied a condition of an EPC has not been complied with or a provision of the MR Act has not been complied with in relation to an EPC or someone claiming to act under an EPC, or to have entered the land on the permit Holder’s instructions, caused any damage, the Minister may require the permit Holder to take the steps necessary to stop the noncompliance or repair the damage.

The Minister may use any of the security deposited by the Holder to stop the noncompliance or repair the damage. If security is utilised or the Minister considers that a further amount of security should be deposited in respect of that EPC, the Minister shall require the EPC Holder to deposit the further specified security.

If an EPC terminates, the Minister may, not earlier than six months after termination, refund to the Holder the amount of security deposited for the permit less the amounts the Minister consider should be kept towards: (a) remediating anything caused by noncompliance with the conditions of the permits or an order given by the Minister to the Holder; and (b) amounts (other than penalties) the Holder owes to the State under the MR Act (whether they become owing before or after termination) (s144).

4.5 Renewal

The Holder of an EPC may apply to the Minister for a renewal of the EPC. Any renewal application must be made no more than 6 months and no less than 3 months prior to expiry of the EPC. Until the renewal application is decided, the EPC continues in force. The application must be: (a) in the approved form; (b) accompanied by the prescribed fee; and (c) accompanied by a statement: (i) describing the program of work to be carried out if EPC renewed; and (ii) detailing the estimated human, technical and financial resources to be used to carry out the exploration work; and (iii) detailing the applicant’s financial and technical resources for carrying out the exploration work (s147).

The Minister may renew an EPC if the Minister is satisfied: (a) the Holder of the EPC has complied with: (i) the terms of the EPC; and (ii) the MR Act in relation to the EPC; (b) the activities to be undertaken during the renewed term are appropriate; (c) the financial and technical resources available to the Holder are appropriate; and (d) the public interest will not be adversely affected by the renewal. The renewal may be granted for a further term of not more than 5 years. The MR Act does not provide a limit to the number of times an EPC can be renewed. Renewal will be determined by the Minister in accordance with the provisions set out above and will specifically take into consideration whether the Holder complied with the conditions of the EPC during the previous term (s147A).

4.6 Conditions of EPC

The Holder of an EPC shall: (a) carry out programs of work and studies for which the EPC was granted in accordance with the MR Act and conditions of the EPC and for no other purpose; (b) carry out improvement restoration for the EPC; (c) prior to the termination of the EPC, remove all equipment and plant on or in the land comprised in the EPC unless authorised by the Minister; and (d) comply with the MR Act, any mining legislation and any conditions such as native title protection conditions determined by the Minister. The Holder shall not: (a) obstruct or interfere with any right of access had at any time during the term of the EPC by any person in respect of land subject of the EPC without prior written consent of the Minister; and (b) assign the EPC without the written consent of the Minister (s141).

4.7 Assessable Transfer

An EPC or an interest in an EPC may be transferred if: (a) the application for transfer is made in the approved form and lodged with the Office of State Revenue for stamp duty and the Chief Executive for assessment; (b) the application is accompanied by: (i) a statement by the transferee agreeing to the conditions of the EPC; (ii) the prescribed fee; and (c) it is approved by the Minister. Where there are two or more Holders of an EPC, an application for a transfer must be made by all Holders.

The Minister will not approve the proposed assignment unless the Minister is satisfied that the transferee has the human, technical and financial resources to comply with the conditions of the EPC (s318AAP, s318AAT, s318AAW).
4.8 Reduction in Land

The area of the EPC may be reduced in the way and to the extent decided by the Minister during its term according to the terms of the permit when issued or renewed. If the Minister so directs on reasonable grounds, the reduction of the area of land in respect of which a particular EPC applies may be more or less than that prescribed. At least 20 days prior to the date when the area of land is to be reduced, the Holder of the EPC shall make a submission to the Chief Executive identifying the sub-blocks of the land to which the Holder desires the EPC to apply after the reduction. Note that compensation is not payable for any of the aforementioned reductions (s139).

In addition to section 139, the Holder of the EPC may make a submission to the Chief Executive: (a) voluntarily reducing the area of land to which the permit applies; and (b) identifying the sub-blocks of land to which the Holder no longer wants the permit to apply (s140).

Where an MDL or a mining lease is granted upon application of the EPC Holder for the same land and mineral, the land to which the EPC formerly applied shall be reduced accordingly and the terms and conditions applying to the EPC may be varied by the Minister (s177).

4.9 Overlapping Tenements – Part 7AA of the Mineral Resources Act 1989, Petroleum Interests

Overlapping tenements which are of a particular interest to an EPC holder are primarily petroleum interests:


Such overlapping tenements must be considered as these can have implications for grant of an EPC as well as access to the tenement area for exploration purposes. Granting of an MDL or ML is also dependent on the practical implications for the development of the resource.

Some of the EPCs reported on, currently overlap with petroleum tenements. Where there is an overlapping petroleum interest, U&D must ensure compliance with the requirements of section 318CH and 318CI of the MR Act which contain provisions and restrictions in respect of exploration within the overlapping tenement.

Table 1 details all of U&D’s tenements with overlapping tenements (current as of 31st October 2013). In addition to petroleum interests, this also details other overlapping tenement types, such as Exploration Permits for Minerals (EPM), Potential Commercial Areas (PCA), Data Acquisition Area (DAA), MDLs, MLs and any competing EPCs.
5 BACKGROUND INFORMATION – OBLIGATIONS OF ML HOLDERS

The holder of a granted ML has a suite of rights and obligations under the MR Act:

5.1 Activities under the ML

The holder of the ML may enter and be within the land comprised in the mining lease, and upon the surface area comprised in the ML. The holder may do all such things as are permitted or required under the lease or by the MR Act (s235).

The holder of the ML may utilise, upon the land comprised in the ML and for any purpose permitted under the ML, sand, gravel or rock occurring in or on the land (s236).

5.2 Rental and Royalties

The holder must pay rental for the ML at $52.50 per hectare in accordance with Mineral Resources Regulation 2003 (Qld). Rental is payable within 20 business days from the grant of the ML until 31 August of that year (in proportion to the period of time the ML has been granted). For subsequent years, a full rental year’s rent is payable in advance not later than 31 August of the previous rental year (s290).

Failure to comply with the rental requirements is a breach of the conditions of the ML and could result in termination of the holder’s tenement (s276).

The holder of an ML must pay royalty as prescribed at the rate for that mineral. These rates are set out in the Mineral Resources Regulation 2003 (Qld). The holder must lodge a royalty return (s320).

The holder of an ML must keep accurate and proper accounting records necessary to determine the amount of royalty payable. These records must be retained for seven years (s326).

5.3 Security

The holder of an ML must deposit security for the lease to ensure the holder:

- complies with the conditions of the lease
- complies with the MR Act
- rectifies actual damage that may be caused by activities under the lease to pre-existing improvements for the lease
- pays amounts (other than penalties) payable under the MR Act to the State.

Before the holder of an ML starts operations under the lease, the holder must deposit the amount fixed by the Minister. The Minister shall review the amount of security held every five years from the grant of the ML. The Minister may also review the amount of security held if any of the security is used. After a review, the Minister may require the deposit of further security.

If the Minister is satisfied that any condition of the ML or any provision of the MR Act has not been complied with; or that damage has been caused by any person purporting to act under the authority of the ML, the Minister may require that person to take the steps necessary to rectify that non-compliance or damage.

After an ML has expired or been terminated, the Minister shall refund to the holder the amount of security deposited for the lease less the amounts the Minister consider should be retained for: (a) remedying any matters caused by non-compliance with the conditions of the ML or an order given by the Minister to the holder; (b) amounts (other than penalties) the holder owes to the State under the MR Act (whether before or after termination); and (c) rates and charges owing to a local government (s277).
5.4 Renewal

Upon the recommendation of the Minister that the land the subject of the ML is required for some purpose other than mining, the Governor in Council may grant the ML subject to the condition that the holder is not entitled to have the ML renewed (s285).

The holder of an ML may apply to the Minister for a renewal of the ML (subject to any conditions to the contrary). Any renewal application must be made no more than one year and no less than six months prior to expiry of the ML. The application must be: (a) in the approved form; (b) accompanied by the prescribed fee; and (c) accompanied by a statement describing: (i) the term for which the ML is to be renewed; (ii) the reason for the renewal; (iii) the proposed mining program and its method of operation; (iv) whether the operations to be carried on during the term of the renewed lease are an appropriate land use and will conform with sound land use management; (v) whether the land and surface area in relation to which the renewal is sought is of an appropriate size and shape for the activities proposed to be carried out under the renewed lease; (vi) the financial and technical resources available to the applicant to carry on mining operations under the renewed lease; and (vii) a description of the parcels of land, the current use of the land and the name and address of the owner of the land and the name and address of any other land which may be used to access the primary land (s286).

If the renewal application is not decided before the ML expires, and the holder continues to pay rental for the ML, the lease will continue in force and subject to the same rights, entitlements and obligations (s286C).

The Minister may renew an ML if the Minister is satisfied: (a) the holder of the ML has complied with: (i) the terms of the lease; and (ii) the MR Act in relation to the ML; (b) the land the subject of the lease still contains workable quantities of mineral or mineral-bearing ore or is otherwise required for purposes for which the lease was granted; (c) the proposed term of the renewed lease is appropriate; (d) the operations to be carried on during the renewed term of the lease are an appropriate land use and will conform with sound land use management; (e) the land and surface area for which the renewal is sought is of an appropriate size and shape in relation to the activities proposed to be carried out; and (f) the financial and technical resources available to the holder to carry on mining operations under the renewed lease are appropriate. The Minister may refuse the renewal if the Minister considers the renewal is not in the public interest. The renewal may be granted for a further term that is not longer than the period for which compensation has been agreed or determined. The MR Act does not limit the number of times an ML can be renewed (s286A).

Within 20 days of the renewal of an ML, the holder must give notice in the approved form to the owners of the parcels of land subject to the lease (s288).

5.5 Conditions of ML

The holder of an ML shall: (a) use the land comprised in the ML for the purpose for which the ML was granted and in accordance with this Act and the conditions of the ML; (b) carry out improvement restoration for the ML; (c) prior to the termination of the ML, remove all buildings, structures, equipment and plant on or in the land comprised in the ML unless authorised by the Minister; (d) give materials obtained under the holder’s mining operations to the Minister at the times, in the way and in quantities requested by written notice and (e) comply with the MR Act, any other mining legislation and any conditions determined by the Minister. The holder shall not: (a) obstruct or interfere with any right of access had by any person without the prior written consent of the Minister; and (b) assign or mortgage the ML without the written consent of the Minister (s276).

5.6 Variation of Conditions

The Governor in Council may vary the conditions of a ML upon the recommendation of the Minister and the agreement in writing of the holder of the ML (s294).

5.7 Compensation

An ML shall not be granted or renewed unless compensation has been determined between the applicant and each person who is the owner of land the surface of which is the subject of the application and of any surface access to the ML land (s279).
5.8 Transfer, Mortgage and Sublease

The holder of an ML may transfer, mortgage or sublease an ML if: (a) the mining registrar has approved the transaction; (b) the transaction is made in the approved form; and (c) the lodgement is accompanied by the prescribed fee. An application for transfer must not be approved unless the Minister is satisfied that the transferee has the human, technical and financial resources to comply with the conditions of the ML. A transfer or mortgage of an ML shall not be respect of only part of the land subject to the ML (s318AAP, s318AAT, s318AAW).
6 RESULTS OF INITIAL ANALYSIS – NATIVE TITLE AND CULTURAL HERITAGE

6.1 Scope of this analysis

This report relates to 32 Tenements in total, of which:

- 22 Tenements have been granted under the MR Act;
- 10 Tenements have been applied for under the MR Act.

This report summarises information that is publically available on Commonwealth and State government registers, relating to native title and cultural heritage. No investigations were conducted in relation to the tenement history of the land tenure which overlap the Tenement areas, for the purpose of identifying land in relation to which native title may be extinguished.

This report also outlines general information relating to native title and cultural heritage issues relevant to the Tenements. This report does not constitute legal advice. The content of this report is strictly limited to the matters it deals with and does not extend by implication or otherwise to any other matter.

6.2 Searches

6.2.1 Public enquiry report searches

ELP conducted public enquiry searches of the DNRM “Mines Online” database. ELP received results for all tenements on 25 October 2013.

6.2.2 Native Title searches

ELP conducted overlap analyses for the Tenements, which results includes information extracted from the NNTT registers. ELP received results for all tenements on 29 October 2013.

