

PROSPECTUS



U&D COAL LIMITED

U & D Coal Limited ACN 165 894 806

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.

AFSSEC



**Sponsoring Broker
AFS Capital Securities Ltd
ACN 143 006 151**



Important Information

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 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 Sponsor 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 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 Mal Blaik of JB Mining Services. The reporting is in compliance with the 2012 JORC Code. Mr Blaik is a qualified Geologist, a member of the Australasian Institute of Mining and Metallurgy (No 112631) 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 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 Inderi 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 information in this Prospectus that relates to the Rockwood coal resources 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 and reviewed 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.

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Letter from the Chairman

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.

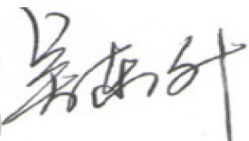
Our priority is to focus on achieving early cash inflows and developing low start-up capital expenditure projects through to operating mines. We aim to work with committed mining partners and overseas buyers. The cash inflow that we aim to generate from these projects will be used to fund medium to long-term, 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

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UD 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

Date of this Replacement Prospectus	5 December 2013
Opening Date	6 December 2013
Closing Date	5pm AEST on 31 January 2014
Allotment of Shares and Options under the Offer	10 February 2014
Expected date for despatch of holding statements	12 February 2014
Shares are expected to commence trading on ASX on a normal settlement basis on 19 February 2014.	

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.

Offer Costs

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.

Forecasts and Dividend Policy

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.

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.

Board

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.

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

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 PSM FAusIMM, BSc and PHD in Geology	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)	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	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:

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

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

Name	Experience
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 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.
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:

Name	Annual Salary	Shares
Mr Donsheng Wu	\$60,000	nil
Mr Yinan Zhang	\$350,000	nil
Mr Hao Liu	\$350,000	nil
Dr Geoff Dickie	\$60,000	nil
Mr Wei Liu	\$250,000	nil
Mr Gavin Houghton	\$60,000	nil
Mr Wenliang Wang	\$60,000	nil

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.**

	Audited Statutory U&D Mining Industry (Australia) Pty Ltd	Net proceeds from the offer + Change of CCB Loan to Non-current	Pro Forma Balance Sheet
	(\$ 000's)	(\$ 000's)	(\$ 000's)
ASSETS			
Current assets	11,106	114,575	125,681
Non-current assets	105,892	-	105,892
Total assets	116,997	114,575	281,572
LIABILITIES			
Current assets	71,630	(70,000)	1,630
Non-current assets	-	70,000	70,000
Total assets	71,630	-	71,630
Net assets	45,367	114,575	159,942
EQUITY			
Contributed equity	47,729	100,864	148,593
Share opt'on reserve	-	14,595	14,595
Accumulated losses	(2,362)	(884)	(3,246)
Total equity	45,367	114,575	159,942

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:

Application	Minimum subscription \$50 million (\$000)		Maximum subscription \$125 million (\$000)	
Conducting resource evaluation of the Company's tenements	Year 1	\$14,800	Year 1	\$15,100
	Year 2	\$5,000	Year 2	\$29,000
Capital expenditure for the MDS Project.* ¹		\$-		\$46,200
Conducting BFS and environmental impact process for mining lease approvals for the Company's Broughton Project. Land Access, procurement and environmental sustainability		\$11,000		\$11,000
Working capital		\$13,300		\$13,300
IPO costs (excluding brokerage)		\$900		\$900
IPO costs (brokerage)		\$5,000		\$9,500
Total		\$50,000		\$125,000

* 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.

	Share Class	Assuming Minimum Subscription (\$50 million)		Assuming Maximum Subscription (\$125 million)	
		Shares	%	Shares	%
Existing Shares ^{*1}	Ordinary	1,000,000,000	87.7%	1,000,000,000	80.0%
New Shares to be issued under the Offer	Ordinary	100,000,000	12.3%	250,000,000	20.0%
Total		1,100,000,000	100%	1,250,000,000	100%

^{*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.

	Share Class	Assuming Minimum Subscription (\$50 million)		Assuming Maximum Subscription (\$125 million)	
		Shares	%	Shares	%
Existing Shares*	Ordinary	1,000,000,000	83.4%	1,000,000,000	66.7%
New Shares to be issued under the Offer	Ordinary	100,000,000	8.4%	250,000,000	16.7%
Tranche 1 Options (50 cents expiring at the first anniversary of the Listing Date)	Ordinary	30,000,000	2.5%	75,000,000	5.0%
Tranche 2 Options (70 cents expiring at the first anniversary of the Listing Date)	Ordinary	30,000,000	2.5%	75,000,000	5.0%
Tranche 3 Options (90 cents expiring at the first anniversary of the Listing Date)	Ordinary	40,000,000	3.3%	100,000,000	6.7%
Total		1,200,000,000	100%	1,500,000,000	100%

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:

Shareholder	No. of Existing Shares held	Percentage of total Shares on issue following Offer assuming Minimum Subscription	Percentage of total Shares on issue following Offer assuming Maximum Subscription
KQ	510,000,000	46.36%	40.80%
Kunlun	250,000,000	22.73%	20.00%
Golden Globe	240,000,000	21.81%	19.20%

* 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 Monies 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.

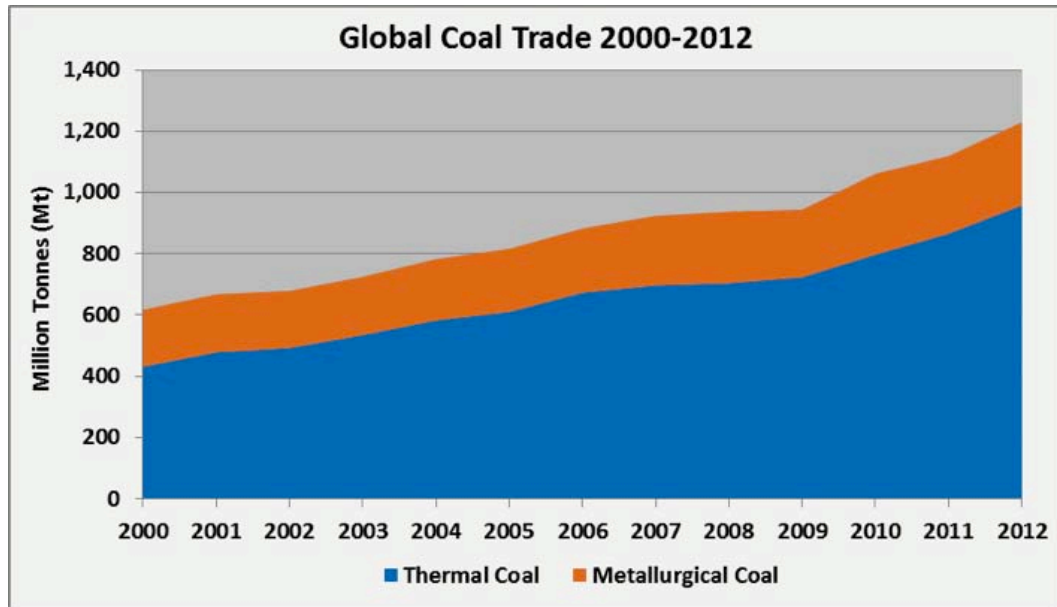
The Australian coal industry is the world's largest exporter of black coal (thermal and metallurgical coal) and one of Australia's most important industries with exports of 300 million tonnes (Mt) of coal worth \$48 billion in financial year (FY) 2011-12. The industry makes a significant contribution 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.