6.2.3 Cultural Heritage searches

ELP conducted searches of the DATSIMA cultural heritage database and registers. ELP received search results for all tenements on 30 October 2013.

6.3 Search results – public enquiry reports (native title category)

The State of Queensland attributes a native title category in its assessment of the native title status of a Tenement prior to grant, which then determines how the Tenement is granted.

6.3.1 Native Title category - Exclusive land

Nine of the Tenements have been granted as “exclusive land”; and 2 Tenements in application are characterised as “exclusive land”. The “Exclusive Land” category applies to Tenements where the State of Queensland has assessed that native title has been extinguished over 100% of the Tenement area.

There are nine native title claims currently on the register of native title claims and one claim on the schedule of applications, whose claim areas overlap “exclusive land” Tenements. Despite the existence of native title claims over “exclusive land” Tenements, DNRM has assessed that native title has been extinguished over 100% of the Tenement area.

6.3.2 Native title category - Native title excluded

Five of the Tenements were granted as “native title excluded land”. Under this category, the State of Queensland has assessed that native title may exist over up to 10% of the underlying land tenure area. The areas where native title may continue to exist are excluded from the grant.
6.3.3 Native title category – expedited procedures

Eight of the Tenements were granted under the expedited procedures; and five Tenements in application are to be processed subject to the expedited procedure.

Of those eight granted Tenements,

- Nil Tenements were issued under a “section 31 Deed” native title subcategory; and
- Six Tenements are subject to the NTPCs, but only four of these Tenements have a registered native title claim
  - at the end of notification and
  - as at the date of grant, and
  - still registered as at the date ELP conducted the searches listed in Section 6.2.2

such that there is currently a registered native title claim or determination for the NTPCs to apply to.

Current searches show that all five of the Tenements in application are intended by the State to issue subject to the Native Title Protection Conditions.

6.3.4 Native title category – “native title application assessment”

This category relates to Tenements in application only.

Three Tenements in application are being processed under the category of “native title application assessment”.

6.3.5 Tenements in application

As stated above, of the 10 Tenements in application, only 2 Tenements are categorised as “exclusive land”.

Of the 8 remaining Tenements in application,

- 3 Tenements are categorised as “native title application assessment”; and
- 5 Tenements are categorised as “expedited procedures processing”

These 8 Tenements will require a native title process to proceed to grant.

6.4 Search results - native title claims and determinations

Search results reveal that 2 of the 32 Tenements are not subject to either a currently registered native title claim or a native title claim on the Schedule of Applications, or a native title determination.

Of the 30 Tenements remaining,

- Two Tenements are overlapped by one native title determination;
- One Tenement is overlapped by one native title determination and one native title claim;
- Twenty Tenements are overlapped by various registered native title claims (detailed below);
- Seven Tenements are overlapped by a combination of registered claims and one native title claim on the schedule of applications; and
- Seven Tenements are overlapped solely by one native title claim on the Schedule of Applications.

Of the registered native title claimant groups,

- Gaangalu Nation overlaps 6 Tenements
- Karingbal People #2 overlaps 4 Tenements
- Western Kangalou overlaps 2 Tenements
- Bidjara People #7 overlaps 2 Tenements
- Bidjara People overlaps 3 Tenements
- Wangan and Jagalingou People overlaps 1 Tenement
- Wulli Wulli People overlaps 2 Tenements
- Karingbal People overlaps 1 Tenement
6.5 Search results – Indigenous Land Use Agreements

Twenty-two of the Tenements are subject to registered ILUAs. These 22 Tenements comprise 7 Tenements in application and 15 granted Tenements.

Some ILUAs overlap more than one Tenement. A total of 17 registered ILUAs and 3 ILUAs in notification overlap at least some part of the 22 Tenements.

6.6 Search results – Cultural heritage

For the purpose of complying with the cultural heritage duty of care guidelines, searches indicate there is an identified Aboriginal Party for all of the Tenements. Six of the Tenements have no identified Aboriginal party on current search results for part of the Tenement area. Additional searches may reveal additional Aboriginal parties for those areas where no Aboriginal party has been identified.

Seven Tenements have registered cultural heritage sites within the area of the Tenements. There are one or more Cultural Heritage Bodies whose registered areas overlap 20 of the Tenements.

Based on current search results, of the 32 Tenements,

- 17 Tenements have one Aboriginal party;
- 9 Tenements have two Aboriginal parties
- 6 Tenements have three or more Aboriginal parties.

Please note that the Barada Kabalbara Yetimarala People’s native title claim (QUD 383/2013) appears on the Register of Native Title Claims but does not appear as an Aboriginal party on the CHCU search results. The claim is yet to be notified.
7 BACKGROUND INFORMATION – PUBLIC ENQUIRY REPORTS & NATIVE TITLE TENEMENT GRANT CATEGORIES

DNRM may elect to grant a tenement under several categories relating to native title:

- Exclusive Land.
- Native Title Excluded (NT Excluded).
- Expedited Procedures resulting in an NTPC Grant.
- Expedited Procedures resulting in a s.31 Deed and Ancillary Agreement.

7.1 Exclusive Land and Native Title Excluded

Where native title is extinguished over most or all of the tenures underlying an exploration tenement, DNRM may elect to grant a tenement under either of two categories: “Exclusive Land” and “Native Title Excluded”.

- The “Exclusive Land” category applies to tenements where native title has been extinguished over 100% of the tenement area. Under this category, there are no properties excluded due to the extinguishment of native title. Native title need not be considered further in relation to this type of grant.
- The “Native Title Excluded” category applies where native title has been extinguished over more than 90% of the underlying tenures. Under this category, any tenures (up to 10% of the tenement area) where native title is assessed by the State government as still existing are excluded from the grant. As to which areas are included in the grant is a question for the tenement holder to work out.

Areas excluded from the original grant can be later added into the grant by application under section 176A of the MR Act. Such an application will normally lead to DNRM triggering the Expedited Procedures for the additional area.

7.2 Native Title Protection Conditions (NTPCs)

NTPCs are in a standard form and are designed to provide a means of minimising the impact of exploration activities on lands where native title rights may exist. The conditions set out a process for the parties to:

- Exchange information about the proposed exploration activities
- Meet and discuss those activities
- Conduct a field inspection together
- Reach agreement about ways of minimising the impacts of exploration activities, such as site protection measures, cultural heritage awareness, protecting cultural heritage finds and monitoring.

This report does not address any relevant agreements that may have been entered into with Native Title Parties in regard to the tenements.

The NTPCs identify:

- which Native Title Party or Parties the proponent must engage with;
- what the proponent and the Native Title Party must do before and during any exploration; and what occurs when timeframes specified in the NTPCs are not met.
8 BACKGROUND INFORMATION - NATIVE TITLE

8.1 What is native title?

Native title is the recognition by Australian law of a system of pre-existing rights and interests held by Indigenous people in relation to land stemming from their traditional laws and customs.

Native title is governed by the Native Title Act 1993 (Cth) (NT Act) which, amongst other things:

- provides for the recognition and protection of native title;
- provides a framework within which the Commonwealth and State governments can undertake 'future acts' which might have an impact on native title (such as the grant of a mining tenement); and
- provides native title holders and claimants with various procedural rights, including rights to negotiation, consultation and compensation.

Unless native title has been extinguished, tenements granted after 23 December 1996 will only be valid if the procedures under the NT Act have been complied with.

Whether or not there is a native title claim over a tenement area does not determine whether a project can proceed or not. If native title may continue to exist, then consideration should be given as to the costs and time that may become involved in negotiating either an agreement under the right to negotiate or an Indigenous Land Use Agreement so that the project can proceed.

8.1.1 The future act provisions of the NT Act

The State addresses native title in assessing every application for exploration or mining. Where a tenement application area is overlapped by a native title claim, the effect of the NT Act is to give those native title parties procedural rights, under either the “right to negotiate” (RTN) or the “expedited procedure”. Under either outcome, the result is a seat at the table to negotiate an agreement.

Areas included in a tenement application where native title is assessed by the State as having not been extinguished will be subject to the future act provisions under the NT Act. The notification process adds at the absolute minimum 6 months to the timeframe prior to grant as it requires public notification for 4 months.

8.1.2 Obtaining grant through the right to negotiate

Tenements notified subject to the RTN cannot be granted without either an arbitrated determination by the NNTT that the future act may be done (with or without conditions); or by reaching agreement with the native title parties whose claims overlap the tenement area.

The right to negotiate involves a structured process under which the proponent, the Queensland State government and the Native Title Parties must negotiate in good faith for six months, with a view to obtaining the agreement of the Native Title Party to the grant of the tenement (which agreement may be given subject to certain conditions).

If the parties are unable to agree in relation to the grant of the mining tenement within six months, any party may seek a determination by the NNTT. The NNTT may determine that the tenement be granted, that the tenement be granted subject to certain conditions or that the tenement not be granted.

8.1.3 Obtaining grant through the expedited procedure

The expedited procedure is a more streamlined process compared to the full RTN process, for the grant of those exploration permits where the State considers that the proponent’s proposed activities are not likely to interfere with any relevant Native Title Party’s community or social activities, or Aboriginal objects or sites of significance, or involve major disturbance to land or waters.
If an objection application is lodged, negotiations towards an agreement generally take an additional 3 to 6 months to complete, i.e. 9 – 12 months in total from the notification day.

Where no objections are lodged, the expedited procedure process ordinarily takes a minimum of 6 months from the date of the notice to completion. The State ordinarily makes the grant of the tenement subject to the “native title protection conditions”.

8.2 Native title claims on the schedule of applications

The Native Title Act sets out the procedures which must be followed when lodging an application for a determination of native title. These procedures require the Federal Court to refer a native title claim to the native title registrar who must then apply the registration test set out in the Native Title Act.

If the native title registrar considers that a claim satisfies the registration test, the claim is entered on the register of native title claims maintained by the NNTT. Registered native title claimants then obtain certain negotiation and procedural rights such as the ‘right to negotiate’.

8.3 Indigenous Land Use Agreements

An Indigenous Land Use Agreement (ILUA) is an agreement between a native title group and other parties about the use and management of land and waters. An ILUA provides a mechanism for native title groups to enter into binding contractual arrangements on behalf of their whole group through an authorisation and registration process.

The grant of an exploration permit over land where native title may exist would ordinarily require compliance with the right to negotiate procedures under the NT Act. An ILUA can be negotiated with the relevant native title parties to facilitate the grant of one or more tenements without the need to comply with the right to negotiate procedures.

An ILUA provides native title party consent so that an action may be undertaken. An ILUA will only address particular actions, eg granting of a tenement or the creation of a right to mine.

ILUAs can be entered into about matters such as:

- consent to the grant of a tenement for exploration or mining
- How native title rights are to coexist with the rights of other people
- Access to an area
- Extinguishment of native title
- Compensation for the loss or impairment of native title.

Once an agreement is finalised, parties to an ILUA can apply to the Native Title Registrar to have it registered. Once an ILUA is accepted for registration, it is placed on the NNTT’s Register of Indigenous Land Use Agreements and binds all parties to the terms of the Agreement.

The presence of an ILUA over the same area as a mining or exploration tenement does not necessarily mean that the ILUA will have any effect upon, or otherwise constrain, that tenement.

Looking at existing ILUAs can be useful in determining the relevant Aboriginal Party(s) for an area, eg where there is no registered Native Title Party.
9 BACKGROUND INFORMATION – ABORIGINAL CULTURAL HERITAGE

9.1 What is Aboriginal Cultural Heritage?

Aboriginal cultural heritage needs to be distinguished from native title. In Queensland, Aboriginal cultural heritage is defined under the *Aboriginal Cultural Heritage Act 2003 (Qld)* [ACH Act] as anything that is:

- a significant Aboriginal area in Queensland; or
- a significant Aboriginal object; or
- evidence, of archaeological or historic significance, of Aboriginal occupation of an area of Queensland.

In very broad terms:

- Aboriginal cultural heritage can exist on an area regardless of the nature of land tenure;
- Aboriginal cultural heritage can still be present in areas where native title has been extinguished;
- The existence of Aboriginal cultural heritage in an area does not mean that native title exists over that area; and
- the presence or absence of a native title claim over the tenement area is not determinative of the existence or otherwise of native title – the effect of a native title claim in relation to mining and exploration is that it gives the claimants a seat at the table to negotiate an agreement.

9.2 Indigenous cultural heritage

Cultural heritage considerations are ideally addressed at the planning phase. Indigenous cultural heritage is protected under the ACH Act and significant penalties (currently up to $1.1M) apply for damage and/or destruction to Indigenous cultural heritage. The object of the ACH Act and the gazetted Duty of Care Guideline is to provide recognition, protection and conservation of Aboriginal cultural heritage. The Act imposes a ‘duty of care’ on those persons conducting activities on land to take all reasonable and practicable measures to ensure the activity does not harm Aboriginal cultural heritage in conducting ground disturbing activities.

The duty of care can be met in a number of ways, including through

- agreement making with the relevant Aboriginal party. This report does not address whether agreements are in place in relation to the tenements.
- involving the Aboriginal party in meeting its duty of care.
- conducting Aboriginal cultural heritage inspections with the Aboriginal party. This process may be undertaken either under the auspices of a written cultural heritage management agreement (above) or in terms of an inspection process, that is preferably documented and agreed between the parties
- conducting searches of departmental databases for recorded significant sites and significant areas that may overlap the tenement area.

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)* (ATSHIPA) may apply to and protect significant Aboriginal areas and objects on the land underlying the Tenements. The ATSHIPA aims to preserve and protect from injury or desecration areas and objects that are of particular significance to Aboriginal people in accordance with Aboriginal tradition. If the Minister considers that a significant Aboriginal area or object is under threat of injury or desecration, the Minister can make a declaration providing for the protection and preservation of the area or object. It is an offence to contravene a declaration or to damage, deface, or interfere with an Aboriginal object or place.
10. Financial Information
10.1 Introduction

This section contains financial information for the Company and its subsidiaries (the Group). All financial information set out in this section has been prepared by the Directors and should be read in conjunction with the other information contained in this section, the Investigating Accountant’s Report included in Section 11, the risk factors included in Section 6 and other information contained in the Prospectus.

The financial information comprises the Pro Forma Financial Information, being the:

- consolidated historical statements of comprehensive income for FY2012 and FY2013 (Proforma Income Statements);
- consolidated historical cash flow statements for FY2012 and FY2013 (Pro Forma Cash flow Statements); and
- proforma consolidated balance sheet as at 30 June 2013 (Pro Forma Balance Sheet), which assumes completion of the pro forma transactions disclosed in Section 10 (Pro Forma Transactions).

(a) Basis of preparation

The Company was incorporated on 19 September 2013, but will not undertake any trading activities until completion of the Offer, being the date that the Offer and the acquisition of U&D Mining by the Company completes (which is scheduled to occur on immediately prior to Completion of the Offer). The Company currently has Net Assets and Share Capital of $1.

U&D Mining, which will become a controlled entity of the Company upon completion of the Offer, owns the exploration tenements. The FY2012 and FY2013 financial statements of U&D Mining have been audited by PricewaterhouseCoopers (PwC), who issued unqualified opinions in respect of both periods. Further information on the Group structure is set out in Section 3.1. The Pro Forma Financial Information has also been reviewed and reported on by PricewaterhouseCoopers Securities Ltd (PwCS), as set out in the Investigating Accountant’s Report in Section 11. Investors should note the scope and limitations of the Investigating Accountant’s Report.

The financial information has been prepared in accordance with the measurement and recognition criteria of Australian Accounting Standards. The financial information presented in this report is in an abbreviated form insofar as it does not include all the disclosures required in a financial report prepared in accordance with Australian Accounting Standards and the Corporations Act. You can obtain a full copy of the annual financial report with all required disclosure from the Company’s website. (www.udcoal.com.au).

The financial information in this section should be read in conjunction with the summary of significant accounting policies as set out in Section 10. The significant accounting policies have been included to assist in a general understanding of the Pro Forma Financial Information presented in Section 10. In addition, applicable notes to the financial information have been included in the relevant sections noted above to assist the reader to better understand a number of areas of interest from a financial perspective.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand.

Pro Forma Income Statements and Pro Forma Cash Flow Statements

The Company has determined that the acquisition of U&D Mining on completion of the Offer does not represent a business combination as outlined in Australian Accounting Standard AASB3 (AASB3) for accounting purposes. The appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. The Proforma Financial Information included in this Prospectus has therefore been prepared as a continuation of U&D Mining’s financial statements as if the acquisition occurred on 26 August 2011. Accordingly, no fair value adjustments or goodwill has been recognised.
Preparation of Pro Forma Income Statements and Pro Forma Cash Flow Statements

There are no actual historical consolidated results for U&D Coal Limited. They have been extracted from the audited historical consolidated statutory financial statements of U&D Mining for FY2012 and FY2013.

Investors should note that past results do not guarantee future performance.

Preparation of Pro Forma Balance Sheet

The Pro Forma Balance Sheet has been derived from the statutory consolidated balance sheet of U&D Mining as at 30 June 2013 after adjusting for the Pro Forma Transactions outlined in Section 10.

The Pro Forma Balance Sheet does not represent the Company’s actual financial position. It addresses a hypothetical situation and is prepared for illustrative purposes only.

10.2 Historical consolidated statement of comprehensive income

The following table sets out the consolidated historical statements of comprehensive income for FY2012 and FY2013.

<table>
<thead>
<tr>
<th></th>
<th>FY2013 1 ($ 000's)</th>
<th>FY2012 2 ($ 000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from continuing operations</td>
<td>723</td>
<td>121</td>
</tr>
<tr>
<td>Employee benefit expenses</td>
<td>(905)</td>
<td>(3)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(680)</td>
<td>(0)</td>
</tr>
<tr>
<td>Corporate consultants costs</td>
<td>(333)</td>
<td>(1)</td>
</tr>
<tr>
<td>Corporate office costs</td>
<td>(286)</td>
<td>(19)</td>
</tr>
<tr>
<td>Accountancy and audit expenses</td>
<td>(145)</td>
<td>(4)</td>
</tr>
<tr>
<td>Travel and accommodation expenses</td>
<td>(44)</td>
<td>(6)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(40)</td>
<td>-</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(16)</td>
<td>-</td>
</tr>
<tr>
<td>Business combination acquisition costs</td>
<td>(697)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit / (Loss) before income tax</strong></td>
<td>(2,423)</td>
<td>88</td>
</tr>
<tr>
<td><strong>Income tax (expense) / benefit</strong></td>
<td>-</td>
<td>(26)</td>
</tr>
<tr>
<td><strong>Profit / (Loss) for the year</strong></td>
<td>(2,423)</td>
<td>61</td>
</tr>
<tr>
<td>Other comprehensive income for the year, net of tax</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive profit / (loss) for the year attributable to the owners of U&amp;D Mining Industry (Australia) Pty Ltd</strong></td>
<td>(2,423)</td>
<td>61</td>
</tr>
</tbody>
</table>
1. Includes contributed revenues of $7 thousand and a net loss of $362 thousand from subsidiary Endocoal from the date of acquisition, being 7 May 2013

2. Reflects the period from incorporation of U&D Mining on 26 August 2011 to 30 June 2012.

The Company’s principal activity is the identification, exploration, development and mining of coal deposits. The Company’s assets are in the pre-development stage and no mining operations have taken place on these tenements. As a result, the Group has not yet generated any revenue from its operations. The Group’s only revenue on a consolidated basis for FY2012 and FY2013 is from interest received on funds invested.

While the Group’s principal operational activity consists of exploration and evaluation expenditure, these costs are currently capitalised in line with the Group’s accounting policy, and are therefore not reflected in the consolidated statement of comprehensive income.

The main operational expenses recorded in the consolidated statement of comprehensive income are employee benefit expenses, financing and interest costs, corporate consultants’ costs and the costs associated with the corporate office. The company incurred $0.7 million of acquisition costs associated with the Endocoal Limited transaction in FY2013.

10.3 Historical consolidated statement of cash flows

The following table sets out the consolidated historical cash flow statements for FY2012 and FY2013.

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>FY2013 (^1) ($(\text{000}'s))</th>
<th>FY2012 (^2) ($(\text{000}'s))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments to suppliers and employees (inclusive of goods and services tax)</td>
<td>(4,675)</td>
<td>(45)</td>
</tr>
<tr>
<td>Interest received</td>
<td>723</td>
<td>121</td>
</tr>
<tr>
<td>Finance costs paid</td>
<td>(680)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash outflow from operating activities</strong></td>
<td>(4,632)</td>
<td>76</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments for acquisition of subsidiary net of cash acquired</td>
<td>(74,883)</td>
<td>(5,050)</td>
</tr>
<tr>
<td>Payments for acquisition of tenements</td>
<td>-</td>
<td>(20,352)</td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>(294)</td>
<td>(8)</td>
</tr>
<tr>
<td>Payments for tenement development costs</td>
<td>(1,756)</td>
<td>-</td>
</tr>
<tr>
<td>Advances relating to Wiggins Island Coal Export Terminal (WICET)</td>
<td>(4)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from sale of plant and equipment</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash outflow from investing activities</strong></td>
<td>(76,935)</td>
<td>(25,414)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net proceeds from issue of shares</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from other shareholder contributions</td>
<td>22,353</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>201,725</td>
<td>30,901</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(136,730)</td>
<td>(5,520)</td>
</tr>
<tr>
<td><strong>Net cash inflow from financing activities</strong></td>
<td>87,348</td>
<td>25,381</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net increase in cash and cash equivalents</th>
<th>FY2013 (^1) ($(\text{000}'s))</th>
<th>FY2012 (^2) ($(\text{000}'s))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>5,781</td>
<td>42</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>42</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>5,824</td>
<td>42</td>
</tr>
</tbody>
</table>
1. Includes the contribution from subsidiary Endocoal from the date of acquisition, being 7 May 2013.

2. Reflects the period from incorporation of U&D Mining on 26 August 2011 to 30 June 2012.

The net cash outflows from operating activities for FY2013 were $4.6 million. Apart from the usual operating activities reflected through the consolidated statement of comprehensive income for the year, the Group settled a significant creditor ($3.2 million) recognised by Endocoal Limited at the date of its acquisition.

The net cash outflows from investing activities for FY2013 were $76.9 million mainly due to the investment in acquiring Endocoal Limited. The payments for the acquisition are net of the $0.3 million cash acquired, and include the cash consideration paid for shares, rights and options of $72.1 million and loans provided to the target prior to acquisition of $3.1 million.

The net cash outflows from investing activities for FY2012 were $25.4 million mainly due to the investment in acquiring the EPC 818 Broughton tenement. The payment was split with 80% $20.5 million paid to Arch Coal as an asset purchase and 20% $5.1 million paid to acquire the subsidiary Resource Portfolio Partners Pty Ltd.

The net cash inflows from financing activities for FY2013 were $87.3 million comprising net proceeds from a loan with the China Construction Bank Corporation of $70.0 million to fund the acquisition of Endocoal Limited and capital investments from shareholders of $22.4 million to Equity fund the acquisition of EPC 818 purchased in the previous year and to repay prior year borrowings.

The net cash inflows from financing activities for FY2012 were $25.4 million comprising net borrowings to fund the acquisition of EPC 818.

10.4. Pro forma consolidated balance sheet

The table below sets out the adjustments that have been made to the audited statutory consolidated balance sheet for U&D Mining as at 30 June 2013 (Pro Forma Transactions) to prepare a pro forma consolidated historical balance sheet for the Company reflecting:

- total proceeds from the Offer equal to the Maximum Subscription ($125.0 million)
- the impact of the operating and capital structure that will be in place following completion of the Offer as if they had occurred or were in place as at 30 June 2013
- the purchase of U&D Mining (Industry) Australia Pty Ltd is conditional upon the successful completion of the Offer and the conditions outlined in section 12.4.
<table>
<thead>
<tr>
<th>Audited Statutory U&amp;D Mining Industry (Australia) Pty Ltd</th>
<th>Pro forma based on Minimum transactions</th>
<th>Pro forma based on Maximum transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 30 June 2013 ($ 000's)</td>
<td>($ 000's)</td>
<td>($ 000's)</td>
</tr>
</tbody>
</table>

**ASSETS**

**Current assets**

Cash and cash equivalents 5,824  44,075  49,899  114,575  120,399

Trade and other receivables 5,282  -  5,282  -  5,282

Total current assets 11,106  44,075  55,181  114,575  125,681

**Non-current assets**

Receivables 585  -  585  -  585

Intangibles 400  -  400  -  400

Investment accounted for using the equity method 46  -  46  -  46

Property, plant and equipment 458  -  458  -  458

Exploration and evaluation expenditure 104,403  -  104,403  -  104,403

Total non-current assets 105,892  -  105,892  -  105,892

Total assets 116,997  44,075  161,073  114,575  231,572

**LIABILITIES**

**Current liabilities**

Trade and other payables 1,525  -  1,525  -  1,525

Borrowings 70,000  (70,000)  -  (70,000)  -  70,000  -  70,000  -

Provisions 79  -  79  -  79

Current tax liability 26  -  26  -  26

Total current liabilities 71,630  (70,000)  1,630  (70,000)  1,630

**Non-current liabilities**

Borrowings  -  70,000  70,000  70,000  70,000

Total non-current liabilities  -  70,000  70,000  70,000  70,000

Total liabilities 71,630  -  71,630  -  71,630

Net assets 45,367  44,075  89,443  114,575  159,942

**EQUITY**

Contributed equity 47,729  35,292  83,021  100,864  148,593

Share option reserve  -  9,730  9,730  14,595  14,595

Accumulated losses (2,362)  (947)  (3,309)  (884)  (3,246)

Total equity 45,367  44,075  89,443  114,575  159,942
(a) Pro forma transactions

1. Under the Minimum Subscription Cash increases by $44.1 million as a result of receipt of cash proceeds from the Offer ($50.0 million), offset by payments for costs of the Offer ($5.9 million).
   Under the Maximum Subscription Cash increases by $114.6 million as a result of receipt of cash proceeds from the Offer ($125.0 million), offset by payments for costs of the Offer ($10.4 million).