Source: Resources and Energy Quarterly Report (September 2011), Bureau of Resources and Energy Economics, Australian Government

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

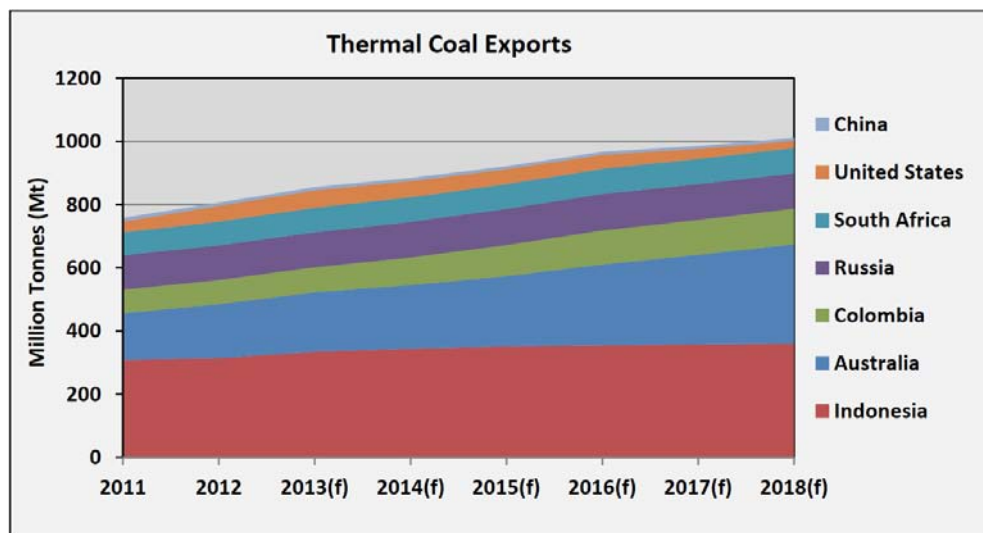
The Australian coal industry has been built on a source of large, low cost and high quality reserves. As at December 2011, Australia had 44 billion tonnes of economically demonstrated resources (EDR) located mainly in the eastern states of Queensland and New South Wales. Queensland has reserves of both 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

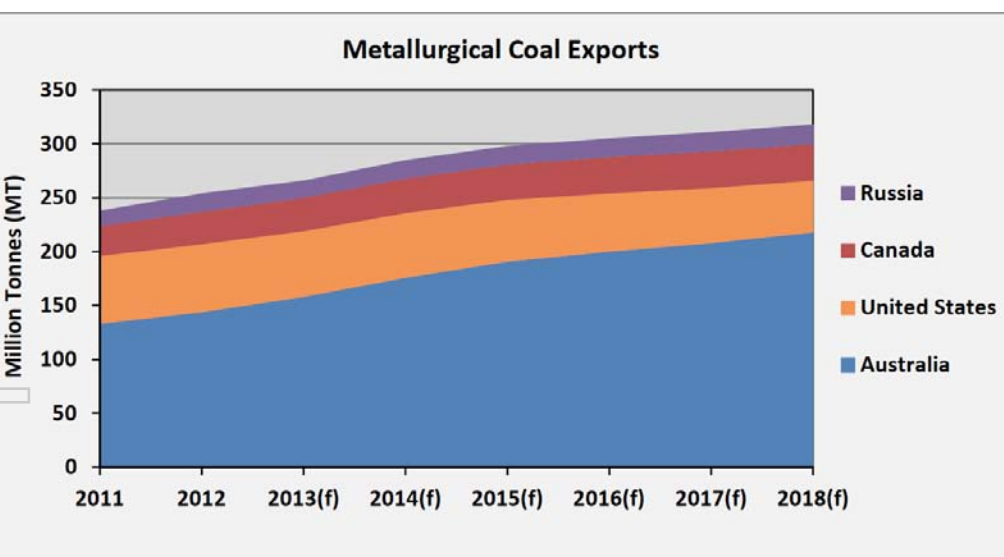
In addition to world class technical and operational expertise, the Australian coal industry has well established efficient transport and logistics systems in the form of rail and port infrastructure to distribute coal to export markets. These transport and logistics systems are currently operating within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



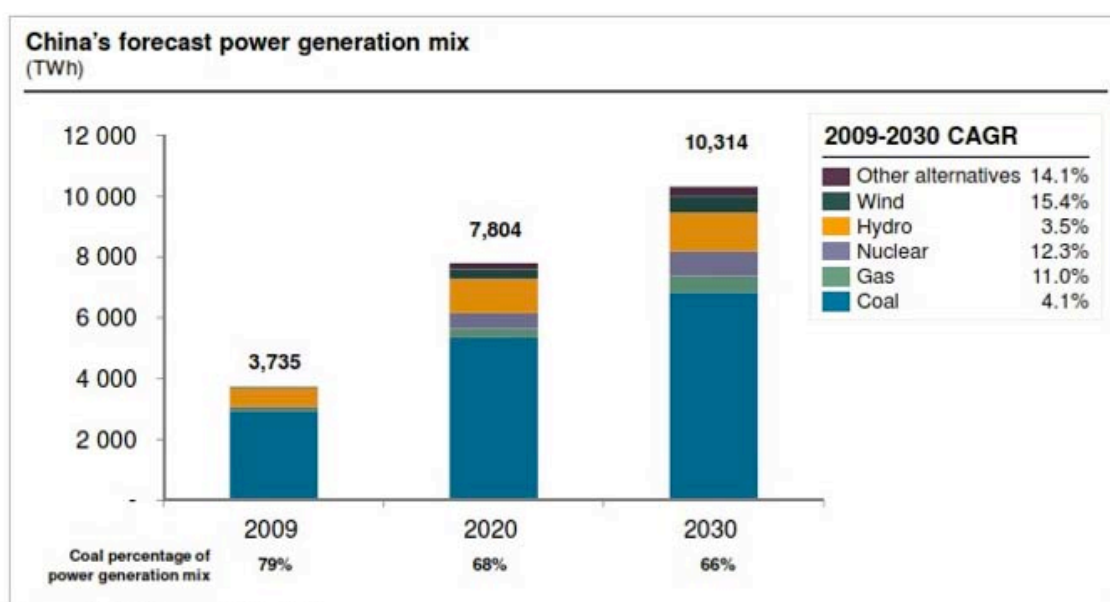
Source: Resources and Energy Quarterly Report (March 2013), Bureau of Resources and Energy Economics, Australian Government



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.

Queensland Coal Exports by Product	2012 Tonnages (Mt)
Hard Coking Coal Exports	81.4
Soft Coking Coal Exports	38.2
Thermal Coal Exports	48.2
Queensland Coal Total Exports	167.8

Queensland Coal Exports 2012

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 Rangel 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.