2. Reclassification of the $70.0 million CCB Loan to reflect the extension of the repayment date from 28 May 2014 to 28 May 2016. Refer to Section 12.4 for further details.

3. Under the Minimum Subscription Contributed equity increases by $35.3 million as a result of the issue of Shares to new Shareholders ($50.0 million) offset by the capitalised costs of the Offer ($5.0 million) and the allocation of Share proceeds to the share option reserve. Refer to section 10.5.2 for further details.
   Under the Maximum Subscription Contributed equity increases by $100.9 million as a result of the issue of Shares to new Shareholders ($125.0 million) offset by the capitalised costs of the Offer ($9.5 million) and the allocation of Share proceeds to the share option reserve. Refer to section 10.5.2 for further details.

4. The share option reserve increases by $9.7 million under the Minimum Subscription and $14.6 million under the Maximum Subscription as a result of the allocation of value to the Options that accompany the New Shares in the Offer. The Options have been valued using a Black Scholes Option Pricing Model.

5. Accumulated losses increase by $0.9 million as a result of costs of the Offer that are expensed.

10.5 Notes to the historical and pro forma financial statements

The following section contains selected notes to the Historical Financial Information and Pro Forma Financial Information, which has been included to assist potential investors to better understand the basis of the financial information. You can obtain a full copy of the annual financial report with all required note disclosures from the Company’s website. (www.udcoal.com.au)

10.5.1 Liquidity and capital resources

Historically, the Group’s cash requirements have been funded via related party loans, contributed equity from shareholders and bank loans guaranteed by the shareholders. All related party loans and receivables have been settled at the date of this Prospectus. The Group has a $70.0 million loan from China Construction Bank Corporation which is due for repayment on 28 May 2016. In addition, Existing Shareholders have contributed equity of $47.7 million up to the date of this Prospectus. Refer to Section 12.4 for further details.

The Company expects to raise gross proceeds of between $50 million and $125 million through the Offer, and together with the working capital on hand at 30 June 2013, the Directors believe that this will be sufficient to meet the use of funds outlined in Section 1.1 of this prospectus.

10.5.2 Contributed equity

Prior to listing, the Company had 100 ordinary shares on issue at $1.00 per share, and other contributed equity of $47.7 million.

Existing contributed equity at 30 June 2013 will be converted to ordinary share capital in the Company. Due to the principles of a reverse acquisition by U&D Mining of the Company, the Shares issued to Existing Shareholders will not affect the dollar value of contributed equity.
10.5.3 Off balance sheet arrangements

As at 30 June 2013, the Group has non-cancellable operating leases for office facilities with leased terms of two years (Sydney) and three years (Brisbane), with an option to extend the Brisbane office facility for a further three year period. The Group does not have the option to purchase the leased asset at the expiry of the lease period. The Group does not have any other off balance sheet arrangements that have or are reasonably likely to have a material current or future effect on its financial condition, changes in financial condition, revenues or expenses, liquidity, capital expenditure or capital resources.

10.5.4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group has tax losses. The Directors have not recognised a deferred tax asset in relation to the tax losses. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and loss and is also contingent on the ability of the Group being able to satisfy either the Continuity of Ownership Test or the Same Business Test.

10.6 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Information are set out below.

Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of U&D Mining as at 30 June 2013 and the results of the subsidiaries for the year then ended. U&D Mining and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or converting are considered when
assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity accounting method of accounting, after initially being recognised at cost. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 26).

The Group’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying value amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment to the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Income tax

The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(i) Tax consolidation

U&D Mining and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation. It is intended that prior to the time of listing the Company will become part of the tax consolidated group.

The current head entity, U&D Mining, and the controlled entity in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, U&D Mining also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the controlled entity in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.
Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Tenement exploration, evaluation and development expenditure
Exploration, evaluation and development expenditure costs are accumulated in respect of each separate area of interest. These costs include the costs of mapping, drilling, analysis and testing in an area of interest. They include administrative and general expenses where those costs are directly attributable to the exploration and evaluation activity.

Exploration and evaluation costs, recognised at cost, are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through the sale or successful development and exploration of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

Carried forward costs will be amortised over the life of the underlying operation for successful exploitation of the area of interest or offset against revenue through the sale of the area of interest.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment of liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash asset transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in profit or loss as finance costs.
11. Investigating Accountant’s Report
Dear Directors

Investigating Accountant’s Report

Independent Limited Assurance Report on U&D Coal Limited pro forma historical financial information and Financial Services Guide

We have been engaged by U&D Coal Limited (the Company) to report on the pro forma historical financial information of the Company for the years ended 30 June 2012 and 30 June 2013 for inclusion in the replacement prospectus dated on or about 5 December 2013 and relating to the issue of shares in the proposed initial public offering and listing on the Australian Securities Exchange (the Offer Document).

Expressions and terms defined in the Offer Document have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant’s Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Background

U&D Coal Limited is a newly formed public company incorporated in Australia. It was registered as a limited liability public company on 19 September 2013. On completion of the Offer, U&D Coal Limited will hold a 100% interest in U&D Mining Industry (Australia) Pty Ltd which holds interests in exploration tenements located in the Bowen Basin in Queensland, Australia.

Scope

Pro Forma historical financial information

You have requested PricewaterhouseCoopers Securities Ltd to review the following pro forma historical financial information of the Company included in the Offer Document (Pro Forma Financial Information), being:

----------

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
the pro forma consolidated statements of comprehensive income for the 10 months ended 30 June 2012 and the year ended 30 June 2013

the pro forma consolidated cash flow statements for the 10 months ended 30 June 2012 and the year ended 30 June 2013

the pro forma consolidated balance sheet as at 30 June 2013.

The proforma historical financial information has been derived from the audited historical consolidated statutory financial statements of U&D Mining Industry (Australia) Pty Ltd for the financial years ended 30 June 2012 and 30 June 2013, adjusted for the effects of pro forma adjustments described in section 10 of the Offer Document to reflect the completion of the Offer.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company’s adopted accounting policies applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 10 of the Offer Document, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company’s actual or prospective financial position and/or financial performance.

Directors’ responsibility

The directors of the Company are responsible for the preparation of the historical financial information and pro forma historical financial information, including its basis of preparation and the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.
Conclusions

Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information of the Company as described in section 10 of the Offer Document, and comprising:

- the pro forma consolidated statements of comprehensive income for the 10 months ended 30 June 2012 and the year ended 30 June 2013
- the pro forma consolidated cash flow statements for the 10 months ended 30 June 2012 and the year ended 30 June 2013
- the pro forma consolidated balance sheet as at 30 June 2013

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 10 of the Offer Document being the recognition and measurement principles contained in Australian Accounting Standards and the Company’s adopted accounting policies applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 10 of the Offer Document, as if those events or transactions had occurred as at the date of the historical financial information.

Restriction on Use

Without modifying our conclusions, we draw attention to section 10 of the Offer Document, which describes the purpose of the financial information, being for inclusion in the Offer Document. As a result, the financial information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Offer Document. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Offer Document.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this initial public offering other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.
Financial Services Guide
We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Wim Blom
Authorised Representative of
PricewaterhouseCoopers Securities Ltd
Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 20 November 2013

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence No 244572) (PwC Securities) has been engaged by U&D Coal Limited (U&D) to provide a report in the form of an Independent Accountants Report in relation to the issue of shares in the proposed initial public offering and listing on the Australian Securities Exchange (the Report) for inclusion in the prospectus dated on or about 30 November 2013 (the Offer Document).

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of
Australian Financial Services Licence No 244572
Riverside Centre, 129 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report the estimate of our fees is approximately $55,000 (exclusive of GST and out of pocket expenses) estimated as at 20 November 2013.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers was the auditor of U&D for the year ended 30 June 2013.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service (FOS), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Wim Blom
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
12. Additional Information
12.1 Rights and liabilities attaching to Shares

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, ASX Listing Rules and general law.

A summary of the significant rights attaching to the Shares and a description of other material provisions of the Constitution is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company will be admitted to the official list of ASX.

(a) Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

(b) Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules.

(c) Dividends

The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment.

(d) Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

(e) Issue of further Shares

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Company may issue, or grant options in respect of further Shares on such terms and conditions as the Directors resolve.

(f) Winding up

If the Company is wound up, then subject to any rights or restrictions attached to a class of Shares, any surplus must be divided amongst Shareholders in proportion to the number of Shares held by them. The amount unpaid on Shares held by a member is to be deducted from the amount that would otherwise be distributed to that member.

(g) Unmarketable parcels

Subject to the Corporations Act and ASX Listing Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

(h) Share buy-backs

Subject to the Corporations Act and ASX Listing Rules, the Company may buy back Shares in itself on terms and at times determined by the Board.

(i) Variation of class rights

The Company’s only class of shares on issue is fully paid ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:
• by special resolution of the company and with the consent in writing of the holders of three quarters of the issued shares included in that class; or
• by special resolution of the company and by a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.

(j) Directors – appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is fixed by the Directors but may not be more than 10 unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that generally one-third of the Directors (excluding any Managing Director) plus any Director who has held office for three or more annual general meeting retire at each general meeting of the Company. A Director retiring by rotation is eligible for re-election.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the Directors, who will then hold office until the next annual general meeting of the Company.

(k) Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote.

(l) Directors – remuneration

The Constitution provides that non-executive Directors are entitled to such remuneration as determined by the Directors but which must not exceed in aggregate maximum of $500,000 per annum or such other maximum amount determined by Shareholders at a general meeting. Non-executive Director remuneration is described in detail in Section 5.3 of this Prospectus.

(m) Indemnities

The Company, to the extent permitted by law, indemnifies each Director against any liability incurred by that person as an officer of the Company or its Related Bodies Corporate. The Company, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring a Director against any liability incurred by that person as an officer of the Company or its Related Bodies Corporate and legal costs incurred by that person in defending an action for a liability of that person.

The Company, to the extent permitted by law, may enter into an agreement or deed with a Director or a person who is, or has been, an officer of the Company or its Related Bodies Corporate, under which the Company must do all of the following:

• allow either or both the person and that person’s advisers access to the books kept by the Company on the terms agreed;
• indemnify that person against any liability incurred by that person as an officer of the Company or its Related Bodies Corporate and legal costs incurred by that person in defending an action for a liability of that person;
• make a payment (whether by way of advance, loan or otherwise) to that person in respect of legal costs incurred by that person in defending an action for a liability of that person; and
• keep that person insured in respect of any act or omission by that person while a Director or an officer of the Company or its Related Bodies Corporate, on the terms agreed (including as to payment of all or part of the premium for the contract for insurance).
(n) Amendment

The Constitution can only be amended by special resolution passed by at least three-quarters of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company. The Company must give at least 28 days written notice of a general meeting of the Company.

12.2 Terms and conditions of unlisted Options

The terms and conditions of the Options are set out below. Note that the Majority Shareholder, to the extent it may participate in the Offer, has agreed not to participate in any issue of Option.

Each Option entitles the holder, on exercise of the Option at the respective price of that option tranche, to subscribe for one fully paid ordinary share in the capital of the Company.