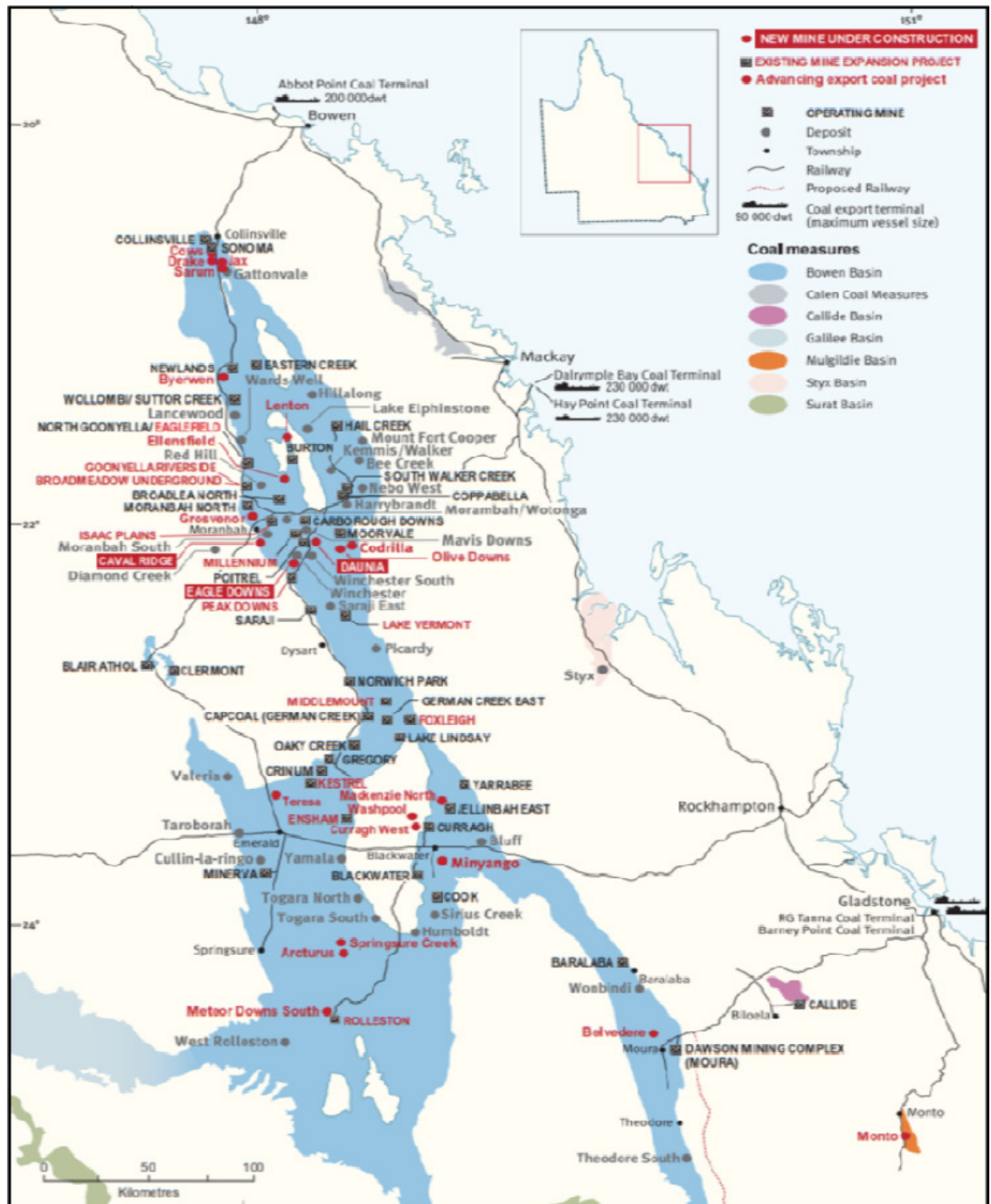
Coal Group	Bowen Basin and Structural Outliers				Galilee Basin	Cooper Basin
	North	Central	South-East	South-west		
IV (Youngest)	Rangel Coal Measures	Rangel Coal Measures	Baralaba Coal Measures	Bandanna Formation	Bandanna Formation Correlatives Betts Creek Beds	Toolachee Formation
III	Moranbah Coal Measures	German Creek Formation		Freitag Formation		
II	Colinsville Coal Measures	Blair Athol and Wolfgang Coal Measures				
	Coal Measures at Rugby	Coal Measures in the Miclere, Karin and Moorlands Basins				
I (Oldest)		Rieds Dome Beds		Rieds Dome Beds	Aramac Coal Measures	Patchawarra Formation
Legend:	Producing or highly prospective interval		Moderately prospective interval		Poorly prospective interval	

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

Coal Measures	Indicative Products
Rangel Coal Measures (Baralaba Coal Measures and Bandanna Formation are equivalents)	Export low-medium volatile pulverized coal injection (PCI), semi-soft coking and export thermal coal
Fort Cooper Coal Measures / Burngrove and Fairhill Formations (stratigraphic equivalents in southern Bowen Basin)	Not currently mined due to high ash, low yielding seams (coking coal products proposed from Burngrove Formations in southern Bowen Basin)
Moranbah-German Creek Coal Measures	Prime hard coking coal, export thermal coal and minor low-volatile anthracite
Blair Athol Coal Measures and equivalents	Export thermal coal
Collinsville Coal Measures (Stockyard Creek Coal Measure Equivalents)	Hard coking and export thermal coal
Reids Dome Beds	PCI and export thermal coal

Bowen Basin Coal Measures and Indicative Coal Products

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.



Bowen Basin Coal Mines and Projects

Source: Queensland Government, Department of Natural Resources and Mining, www.mines.industry.qld.gov.au

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)

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

Top Ten Queensland Coal Export Mines (By Volume)

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.

Rail	LinePort Terminal	Export Capacity (Mt)
Newlands	Abbot Point	50
Goonyella	Dalrymple Bay	85
Goonyella	Hay Point	44 (+11 under construction)
Blackwater / Moura	RG Tanna	68
Blackwater / Moura	Barney Point	7
Blackwater / Moura	Wiggins Island	0 (+27* under construction)
Total		254 (+38 under construction)

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.



Bowen Basin Port and Rail Infrastructure

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.

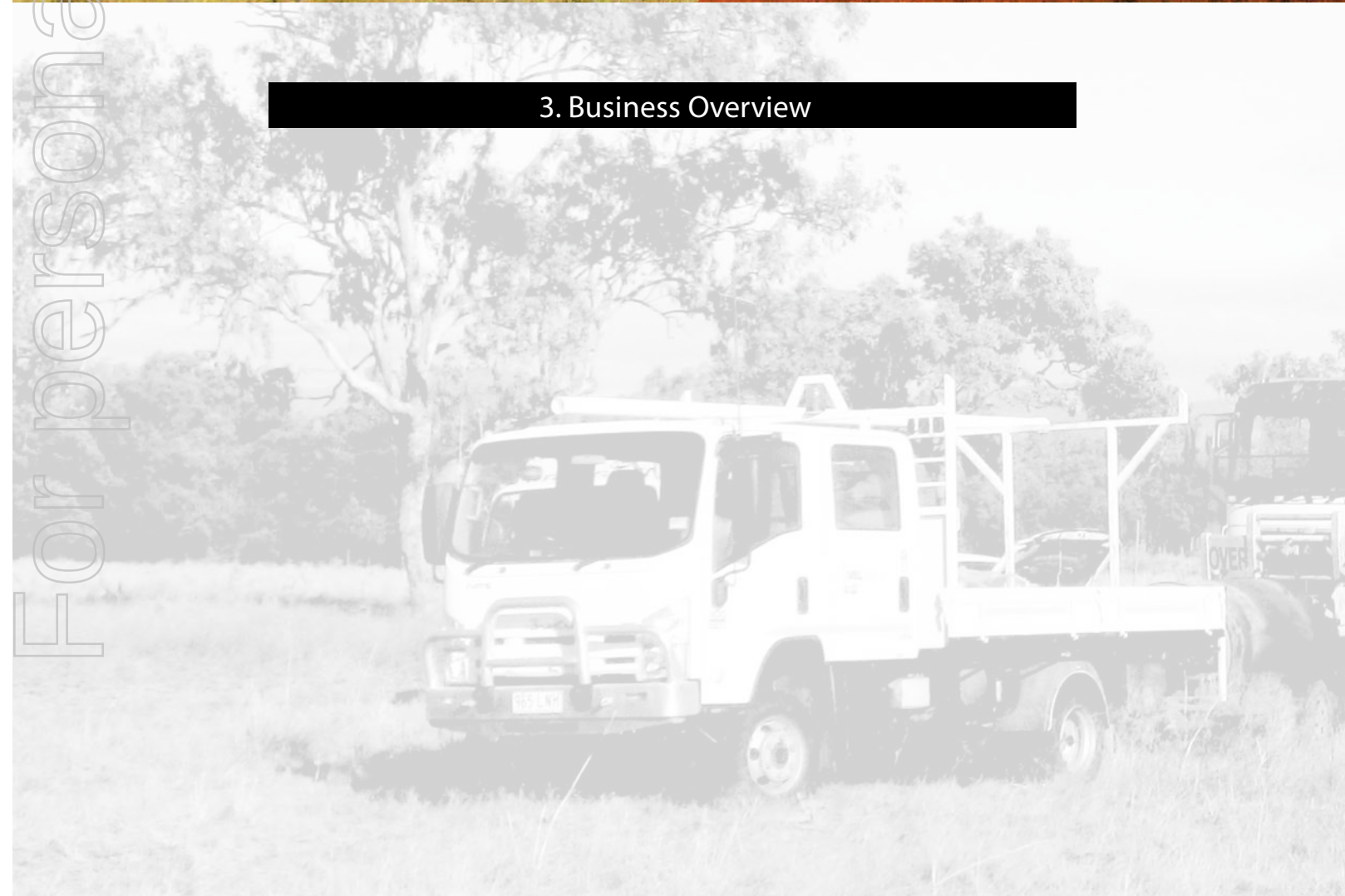
Basin Comparison	Bowen Basin	Galilee Basin	Surat Basin
Coal Type	Metallurgical and Thermal	Thermal	Thermal
Distance to Port	102 - 416km	460-503km	240 – 462km
Ports	Well established port system with planning for additional capacity	Proposal for Abbot Point as the preferred export terminal, pending rail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