The expiry date of the Options (Expiry Dates) are:

(i) Tranche 1 Option will expire at 5.00pm (AEST), on the day which is the first anniversary of the Listing Date;

(ii) Tranche 2 Option will expire at 5.00pm (AEST), on the day which is the second anniversary of the Listing Date; and

(iii) Tranche 3 Option will expire at 5.00pm (AEST), on the day which is the third anniversary of the Listing Date.

No amount is payable on issue of the Options and the options are only offered to Applicants other than the Existing Shareholders.

The Options will not be listed for official quotation on ASX and therefore will not be publicly tradable.

The Options do not confer any right to dividends and the holder is not entitled to participate in any new issue to the then Existing Shareholders of the Company during the currency of the Option.

If there is a bonus issue, the number of underlying Shares over which the Option is exercisable is increased by the number of Shares which the option holder would have received if the option had been exercised before the record date of the bonus issue. If there is a pro-rata issue and no Share has been issued in respect of an option before the record date for determining entitlements to the issue, the exercise price of the options will be adjusted in the manner provided for in the Listing Rules. If there is a reorganisation of capital of the Company, the rights of the option holders will be amended in accordance with the Listing Rules.

The Options can be exercised at any time during the period commencing on the Listing Date and ending on or before the relevant Expiry Dates (Exercise Period) by delivery to the Company a written exercise notice and payment. The Options may only be exercised in multiples of 1,000 or by all. An Option will be deemed to have been exercised on the first business day after the last business day of each February, May, August and November (Deemed Exercise Date) that occurs immediately after the date on which the Company receives the relevant exercise notice.

After receiving the exercise notice and payment, the Company must within 15 business days after the Deemed Exercise Date, issue the corresponding number of fully paid ordinary shares in the capital of the Company.

All Shares issued and allotted on the exercise of Options rank in all respects pari passu with the existing ordinary shares of the Company in all respects.
12.3 Employee and Executive Option Plan

The Company has adopted an Employee and Executive Option Plan (Option Plan) to motivate senior management, staff and Directors to achieve performance targets of the Company or their respective business units. The key terms of the Option Plan are summarised below:

Under the Option Plan, the Company may issue options to subscribe for Shares in the Company to its Eligible Employees. Eligible Employees are defined as:

(i) a full time or part time employee of the Group;
(ii) a director of a body corporate in the Group who holds a salaried employment or office in a body corporate in the Group; and
(iii) a Director.

No options can be issued to Directors or their associates pursuant to the Option Plan in the absence of the Shareholders approval of the Company.

A Plan Committee (which is to be either the Board or a committee of the Board) is established to administer the Option Plan.

The Company will not seek official quotation of the options.

An Eligible Employee may accept an Offer in whole or in part, in multiples of 100 options or another multiple of options as the Plan Committee may allow. An Eligible Employee cannot accept less than the number of options that would constitute the minimum parcel determined by the Plan Committee.

The Plan Committee has discretion to determine the specific terms and conditions applying to each offer under the Option Plan including the issue price and the exercise price (if any). The options are personal to the Participant and cannot be exercised by another person.

The options may be exercised prior to the expiry date determined by the Plan Committee. Any options not exercised by the expiry date will lapse.

The options may be exercised in whole or part by a notice of exercise to the Company with payment of the required exercise price (to the extent applicable). Upon receipt of the payment, the Company must as soon as practicable, issue and allot the required number of Share, which will rank pari passu with all previously issued Shares.

The Shares acquired under exercise of the options are subject to disposal restrictions such that a Participant is not entitled to deal in the Shares acquired unless the Participant gives notice to the Company applying to withdraw Shares from the Option Plan. If a Participant ceases employment with the Company, is dismissed for cause, has acted fraudulently or dishonestly, is in the Plan Committee’s reasonable opinion in serious breach of duty to the Company, or in the Plan Committee’s reasonable opinion, the participant has brought the Company into serious disrepute, the participant’s options will lapse.

The Plan Committee may determine the option should lapse when an Eligible Employee:

(i) has been terminated his employment due to special circumstances (being total and permanent disability, redundancy, death or retirement);
(ii) has been dismissed or removed from office for a reason which entitles a body corporate in the Group to dismiss him without notice;
(iii) has committed an act of fraud, defalcation or gross misconduct in relation to the affairs of that body corporate (whether or not charged with an offence);
(iv) has done an act which brings the Group or any body corporate in the Group into disrepute;
(v) has been convicted on indictment of an offence against the Corporations Act in connection with the affairs of the Company or any body corporate in the Group;
(vi) has had a judgement entered against him or her in civil proceedings in respect of the contravention by the Participant of his or her duties at law, in equity or under statute in his or her capacity as an executive or Director of the Company or any body corporate in the Group; or
Additional Information

(vii) has breached the Company’s policy (if any) on hedging of long term incentives.

Option holders may only participate in new issues of securities if the option held by the relevant holders has been exercised and Shares have been allotted before the record date for the determination of entitlements to the new issue. If there is a bonus issue, the number of underlying Shares over which the option is exercisable is increased by the number of Shares which the option holder would have received if the option had been exercised before the record date of the bonus issue. If there is a pro-rata issue and no Share has been issued in respect of an option before the record date for determining entitlements to the issue, the exercise price of the options will be adjusted in the manner provided for in the Listing Rules. If there is a reorganisation of capital of the Company, the rights of the option holders will be amended in accordance with the Listing Rules. If a resolution for a member’s voluntary winding up of the Company is proposed, the Plan Committee may, in its absolute discretion, give written notice to the participants of the proposed resolution, who may, subject to the relevant exercise conditions, exercise their options provided that they are not expired.

The Company must not offer options under the Option Plan if the total number of Shares which would be issued if those options were exercised would exceed 5% of the total number of issued Shares of that class when aggregated with:

(viii) the total number of Shares which would be issued (including under all outstanding options which have been granted but not exercised, lapsed or expired); and
(ix) the number of Shares issued during the previous five years pursuant to the Option Plan or any employee share plan of the Company,

but disregarding any offer made, or option acquired or Share issued by way of or as a result of:

(x) an offer to a person situated outside Australia;
(xi) an offer that was an excluded offer or invitation within the meaning of the Corporations Act;
(xii) an offer that does not need disclosure to investors because of section 708 of the Corporations Act;
(xiii) an offer that did not require the giving of a product disclosure statement because of section 1012D of the Corporations Act; or
(xiv) an offer made under a disclosure document or product disclosure statement.

An option holder has no interest in a Share the subject of an option held by the him unless and until the Share is issued to that option holder pursuant to the exercise of an option and does not have any rights to dividends, rights to vote or rights to the capital of the Company as a result of holding an option. Subject to the Corporations Act and the Constitution, options holders will not have any right to attend or vote at general meetings of holders of Shares.

Shares acquired under the Option Plan pursuant to exercise of options may be subject to restriction on disposal for period determined, varied or waived by the Plan Committee.

The Plan Committee or Board may amend the rules of the Option Plan at any time, subject to the Listing Rules.

As at the date of this Prospectus, the Company has not granted any options under the Option Plan.

12.4 Material Agreements

The Directors consider that certain agreements are material to the Company or are of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for New Shares (Material Agreements).

The provisions of the Material Agreements are summarised below. As this section only contains a summary, the provisions of each agreement are not fully described. To understand fully all rights and obligations pertaining to the Material Agreements, it would be necessary to read them in full.
(a) **Facility Agreement**

U&D Mining (**Borrower**) entered into a facility agreement (**Facility Agreement**) with China Construction Bank Corporation, Sydney Branch (**Lender**), together with certain ancillary documents (together, **Finance Documents**) on or about 23 May 2013. The material terms of the loan facility granted under the Facility Agreement (**Facility**) (as amended by an amendment and restatement deed dated on or about 15 November 2013) are set out below:

**Overview**

**Lender:** China Construction Bank Corporation, Sydney Branch;

**Borrower:** U&D Mining;

**Guarantors:** KQ, Kunlun and Golden Globe;

**Facility limit:** A$70,000,000;

**Establishment fee:** A$70,000 payable on the day the cash advance is made by the Lender to the Borrower;

**Payment of interest:** one month, payable in arrears on the cash advance on the last business day of each month period;

**Interest rate:** 3 months BBSY plus a 0.9% margin rate; and

**Repayment date:** A business day falling on or before:

(i) 28 May 2016;

(ii) the date the Facility is cancelled; or

(iii) the date the Facility is terminated or otherwise ends.

The Borrower may not re-borrow any part of the Facility which is repaid and the Facility limit will be reduced by the amount paid.

**Break Costs**

A break cost is triggered when an unpaid sum is due and payable, or when a prepayment is made by the Borrower. The break cost is in an amount payable in lieu of interest which would otherwise have been paid to the Lender by the Borrower had the repayment or prepayment not been made.

**Material Adverse Effect and Events of defaults**

The Facility Agreement considers **Material Adverse Effect** to be a material adverse effect on the following:

(i) the business, operation, property, condition (financial or otherwise) or prospects of a Transaction;

(ii) the ability of any Transaction Party to perform its obligations under the Finance Documents; or

(iii) the validity or enforceability of the whole or any material part of any Finance Document or any material rights or remedies of the Lender under the Finance Documents.

The Facility Agreement also contains the following standard events of default, including those which are likely to have a Material Adverse Effect:

(i) non-payment;

(ii) breach of obligations;
(iii) misrepresentation;
(iv) cross default;
(v) insolvency;
(vi) insolvency proceedings;
(vii) creditors’ process;
(viii) company deregistration;
(ix) unlawfulness;
(x) repudiation;
(xi) vitiation of Finance Documents;
(xii) Material Adverse Effect;
(xiii) environmental matters;
(xiv) cessation of business;
(xv) appropriation;
(xvi) change in law;
(xvii) revocation of authorisation;
(xviii) investigation under any law; and
(xix) capital reduction and financial assistance.

The consequences of an event of default include:
(i) the Facility being cancelled immediately;
(ii) all or part of the Facility be declared payable on demand; and
(iii) all or part of any unpaid sum, together with accrued interest become due and payable immediately.

Security
The following security has been provided by the Borrower for the Facility:
(i) a cash deposit in the amount of A$35,700,000 (Deposit) with the Lender provided by KQ; and
(ii) security over the whole of the undertaking, property (including real property) and assets of the Borrower in favour of the Lender.

Negative pledge
The following restrictions are imposed on the Borrower’s assets, which are the subject of the Security:
(i) no subsisting of any security interest over any assets;
(ii) no sale, transfer or otherwise disposal of any assets which may be leased to or re-acquired by the Borrower or its affiliate;
(iii) no sale, transfer or otherwise disposal of any of the Borrower’s receivables on recourse terms;
(iv) no entry into any title retention arrangement;
(v) no entry into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts or not repayable in certain circumstances;
Additional Information

(vi) no permission for other goods to become commingled with, or accessions to, any property secured by the Securities to become an accession to any other goods; or
(vii) no entry into any other preferential arrangement having a similar effect.

Despite the above, the followings are allowed in respect of the Borrower’s assets:

(i) any existing security interest over the assets;
(ii) any netting or set-off arrangement entered into by the Borrower during the ordinary course of banking arrangements;
(iii) any lien required by the law and ordinary course of business;
(iv) any security interest arising from a PPS Lease or commercial consignment of goods; or
(v) any security interest created with the Lender’s written consent.

Positive Covenants

The Borrower is permitted to sell, lease, transfer or otherwise dispose of its assets:

(i) in the ordinary course of trading;
(ii) in exchange for other assets comparable or superior as to type, value and quality and for a similar purpose; or
(iii) which are worn out or obsolete.

Further, during the term of the Facility Agreement, the Borrower must:

(i) not enter into any amalgamation, demerger, merger or corporate reconstruction;
(ii) procure that no substantial change is made to the general nature of its business as of the day the business was carried by the Borrower when it entered into the Facility Agreement; or
(iii) not consent to any material amendment to or material variation of its constitutional documents without prior written consent of the Lender or otherwise in accordance with the Finance Documents.

Guarantee and Indemnity

Pursuant to a document entitled “Tripartite Deed” between the Lender, the Borrower, KQ, Kunlun and Golden Globe, KQ has provided a guarantee for 51% of the Borrower’s obligations under the Facility Agreement by way of agreeing to set off its guarantee obligation against the Deposit.

Each of Kunlun and Golden Globe has agreed to jointly and severally agreed to guarantee 49% of the Borrower’s obligations under the Facility Agreement.

Kunlun and Golden Globe will jointly and severally indemnify the Lender:

(i) if the Borrower does not pay all the money it owes to the Lender (Guaranteed Money) on time or observe or perform all its obligations on time;
(ii) in the event of insolvency or incapacity of the Borrower, Kunlun or Golden Globe; and
(iii) if the Guaranteed Money is not recoverable from, or is no enforceable against the Borrower, Kunlun or Golden Globe.

Further, in the event that Kunlun and/or Golden Globe are unable to satisfy their guaranteed obligations, KQ will guarantee the performance of the joint and several guarantee by Kunlun and Golden Globe. In that regard, KQ has agreed to set off and apply all or part of the credit balance of the Deposit against the obligations of Kunlun and Golden Globe (if either or both of them are in default).
(b) Share Sale and Purchase Agreement

The Company (Purchaser) has entered into and completed a share sale and purchase agreement (Agreement) with Kunlun, Golden Globe and KQ (Vendors) on 19 November 2013 to acquire 100% of the issued share capital of U&D Mining from the Vendors.

Overview

Pursuant to the Agreement:

(i) the Vendors as legal and beneficial owner of the shares in the issued capital of U&D Mining (Sale Shares) agreed to sell the Sale Shares to the Purchaser; and

(ii) in consideration of the Vendors agreeing to sell the Sale Shares to the Purchaser, the Purchaser agrees to pay the Purchase Price in accordance with the terms and conditions of the Agreement.

Conditions Precedent

The Agreement is subject to the following three conditions precedents:

(i) ASX provides written notice to the Purchaser approving the Purchaser’s admission to the Official List and the quotation of the UND Shares;

(ii) The Minimum Subscription condition being satisfied; and

(iii) The Treasurer of the Commonwealth of Australia consents, or does not object, to the share sale and purchase contemplated in the Agreement.

Purchase Price

The Purchase Price for the Sale Shares is the issue of Shares to the Vendors. On completion of the Offer, 1,000,000,000 Shares (UND Shares) will be issued to the Vendors by the Purchaser.

Warranties

The Vendors provided customary warranties in relation to U&D Mining including in relation to share capital, tenements, environment, properties, accounts and records, employees, insurance, taxation and legal compliance.

Time limits on claims

Time limits for claims for breach of warranties are as follows:

(i) tax warranties – 6th anniversary of the completion date; and

(ii) all other warranties – 2nd anniversary of the completion date.

The maximum aggregate liability of the Vendors under the Agreement is equal to the monetary value attributed to the UND Shares to be issued to the Vendors on completion of the Offer calculated by reference to the Offer Price.

Reduction of Purchase Price and disposal of UND Shares

If an amount is due by the Vendors to the Purchaser as a result of a breach of warranty or indemnity under the Agreement, the Purchaser may at its election determine to satisfy the amount by requiring:

(i) the Vendors to pay the amount in cash;

(ii) the Vendors to dispose by way of sale to third parties nominated by the Purchaser or its agents an agreed number of the Vendors’ UND Shares (with the Purchaser receiving the proceeds);

(iii) an agreed number of the Vendors’ UND Shares to be bought back according to a buy-back agreement for nominal consideration; or

(iv) any combination of the actions under (i), (ii) or (iii) above.

Until such time as the Purchaser effects a transfer or buy-back of the relevant UND Shares, the
Purchaser will be entitled to place a holding lock in respect of the UND Shares (in addition to any ASX imposed escrow).

**Escrow and other restrictions**

As a completion deliverable, the Vendor entered into an ASX standard form of restriction agreement for the UND Shares to the effect that the UND Shares will be subject to escrow for a period of up to 24 months, subject to confirmation by ASX.

The Vendors have also given customary non-compete undertakings.

**(c) Mandate to act as Sponsoring Broker**

On 16 September 2013, the Company signed a mandate letter appointing AFS Capital Securities Ltd (AFS Capital) to act as the sole Sponsoring Broker and global coordinator to the Company for the proposed listing of the Shares of the Company on the ASX by way of an IPO. The following fees (plus GST and disbursements) are payable to the Sponsoring Broker under the mandate:

(i) a monthly retainer fee of A$25,000 (plus GST) for the earlier of the quotation date of the Company or six months commencing from 16 September 2013;

(ii) an IPO success fee of a fixed amount of A$500,000 (plus GST);

(iii) a brokerage fee of 7.5% of the funds directly raised by or attributable to AFS from general public investors under the IPO; and

(iv) a brokerage fee of 12% of the funds directly raised by or attributable to AFS from international institutional investors under the IPO.

The agreement contains an indemnity given by the Company in favour of AFS Capital and its affiliates in respect of any and all losses, claims damages or liabilities (other than those resulted primarily from the wilful misconduct or gross negligence of AFS Capital and its affiliates), joint or several, arising from the agreement. In addition, the Company agrees to reimburse AFS Capital and its affiliates for any legal or other expenses reasonably incurred associated with above.

**(d) Employment agreement with Mr Hao Liu**

Pursuant to an employment contract between Mr Hao Liu and U&D Mining dated 28 September 2012, U&D Mining agrees to employ Mr Hao Liu as its chief executive officer for four years commencing from 1 October 2012, subject to earlier termination as noted below.

Mr Hao Liu’s current total annual salary is A$350,000 plus statutory superannuation at 9.25% of base salary from September 2013.

Either party, may terminate the employment contract by giving one month notice, U&D Mining may, at its discretion, make payment in lieu of the notice period required to be given.

There is a restraint clause in the employment contract which provides that within 12 months after the termination of the employment, Mr Liu is restrained from activities such as competition and staff solicitation.

**(e) Employment agreement with Mr Yinan Zhang**

Pursuant to an employment contract between Mr Yinan Zhang and U&D Mining dated 8 May 2013, U&D Mining agrees to employ Mr Yinan Zhang as its vice chairman.

Mr Yinan Zhang’s current total annual salary is A$350,000 plus statutory superannuation at 9.25% of base salary from September 2013.

Either party, may terminate the employment contract by giving three months notice.

**(f) Employment agreement with Mr Wei Liu**

Pursuant to an employment contract between Mr Wei Liu and U&D Mining dated 5 March 2013, U&D Mining agrees to employ Mr Hao Liu as its deputy chief executive officer for four years commencing from 11 March 2013.

Following the initial review, Mr Wei Liu’s current total annual salary is A$250,000 plus statutory
superannuation at 9.25% of base salary from September 2013.

Either party, may terminate the employment contract by giving one month’s notice, U&D Mining may, at its discretion, make payment in lieu of the notice period required to be given.

There is a restraint clause in the employment contract which provides that within 12 months after the termination of the employment, Mr Liu is restrained from activities such as competition and staff solicitation.

12.5 Taxation considerations for Shares

The comments below provide a general outline of Australian tax issues for Shareholders that hold Shares on capital account. They do not apply to Shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in Shares, or hold Shares on revenue account. Those comments do not apply, and no taxation comments are given, in relation to Options.

These comments are based on the law in Australia in force as at the date of this Prospectus. During the period of ownership of the Shares by Shareholders, the taxation laws of Australia or their interpretation may change. The precise implications will depend upon each Shareholder’s specific circumstances.

The Company has not sought any ruling from the Australian Tax Office (ATO) with respect to the statements made and the conclusions reached in the following summary and there can be no assurance that the ATO will agree with such statements and conclusions.

Shareholders should obtain, and only rely upon, their own independent taxation advice about the consequences of acquiring or disposing of Shares in the Company and receiving distributions on the Shares having regard to their own specific circumstances.

(a) Australian Tax Residents

(i) Dividends paid on a Share

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Tax resident individual and complying superannuation entity Shareholders should include in their assessable income the dividend actually received, together with any imputation credit attached to that dividend. Subject to the holding period rule discussed below, such shareholders should be entitled to a tax offset equal to the imputation tax credit attached to the dividend to offset against the tax payable on the Shareholder’s taxable income. Where the tax offset exceeds the tax payable on the Shareholder’s taxable income (before the utilisation of any tax offsets), such Shareholders may be entitled to a tax refund for the excess imputation credits.

Corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income. They are then allowed a tax offset up to the amount of the franking credit on the dividend (subject to the holding period rule). A corporate Shareholder should be entitled to credit its own franking account to the extent of the franking credit on the dividend received. A corporate Shareholder may be able to pass on the benefit of the franking credits to its own shareholder(s) on the payment of dividends. Any excess franking credits are not able to be refunded to corporate Shareholders. However, a corporate Shareholder can elect that excess franking credits be converted into a tax loss that may be utilised in future years (subject to the satisfaction of the relevant loss utilisation rules).

(ii) Holding period rule

For shares acquired after 1 July 1997, a Shareholder is required to hold shares “at risk” for at least 45 days (excluding the acquisition and disposal dates) in order to qualify for franking benefits, including imputation credits and a tax offset. This “holding period rule” is subject to certain exceptions, including where the total franking rebates of an individual in a year of income do not exceed $5,000. Special rules apply to trusts and beneficiaries.

(iii) Disposal of Shares

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share
(broadly the amount paid to acquire the Share). The CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation fund or trustee and the Shares have been held for more than 12 months before the disposal date. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by 50% after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by 33 1/3%, after offsetting current year or prior year capital losses. A Shareholder will be required to include in their assessable income any net capital gain arising from the disposal.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years. The availability of capital losses to offset capital gains will be subject to the satisfaction of the relevant loss utilisation rules for corporate taxpayers and trusts.

(b) Non-residents of Australia

Non-resident Shareholders should seek their own independent taxation advice regarding the taxation implications in their local jurisdiction, as well as the taxation implications in Australia. Where distributions to non-resident Shareholders include dividends, these dividends should not be subject to Australian withholding tax to the extent these dividends are franked. To the extent that distributions to non-residents include unfranked dividends, the Company will withhold tax at the rate applicable to each non-resident Shareholder.

The prima facie withholding tax rate is 30% but can be reduced under the terms of a relevant Double Tax Agreement. Non-resident Shareholders may be eligible to claim a credit for this tax in their country of residence.

If you are not an Australian resident for tax purposes and you sell Shares, an Australian CGT liability may arise. Capital gains derived by a non-resident are generally only subject to income tax in Australia to the extent that they relate to relevant direct and indirect interests in Australian real property and certain other assets (including mining licences, exploration permits for coal and associated information and goodwill). However, capital gains are not subject to tax in Australia where a non-resident Shareholder holds less than 10% of the interests in a company at the time of the disposal and has not held 10% or more of the interests for a period of 12 months at any time in the two years prior to disposal. Non-resident Shareholders who (together with their associates) hold a 10% or more interest in the Shares on issue over the relevant period should seek further independent advice in relation to these matters.

Individuals either becoming or ceasing to be Australian tax residents should seek advice about their particular circumstances.

(c) Tax File Number and Australian Business Number

A Shareholder is not required to quote their tax file number (TFN) to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from distributions and/or dividends at the maximum marginal tax rate plus the Medicare levy. A Shareholder that holds Shares as part of an enterprise may quote their Australian Business Number instead of their TFN.

(d) Australian Goods and Services Tax

The acquisition, redemption or disposal of Shares should not be subject to Australian Goods and Services tax.
12.6 Consents

(a) Each of the parties referred to in this Part:

(i) does not make the Offer;

(ii) other than as specified in this Prospectus, does not make, or purport to make, any statement that is included in this Prospectus, or a statement on which a statement made in this Prospectus is based, other than as specified in this Section 12.6, and

(iii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in the Prospectus with the consent of the party as specified in this Prospectus.

(b) Legal Adviser
Minter Ellison has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to being named as Legal Adviser to the Offer (other than in respect of taxation matters) in this Prospectus, and any electronic version of this Prospectus, in the form and context in which it is named.

(c) Auditor
PricewaterhouseCoopers has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to being named as Auditor of Company’s historical accounts included in this Prospectus, and any electronic version of this Prospectus in the form and context in which it is named.

(d) Investigating Accountant
PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to being named as the Investigating Accountant of the Company in this Prospectus, and any electronic version of this Prospectus, in the form and context in which it is named, and has given and not withdrawn its consent to the inclusion in this Prospectus and any electronic version of this Prospectus of the Investigating Accountant’s Report and each of the references to that Report or a part of that Report, in the form and context in which each of them is included.

(e) Taxation Adviser
PricewaterhouseCoopers has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to being named as the Taxation Adviser of the Company in this Prospectus, and any electronic version of this Prospectus, in the form and context in which it is named, and has given and not withdrawn its consent to the inclusion in this Prospectus and any electronic version of this Prospectus of the taxation considerations in Section 12.5 in the form and context in which it is included.