Comparison of Queensland Mining Regions



3. Business Overview

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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

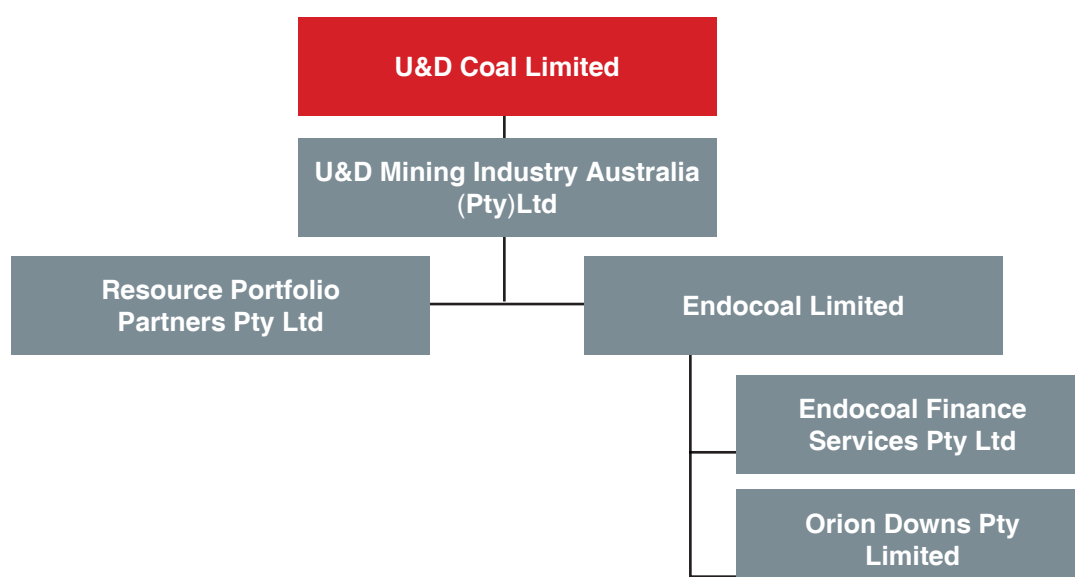
The Henan Energy and Chemical Group was recently established by merging Henan Coal Chemical Industry Group and Yima Coal Industry Group, in a strategic move to upgrade Henan's coal industry and enhance competitiveness, in a difficult market. The Henan Energy and Chemical Group will have combined annual 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.

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

*Includes both the Inderi and MDS Resource Areas

Table 3.2.1: **Total JORC Resources and Reserves**

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

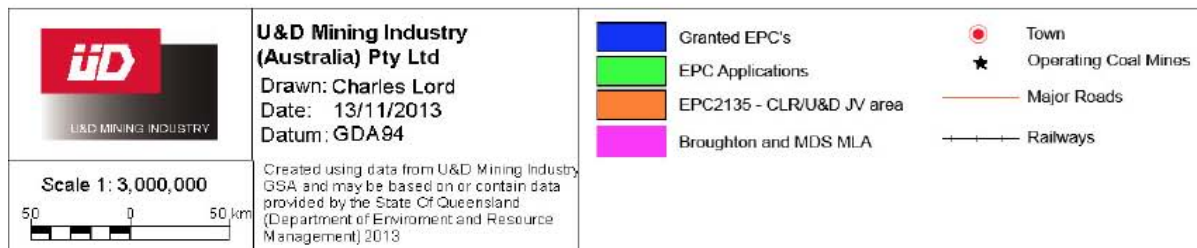
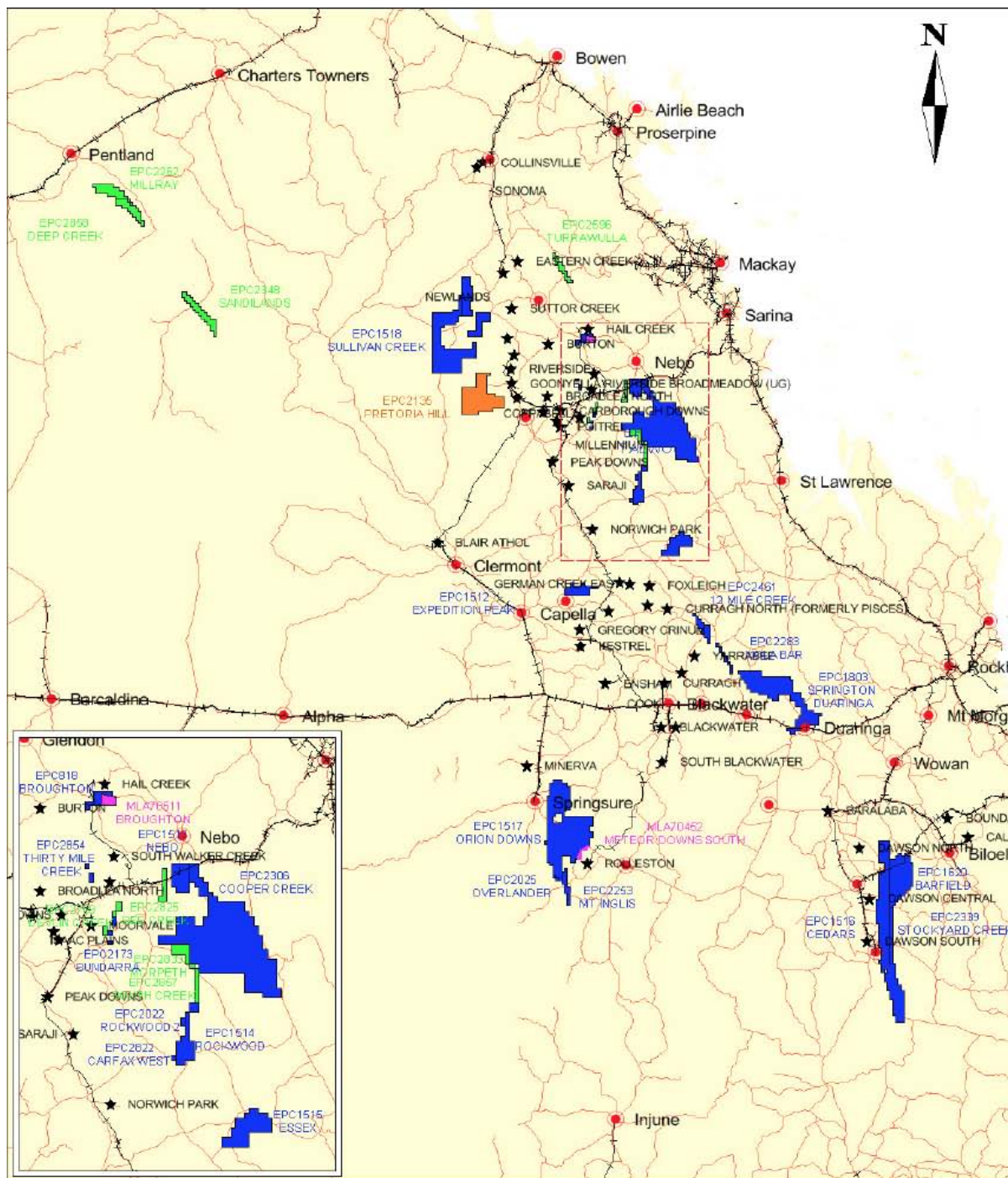
on delivering these two near term mining development projects (namely MDS and the Broughton Project) to the market in the quickest practical and economic timeframe for achieving cash inflow to the Group. The Company will need to navigate a number of project specific and more general risks in order to 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.



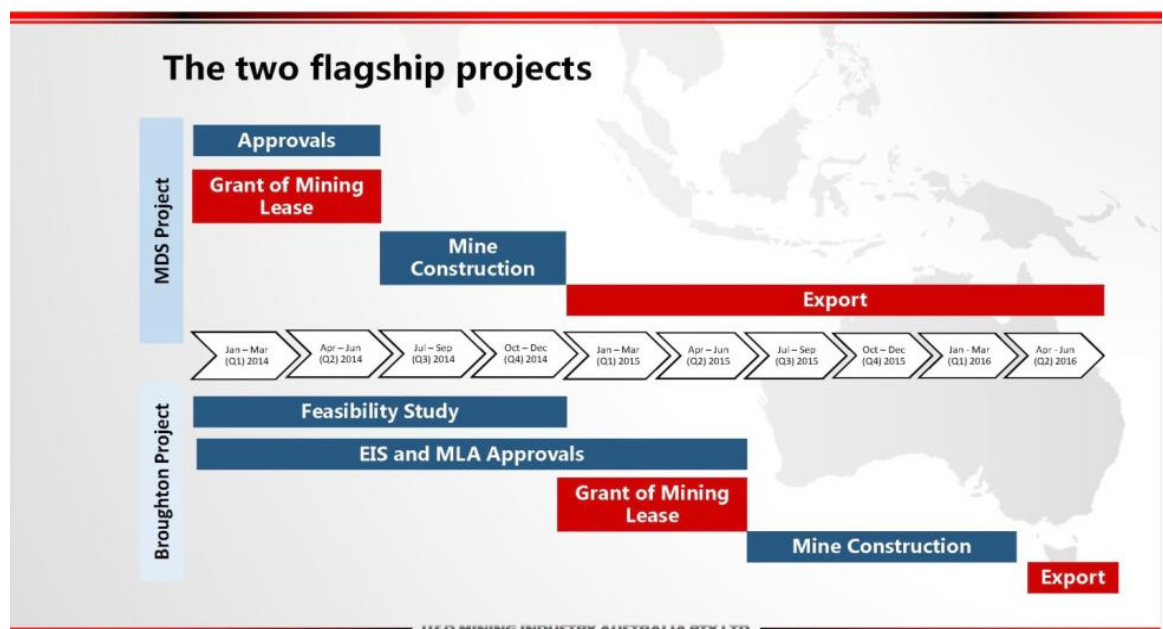
Location of the Company's Tenement Portfolio

(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 timeframes, 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 timeframes 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.

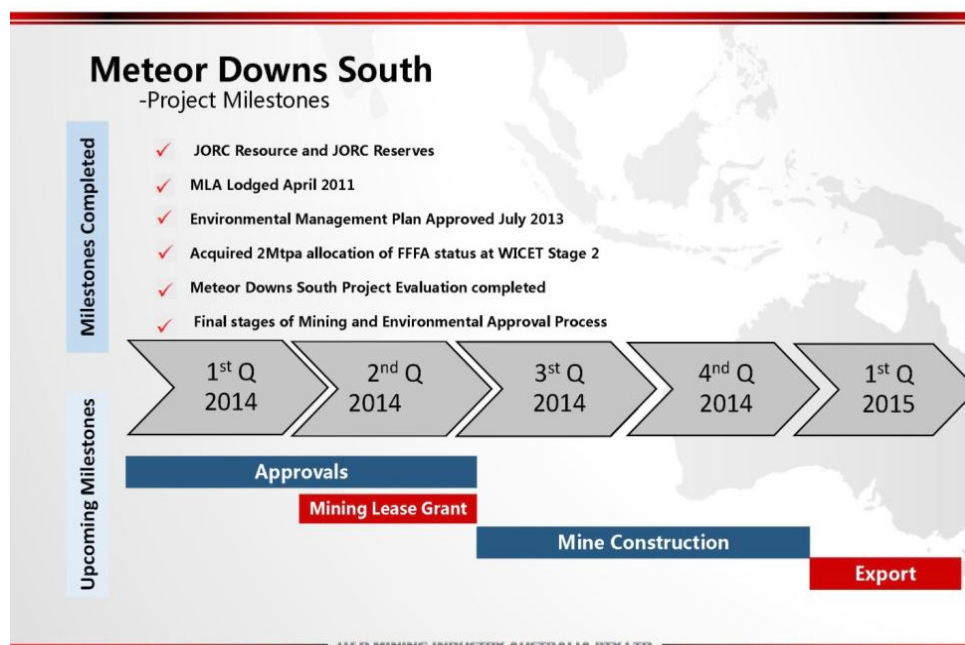
Located 45km Southeast of the Central Queensland town of Springsure and 30km West North West of the Central Queensland town of Rolleston, the project is located within the Orion Downs tenement.

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

SEAM	MERSURED			INDICATED			INFERRED		
	AREA(Ha)	THICK(m)	Mt	AREA(Ha)	THICK(m)	Mt	AREA(Ha)	THICK(m)	Mt
B				55	10	0.8	0	0	0
C				56	1.4	1.1	0	0	0
B	78	2.69	2.67	22	2.9	0.9	0	0	0
D	150	4.99	10.65	13	3.6	0.7	0	0	0
TOTAL			13.32			3.5			0
						16.82			