(f) Sponsoring Broker
AFS Capital Securities Ltd has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to being named as the Sponsoring Broker and Financial Adviser of the Company in this Prospectus, and any electronic version of this Prospectus, in the form and context in which it is named.

(g) Share Registry
Link Market Services Limited has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named as Share Registry in this Prospectus, and any electronic version of this Prospectus, in the form and context in which it is named.

(h) Technical Expert – Environmental and Licensing Professional Pty Ltd
Environmental and Licensing Professionals Pty Ltd has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to being named as the Independent Technical Expert, in the form and context in which it is named in this Prospectus, and any electronic
version of this Prospectus, including all statements attributed to being made by the Technical Expert in Sections 9 (Statements), and has given and not withdrawn its consent to the inclusion in this Prospectus of the Tenement Report, and each of those Statements in the form and context in which each of them is included in this Prospectus, and any electronic version of this Prospectus.

(i) Technical Expert – Palaris Australia Pty Ltd

Palaris Australia Pty Ltd has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to being named as the Technical Expert, in the form and context in which it is named in this Prospectus, and any electronic version of this Prospectus, including all statements attributed to being made by the Independent Technical Expert in Sections 7 and Section 8 (Statements), and has given and not withdrawn its consent to the inclusion in this Prospectus of the Independent Technical Report and the Independent Geological Expert Report, and each of those Statements in the form and context in which each of them is included in this Prospectus, and any electronic version of this Prospectus.

12.7 Litigation

No member of the Company is engaged in any litigation at the date of this Prospectus, and as far as the Directors are aware, no litigation involving any member of the Group is pending or threatened.

12.8 Expenses of the Offer

The expenses of the Offer, including fees of the legal adviser, Independent Accountant, Taxation Adviser, printing, listing fees, Share Registry fees, postage and advertising and other miscellaneous expenses will be between approximately $5.9 million and $10.4 million exclusive of GST, which will be paid using the proceeds of the Offer. Details of those expenses are shown in the table below.

<table>
<thead>
<tr>
<th>Item</th>
<th>Minimum Subscription $'000</th>
<th>Maximum Subscription $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal costs</td>
<td>270</td>
<td>270</td>
</tr>
<tr>
<td>Sponsoring Broker's costs and other brokerage fees</td>
<td>4,925</td>
<td>9,425</td>
</tr>
<tr>
<td>Other consultants and advisors</td>
<td>530</td>
<td>530</td>
</tr>
<tr>
<td>Investigating Accountant costs</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Taxation Adviser costs</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>ASX fees</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>ASIC fees</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>5,925</td>
<td>10,425</td>
</tr>
</tbody>
</table>

12.9 Interests and benefits of experts and advisers

Except as disclosed in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- has, at the time of lodgement of this Prospectus with ASIC, or had at any time during the two years before lodgement of this Prospectus with ASIC, any interest in:
  - the formation or promotion of the Company;
  - any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
• the Offer; or
• has been paid, or agreed to be paid, any amount, nor has any benefit been given or agreed to 
be given to any such person for services provided by them in connection with the formation 
or promotion of the Company or the Offer.

(a) Sponsoring Broker
AFS Capital Securities Ltd is the Sponsoring Broker of the Offer. The following fees (plus GST and 
disbursements) are payable to the Sponsoring Broker under the mandate as set out in Section 
12.4.

(b) Investigating Accountant
PricewaterhouseCoopers Securities Ltd has acted as Investigating Accountant to the Offer and in 
that capacity has prepared the Investigating Accountant’s Report included in this Prospectus. The 
Company has agreed to pay approximately A$55,000 (plus GST and disbursements) for its services 
in relation to this Prospectus.

(c) Legal Adviser
Minter Ellison has acted as the Company’s Legal Adviser to the Offer. The Company has agreed to 
pay Minter Ellison approximately $270,000 (plus GST and disbursements) for its services in relation 
to this Prospectus.

(d) Taxation Adviser
PricewaterhouseCoopers has acted as Taxation Adviser to the Offer and in that capacity has 
prepared the taxation considerations included in Section 12.5 of this Prospectus. The Company 
has agreed to pay approximately $25,000 (plus GST and disbursements) for its services in relation 
to this Prospectus.

(e) Technical Expert – Environmental and Licensing Professional Pty Ltd
Environmental and Licensing Professional Pty Ltd has acted as a Technical Expert to the Offer and in 
that capacity has prepared the Tenement Report included in this Prospectus. The Company has 
agreed to pay approximately $23,290 (plus GST and disbursements) for services in relation to this 
Prospectus.

(f) Technical Expert – Palaris Australia Pty Ltd
Palaris Australia Pty Ltd has acted as a Technical Expert to the Offer and in that capacity has 
in this Prospectus. The Company has agreed to pay approximately $49,040 (plus GST and 
disbursements) for its services in relation to this Prospectus.

12.10 Escrow Arrangements and Restricted Securities
On completion of the Offer, Existing Shares held by the Existing Shareholders are likely to be subject to 
escrow arrangements for a period of up to 24 months, subject to confirmation by ASX.

Each Existing Shareholder has agreed to escrow as formally determined by ASX in respect of their Shares 
(Restricted Securities), and has entered into a standard form ASX restriction agreement to that effect.

Pursuant to its escrow undertakings and subject to ASX determination, each Existing Shareholder 
undertakes and agrees not to:

(a) dispose of, or agree or offer to dispose of, any of its Restricted Securities;

(b) create, or agree or offer to create, any security interest in any of its Restricted Securities;

or

(c) do, or omit to do, any act if the act or omission would have the effect of transferring effective 
ownership or control of any of its Restricted Securities.
12.11 Authorisation
Each Director has consented to the lodgement of this Prospectus with ASIC.

12.12 Governing Law
This Prospectus, the Offer and the contracts formed on acceptance of Applications under the Offer are governed by the laws in force in the State of Victoria and the Company and each Applicant submits to the non-exclusive jurisdiction of the courts of Victoria.
# Glossary

The following terms used in this Prospectus have the following meanings unless the context otherwise requires.

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>$, AUD or cents</td>
<td>Australian dollars or cents (as appropriate)</td>
</tr>
<tr>
<td>AEST</td>
<td>Australian Eastern Standard Time</td>
</tr>
<tr>
<td>Applicant</td>
<td>A person who makes an Application for New Shares under this Prospectus</td>
</tr>
<tr>
<td>Application</td>
<td>An application to subscribe for New Shares under this Prospectus</td>
</tr>
<tr>
<td>Application Form</td>
<td>The form of that name attached to, or accompanying, this Prospectus</td>
</tr>
<tr>
<td>Application Monies</td>
<td>The monies payable in connection with an Application</td>
</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities and Investments Commission</td>
</tr>
<tr>
<td>ASX Bookbuild</td>
<td>a facility to enable a trading participant acting on behalf of an entity to offer and allocate financial products and to enable trading participants to enter bids for those financial products (including where financial products are offered, bid for and allocated by way of the purchase and immediate exercise of rights to subscribe for those financial products)</td>
</tr>
<tr>
<td>ASX or Australian Securities Exchange</td>
<td>ASX Limited (ACN 008 624 691) or the financial market it operates, as the context requires</td>
</tr>
<tr>
<td>ASX Corporate Governance Principles</td>
<td>The corporate governance principles and recommendations of the ASX Corporate Governance Council as at the date of this Prospectus</td>
</tr>
<tr>
<td>ASX Listing Rules or Listing Rules</td>
<td>The official listing rules of ASX</td>
</tr>
<tr>
<td>ASX Settlement</td>
<td>ASX Settlement Pty Limited (ACN 008 504 532)</td>
</tr>
<tr>
<td>ASX Settlement Operating Rules</td>
<td>The rules of ASX Settlement</td>
</tr>
<tr>
<td>BBSY</td>
<td>in respect of an interest period means the average bid rate displayed at or about 10.30am (Sydney time) on the first day of the relevant interest period on the Bloomberg screen AFRS (BBSY) page for a term equivalent to the relevant period.</td>
</tr>
<tr>
<td>BFS</td>
<td>Bankable Feasibility Study</td>
</tr>
<tr>
<td>Board or Board of Directors</td>
<td>The board of directors of the Company</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CHESS</td>
<td>Clearing House Electronic Sub-register System operated in accordance with the Corporations Act</td>
</tr>
<tr>
<td>CARPEX</td>
<td>Capital expenditures</td>
</tr>
<tr>
<td>CCB Loan</td>
<td>the facility agreement entered into between U&amp;D Mining and China Construction Bank Corporation, Sydney Branch as amended on or about 15 November 2013</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Closing Date</td>
<td>5pm AEST on 31 January 2014 or such other date and time as the Company may determine</td>
</tr>
<tr>
<td>Company or U&amp;D</td>
<td>U &amp; D Coal Limited ACN 165 894 806</td>
</tr>
<tr>
<td>Competent Person</td>
<td>has the meaning given to that term in the JORC Code</td>
</tr>
<tr>
<td>Constitution</td>
<td>The constitution of the Company</td>
</tr>
<tr>
<td>Corporations Act</td>
<td>Corporations Act 2001 (Cth) as amended from time to time</td>
</tr>
<tr>
<td>Directors</td>
<td>The directors of the Company</td>
</tr>
<tr>
<td><strong>EA</strong></td>
<td>Environmental authority</td>
</tr>
<tr>
<td><strong>EIS</strong></td>
<td>Environmental impact statement</td>
</tr>
<tr>
<td><strong>ELP</strong></td>
<td>Environmental and Licensing Professionals Pty Ltd ACN 010 095 379</td>
</tr>
<tr>
<td><strong>EMP</strong></td>
<td>Environmental management plan</td>
</tr>
<tr>
<td><strong>Endocoal</strong></td>
<td>Endocoal Limited ACN 132 183 281</td>
</tr>
<tr>
<td><strong>EPC</strong></td>
<td>Exploration Permit (Coal)</td>
</tr>
<tr>
<td><strong>EPCA</strong></td>
<td>Exploration Permit (Coal) Application</td>
</tr>
</tbody>
</table>

**Existing Shareholder**

Each of:

(a) KQ;  
(b) Kunlun; and  
(c) Golden Globe.

**Existing Shares**

The 1,000,000,000 ordinary Shares in the Company issued to Existing Shareholders at the date of this Prospectus.

**Exposure Period**

The period of seven days after the date of lodgement of this Prospectus with ASIC, which period may be extended by ASIC by not more than seven days pursuant to Section 727(3) of the Corporations Act.

**FOT**

Free on truck.

**FS**

Feasibility study.

**FY2012**

Financial year ended 30 June 2012.

**FY2013**

Financial year ended 30 June 2013.

**Golden Globe**

Golden Globe Energy Limited, a British Virgin Islands incorporated company.

**Group**

Upon completion of the Offer, the Company, U&D Mining and all of its subsidiaries.

**GST**

Australian Goods and Services Tax.

**IDP**

Initial development plan.

**Investigating Accountant**

PricewaterhouseCoopers Securities Ltd ABN 54 003 311 617.

**Indicated Resources**

Has the meaning given to that term in the JORC Code.

**Inferred Resources**

Has the meaning given to that term in the JORC Code.

**IPO or Initial Public Offer**

Initial public offer.

**Issue**

The proposed issue of New Shares pursuant to this Prospectus.

**Issue Price**

The price per New Share.

**2004 JORC Code**

The 2004 Edition of the Australasian Joint Ore Reserves Committee Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

**2012 JORC Code**

The 2012 Edition of the Australasian Joint Ore Reserves Committee Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

**JORC**

The Australasian Joint Ore Reserves Committee.

**JORC Code**

Where the context requires, the 2004 JORC Code or 2012 JORC Code.

**JORC Resources or Resources**

A coal occurrence in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories, as defined in the JORC Code.