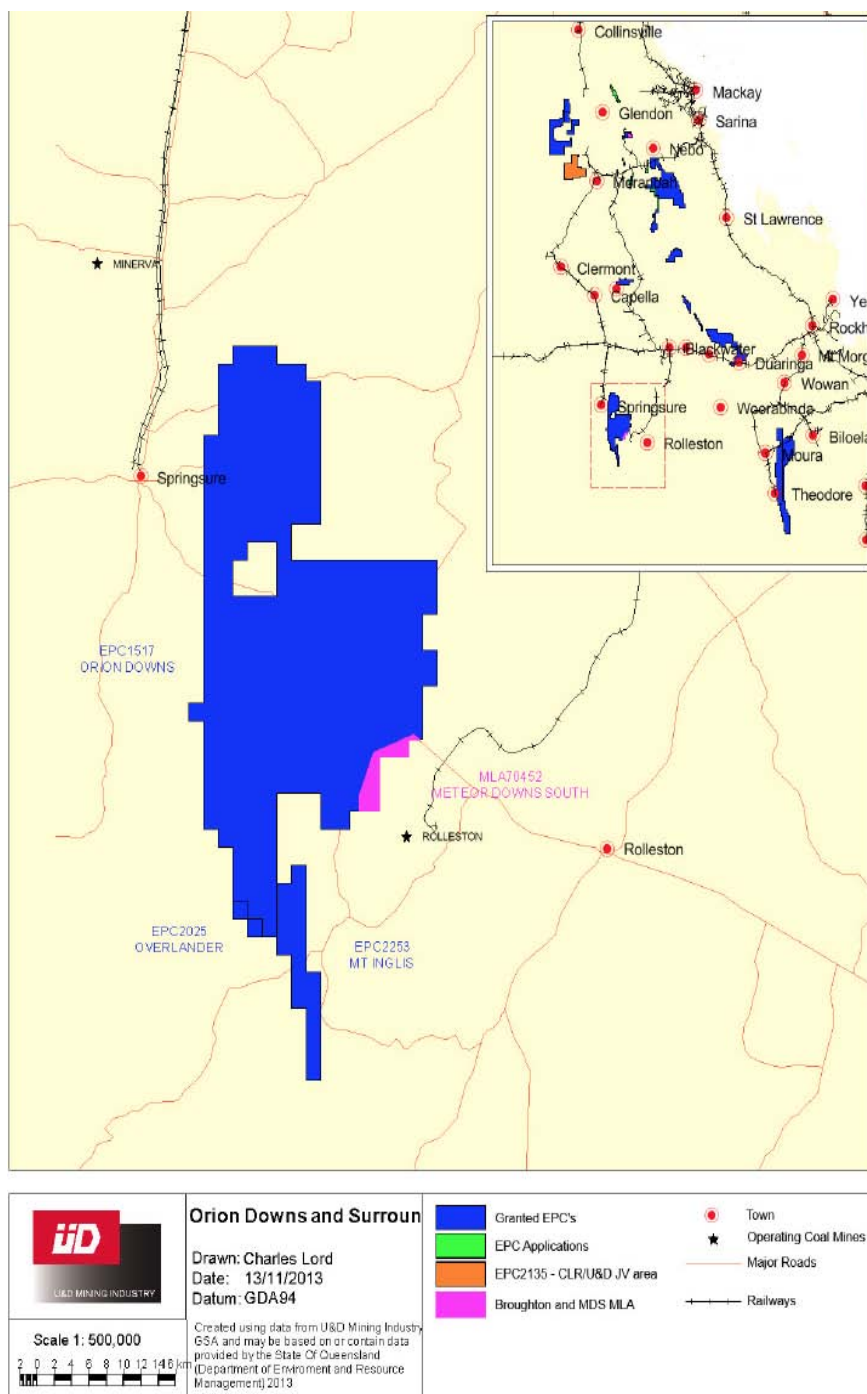
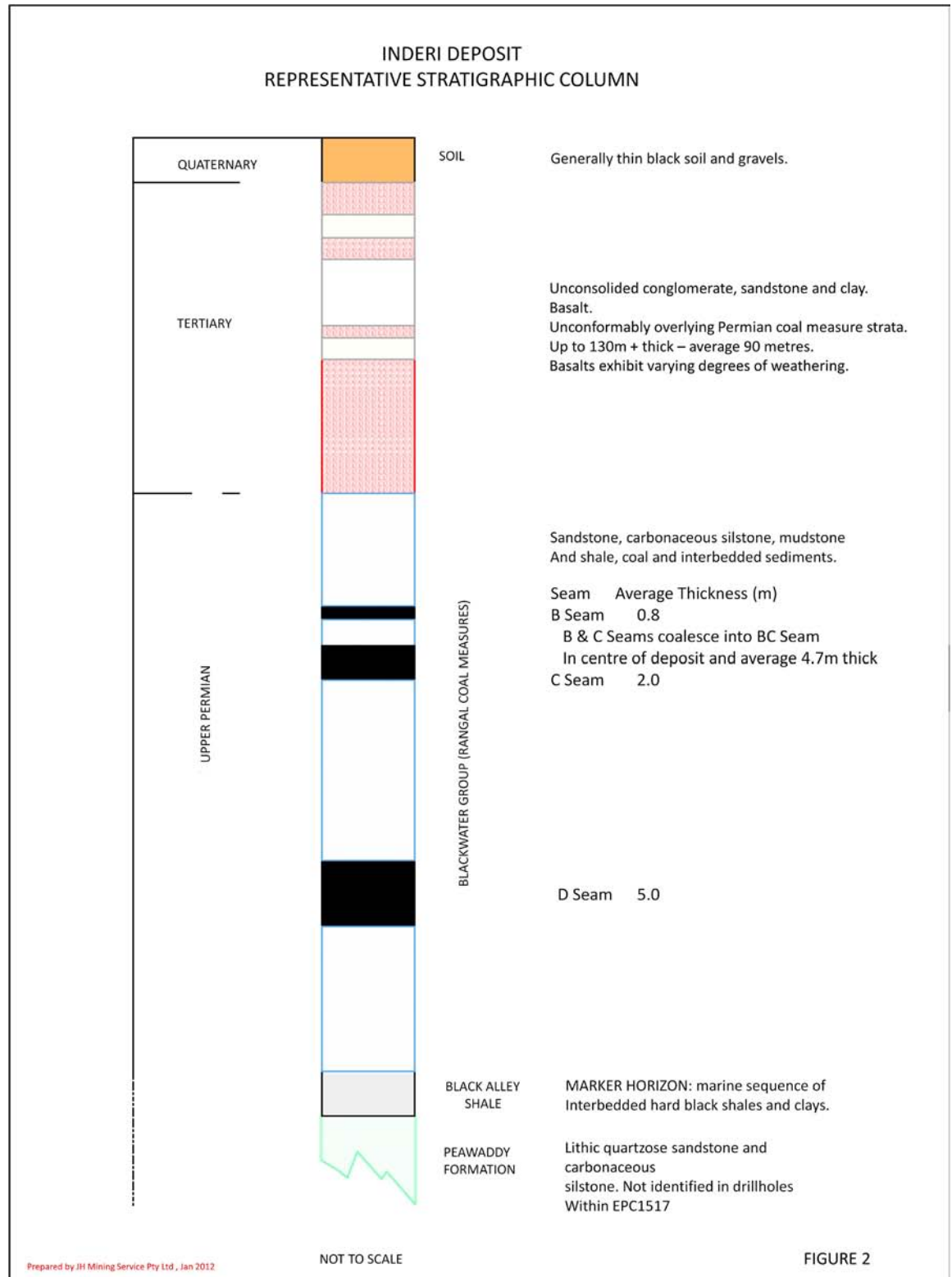
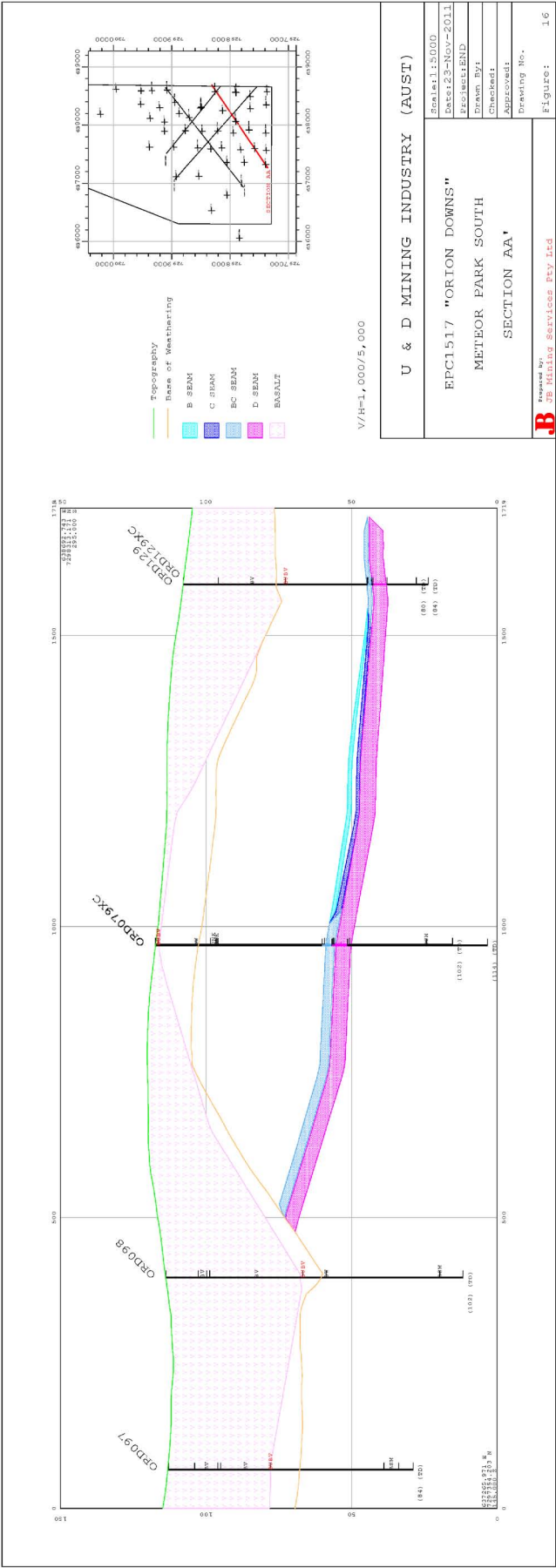