**JV**

Joint venture.
<p>| <strong>km</strong> | Kilometre(s) |
| <strong>Kunlun</strong> | China Kunlun International Holding Limited, a British Virgin Islands incorporated company |
| <strong>KQ or Majority Shareholder</strong> | Australian Kunqian International Energy Co., Pty Ltd ACN 153 835 440 |
| <strong>Legal Adviser</strong> | Minter Ellison Lawyers |
| <strong>Listing Date</strong> | The date on which the Shares are admitted to the Official List |
| <strong>Listing Rules</strong> | The listing rules of the ASX |
| <strong>m</strong> | metre |
| <strong>Majority Shareholder</strong> | KQ |
| <strong>Marketable Reserves</strong> | Marketable ore Reserves, as defined in the JORC Code, with respect to coal in a tenement |
| <strong>Maximum Subscription</strong> | The maximum number of Shares that may be issued under the Prospectus, being 250,000,000, which would result from the Proceeds being $125 million |
| <strong>Minimum Subscription</strong> | The minimum number of Shares that may be issued under the Prospectus, being 100,000,000, which would result from the Proceeds being $50 million |
| <strong>ML</strong> | Mining lease |
| <strong>MLA</strong> | Mining lease application |
| <strong>MRRT</strong> | Mineral Resource Rent Tax |
| <strong>Mt</strong> | Million tonne |
| <strong>Mtpta</strong> | Million tonnes per annum |
| <strong>New Shares</strong> | Fully paid ordinary shares in the capital of the Company offered pursuant to the Offer |
| <strong>Offer</strong> | The offer detailed in this Prospectus of New Shares at a price of $0.50 each to raise up to $125 million (subject to a Minimum Subscription of $50 million) |
| <strong>Offer Period</strong> | The period from the Opening Date to the Closing Date |
| <strong>Offer Price</strong> | $0.50 per New Share |
| <strong>Officers</strong> | The Board and the Company secretary |
| <strong>Official List</strong> | The official list of the ASX |
| <strong>Official Quotation</strong> | Official quotation of securities by ASX |
| <strong>Opening Date</strong> | The first date for receipt of completed Application Forms which is 9.00am on AEST on 6 December 2013 |
| <strong>Option</strong> | An option to acquire a Share to be offered to investors other than Existing Shareholders, with the terms and conditions set out in Section 12.2 of the Prospectus |
| <strong>Original Prospectus</strong> | The original prospectus that was lodged with ASIC on 20 November 2013, which has been replaced by this Replacement Prospectus |
| <strong>Palaris</strong> | Palaris Australia Pty Ltd ABN 13 093 424 867 |
| <strong>PPS Act</strong> | the Personal Property Securities Act 2009 (Cth) |
| <strong>PPS Law</strong> | (d) the PPS Act and regulations made the PPS Act; and |
| | (e) any amendment made to any other legislation as a consequence of the PPS Law referred to in subclause (a) above, including amendments to the Corporations Act. |
| <strong>PPS Lease</strong> | has the meaning given to it in the PPS Act. |
| <strong>PRC or China</strong> | People's Republic of China |</p>
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds</td>
<td>The funds raised by the Offer</td>
</tr>
<tr>
<td>Probable JORC Reserves</td>
<td>probable ore Reserves, as defined under the JORC Code, with respect of coal in a tenement</td>
</tr>
<tr>
<td>Prospectus or Replacement Prospectus</td>
<td>This prospectus dated 5 December 2013, that replaces the Original Prospectus</td>
</tr>
<tr>
<td>Proved JORC Reserves</td>
<td>proved ore Reserves, as defined in the JORC Code, with respect to coal in a tenement</td>
</tr>
<tr>
<td>Related Bodies Corporate</td>
<td>Has the meaning given to that term in the Corporations Act</td>
</tr>
<tr>
<td>Renminbi or RMB</td>
<td>The currency of PRC</td>
</tr>
<tr>
<td>Reserves</td>
<td>the economically mineable part of a Measured or Indicated Mineral Resource of coal as defined in the JORC Code</td>
</tr>
<tr>
<td>Restricted Securities</td>
<td>Those Shares in the Company trading in which will be subject to a restriction</td>
</tr>
<tr>
<td>ROM</td>
<td>Run of mine</td>
</tr>
<tr>
<td>RPP</td>
<td>Resource Portfolio Partners Pty Ltd ACN 138 215 255</td>
</tr>
<tr>
<td>Share</td>
<td>A fully paid ordinary share in the capital of the Company, and following the Offer, including the Existing Shares and the New Shares</td>
</tr>
<tr>
<td>Share Registry</td>
<td>Link Market Services Limited ACN 083 214 537</td>
</tr>
<tr>
<td>Shareholder</td>
<td>A holder of a Share</td>
</tr>
<tr>
<td>Sponsoring Broker</td>
<td>AFS Capital Securities Ltd ACN 143 006 151</td>
</tr>
<tr>
<td>Subscription Amount</td>
<td>The amount of money payable by an Applicant for New Shares</td>
</tr>
<tr>
<td>Tranche 1 Option</td>
<td>a call option to exercise at 50 cents up to 30% or 1,200 Shares for each parcel of 4,000 Shares, which will expire at the first year anniversary of the Listing Date.</td>
</tr>
<tr>
<td>Tranche 2 Option</td>
<td>a call option to exercise at 70 cents up to 30% or 1,200 Shares for each parcel of 4,000 Shares, which will expire at the second anniversary of the Listing Date.</td>
</tr>
<tr>
<td>Tranche 3 Option</td>
<td>a call option to exercise at 90 cents up to 30% or 1,200 Shares for each parcel of 4,000 Shares, which will expire at the third anniversary of the Listing Date.</td>
</tr>
<tr>
<td>U&amp;D Mining</td>
<td>U&amp;D Mining Industry (Australia) Pty Ltd ACN 152 892 638</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US Dollar</td>
<td>The currency of the United States</td>
</tr>
<tr>
<td>Yima</td>
<td>Yima Coal Industry Group Co., Ltd</td>
</tr>
</tbody>
</table>
### Corporate Directory

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Company Secretary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Dongsheng Wu</td>
<td>Peter Edwards</td>
</tr>
<tr>
<td>Mr Yinan Zhang</td>
<td></td>
</tr>
<tr>
<td>Mr Hao Liu</td>
<td></td>
</tr>
<tr>
<td>Mr Wei Liu</td>
<td></td>
</tr>
<tr>
<td>Mr Wenliang Wang</td>
<td></td>
</tr>
<tr>
<td>Mr Gavin Houghton</td>
<td></td>
</tr>
<tr>
<td>Dr Geoff Dickie</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Registered Office</th>
<th>Share Registry</th>
</tr>
</thead>
<tbody>
<tr>
<td>'3' Suite 1</td>
<td>Link Market Services Limited</td>
</tr>
<tr>
<td>37 Brandl Street</td>
<td>Level 1</td>
</tr>
<tr>
<td>Eight Mile Plains, QLD 4113</td>
<td>333 Collins Street</td>
</tr>
<tr>
<td></td>
<td>Melbourne, VIC 3000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sponsoring Broker</th>
<th>Investigating Accountant</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFS Capital Securities Ltd</td>
<td>PricewaterhouseCoopers Securities Ltd</td>
</tr>
<tr>
<td>Level 8, 303 Collins Street</td>
<td>Riverside Centre</td>
</tr>
<tr>
<td>Melbourne VIC 3000</td>
<td>123 Eagle Street</td>
</tr>
<tr>
<td></td>
<td>Brisbane QLD 4000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Auditor</th>
<th>Legal Adviser</th>
</tr>
</thead>
<tbody>
<tr>
<td>PricewaterhouseCoopers</td>
<td>Minter Ellison Lawyers</td>
</tr>
<tr>
<td>Riverside Centre</td>
<td>Level 23, 525 Collins Street, Melbourne</td>
</tr>
<tr>
<td>123 Eagle Street</td>
<td>Melbourne, VIC 3000</td>
</tr>
<tr>
<td>Brisbane QLD 4000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Taxation Adviser</th>
<th>Independent Technical Experts</th>
</tr>
</thead>
<tbody>
<tr>
<td>PricewaterhouseCoopers</td>
<td>Environmental and Licensing Professionals Pty Ltd</td>
</tr>
<tr>
<td>Riverside Centre</td>
<td>288 Edward St</td>
</tr>
<tr>
<td>123 Eagle Street</td>
<td>Brisbane QLD 4000</td>
</tr>
<tr>
<td>Brisbane QLD 4000</td>
<td>Palaris Australia Pty Ltd</td>
</tr>
<tr>
<td></td>
<td>Level 1 / 384, Hunter Street</td>
</tr>
<tr>
<td></td>
<td>Newcastle NSW 2300</td>
</tr>
</tbody>
</table>
Public Offer Application Form

This is an Application Form for Shares in U & D Coal Limited under the Public Offer on the terms set out in the Replacement Prospectus dated 5 December 2013. You may apply for a minimum of 4000 Shares and multiples of 400 thereafter. This Application Form and your cheque or bank draft must be received by 5:00pm (AEDT) on 31 January 2014.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Shares applied for at Price per Share Application Monies

A

( minimum 4000, thereafter in multiples of 400)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1
Surname/Company Name
Title  First Name  Middle Name
Joint Applicant #2
Surname
Title  First Name  Middle Name
Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code
First Applicant  Joint Applicant #2  Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS
PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level  Street Number  Street Name
Suburb/City or Town  State  Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

Telephone Number where you can be contacted during Business Hours  Contact Name (PRINT)

Cheques or bank drafts should be made payable to “U&D COAL LIMITED – SHARE APPLICATION” in Australian currency and crossed “Not Negotiable”.

Cheque or Bank Draft Number  BSB -  Account Number

Total Amount

LODGEMENT INSTRUCTIONS
You must return your application so it is received before 5:00pm (AEDT) on 31 January 2014 to:
Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

ACN 165 894 806
Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are U & D Coal Limited ("U & D Coal") Shares. Further details about the shares are contained in the Replacement Prospectus dated 5 December 2013 issued by U & D Coal Limited. The replacement Prospectus will expire on 19 December 2014. While the Prospectus is current U & D Coal Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 4000 Shares and thereafter in multiples of 400. You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, U & D Coal Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from U & D Coal Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to U & D Coal Limited’s issuer sponsored subregister.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

H Please complete the details of your cheque or bank draft in this section.

The total amount of your cheque or bank draft should agree with the amount shown in section B.

Make your cheque or bank draft payable to “U & D COAL LIMITED - SHARE APPLICATION” in Australian currency and cross it “Not Negotiable”. Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected. If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

LODGEING INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEDT) on 31 January 2014 at:

Mailing Address
U & D Coal Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery
U & D Coal Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

(do not use this address for mailing purposes)

Link Market Services Limited advises that Chapter 2C of the Corporations Act 2001 requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

<table>
<thead>
<tr>
<th>Type of Investor</th>
<th>Correct Form of Registration</th>
<th>Incorrect Form of Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Mrs Katherine Clare Edwards</td>
<td>K C Edwards</td>
</tr>
<tr>
<td>Company</td>
<td>Liz Biz Pty Ltd</td>
<td>Liz Biz P/L or Liz Biz Co.</td>
</tr>
<tr>
<td>Joint Holdings</td>
<td>Mr Peter Paul Tranche &amp; Ms Mary Orlando Tranche</td>
<td>Peter Paul &amp; Mary Tranche</td>
</tr>
<tr>
<td>Trusts</td>
<td>Mrs Alessandra Herbert Smith &lt;Alessandra Smith A/C&gt;</td>
<td>Alessandra Smith Family Trust</td>
</tr>
<tr>
<td>Deceased Estates</td>
<td>Ms Sophia Garnet Post &amp; Mr Alexander Traverse Post &lt;Et Harold Post A/C&gt;</td>
<td>Estate of late Harold Post or Harold Post Deceased</td>
</tr>
<tr>
<td>Minor (a person under the age of 18 years)</td>
<td>Mrs Sally Hamilton &lt;Henry Hamilton&gt;</td>
<td>Master Henry Hamilton</td>
</tr>
<tr>
<td>Partnerships</td>
<td>Mr Frederick Samuel Smith &amp; Mr Samuel Lawrence Smith &lt;Fred Smith &amp; Son A/C&gt;</td>
<td>Fred Smith &amp; Son</td>
</tr>
<tr>
<td>Long Names</td>
<td>Mr Hugh Adrian John Smith-Jones</td>
<td>Mr Hugh A J Smith Jones</td>
</tr>
<tr>
<td>Clubs/Unincorporated Bodies/Business Names</td>
<td>Mr Alistair Edward Lilley &lt;Vintage Wine Club A/C&gt;</td>
<td>Vintage Wine Club</td>
</tr>
<tr>
<td>Superannuation Funds</td>
<td>XYZ Pty Ltd &lt;Super Fund A/C&gt;</td>
<td>XYZ Pty Ltd Superannuation Fund</td>
</tr>
</tbody>
</table>

Put the name(s) of any joint Applicant(s) and/or account description using <> as indicated above in designated spaces at section C on the Application Form.