Figure 3.3.1: *MDS Project in relation to existing resources and infrastructure*

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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.

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

Mine Development

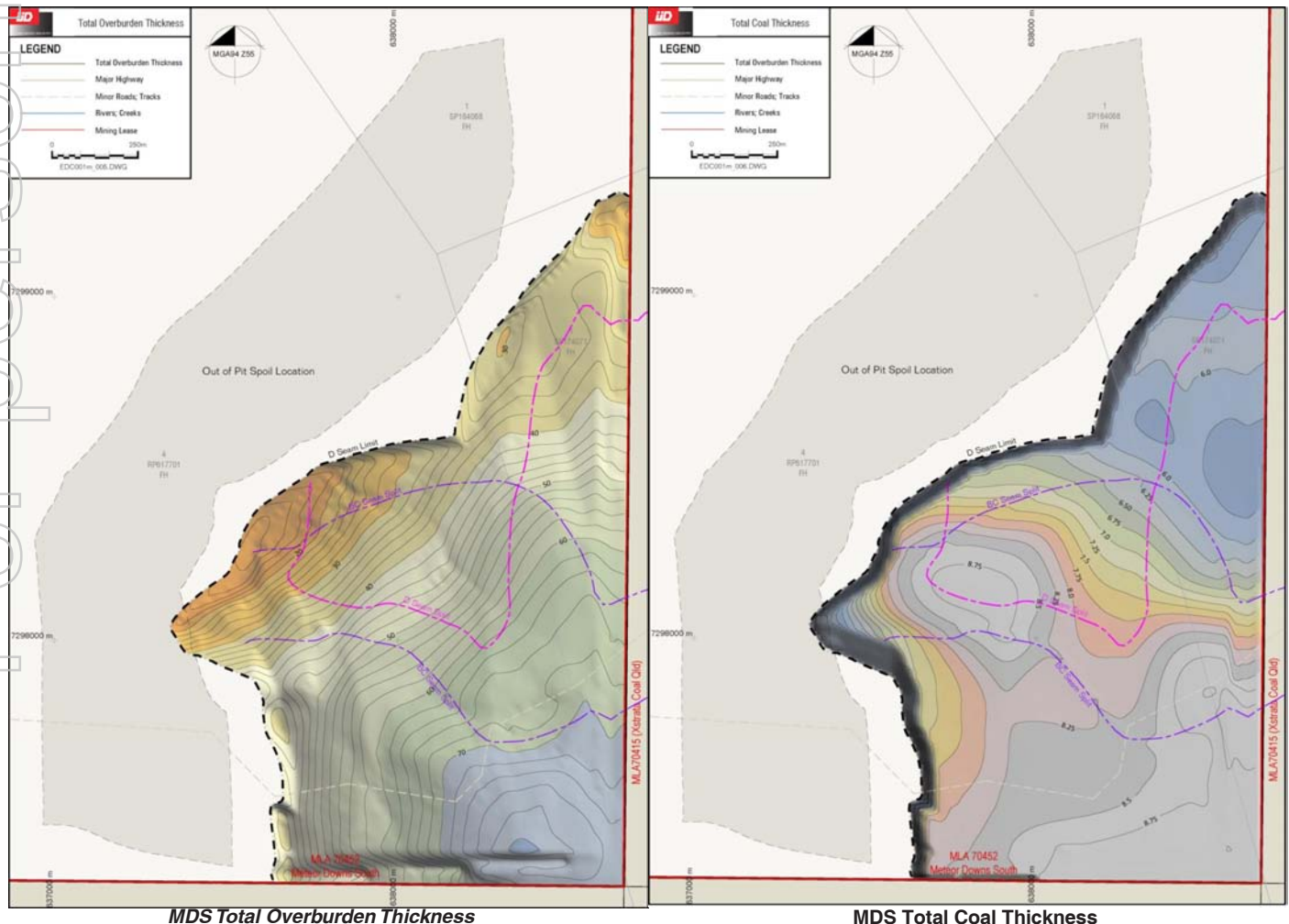
Based on the initial exploration success a MLA and an IDP was submitted in 2011 with the Queensland Government consenting to the project being assessed on the EMP pathway rather than the traditional EIS pathway. The EMP pathway has a much shorter statutory approval time period and is a relatively easier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

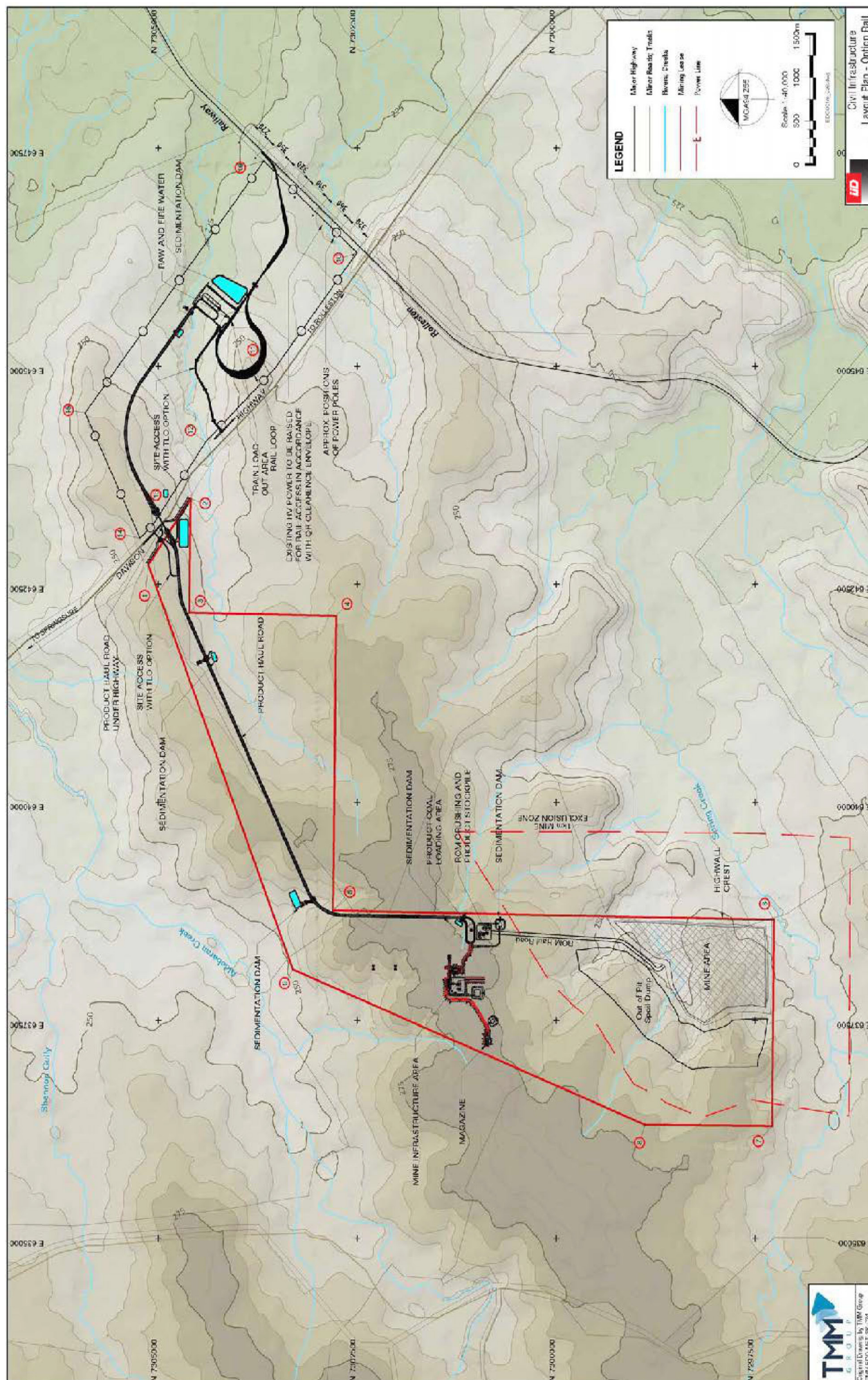
A FS was completed in 2012 for the MDS Project which delivered the following favourable outcomes;

- 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.





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

are planned to be completed in 2018.

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.

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 parties existing rail load out facility. The Company expects to have finalised its view on potential JV partners by the time the ML is granted.

(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.

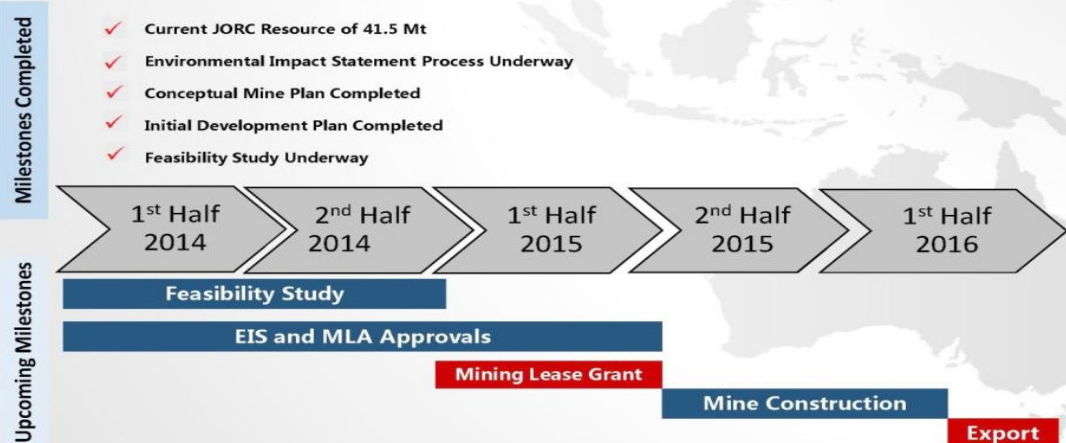
Located approximately 30km North West of Nebo and 40km south east of Glendon in the Northern Bowen Basin the Broughton Project is well placed to take advantage of existing infrastructure within the Project area. The Sutor Development Road passes through the EPC 818 tenure from west to east with the Hail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

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

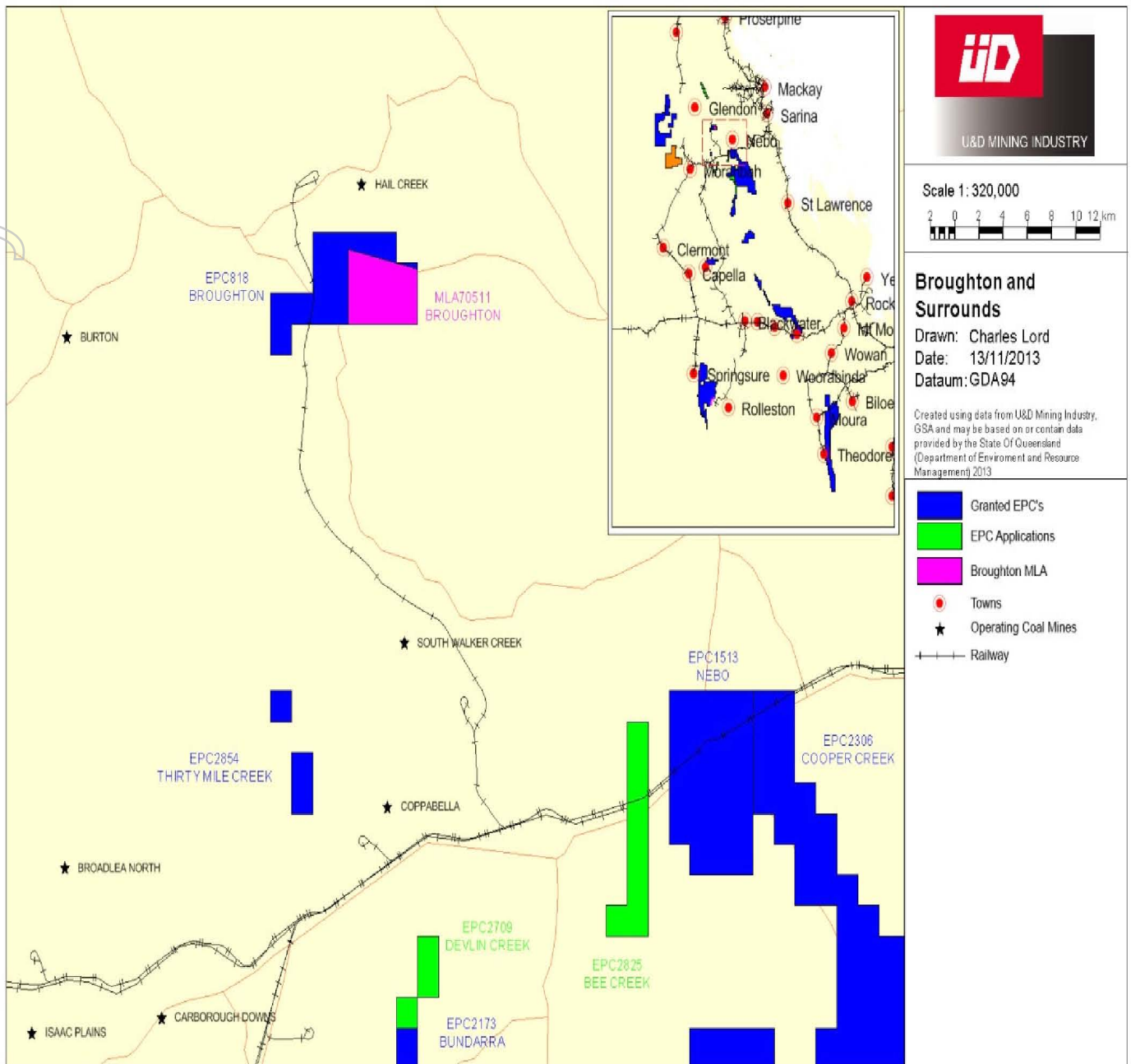


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Project plan indicative timelines: These timelines are indicative only, and are subject to change, including as a result of the final amount raised under the Offer and subject to the Company successfully implementing its Project plans and navigating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

Nearby Operation 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

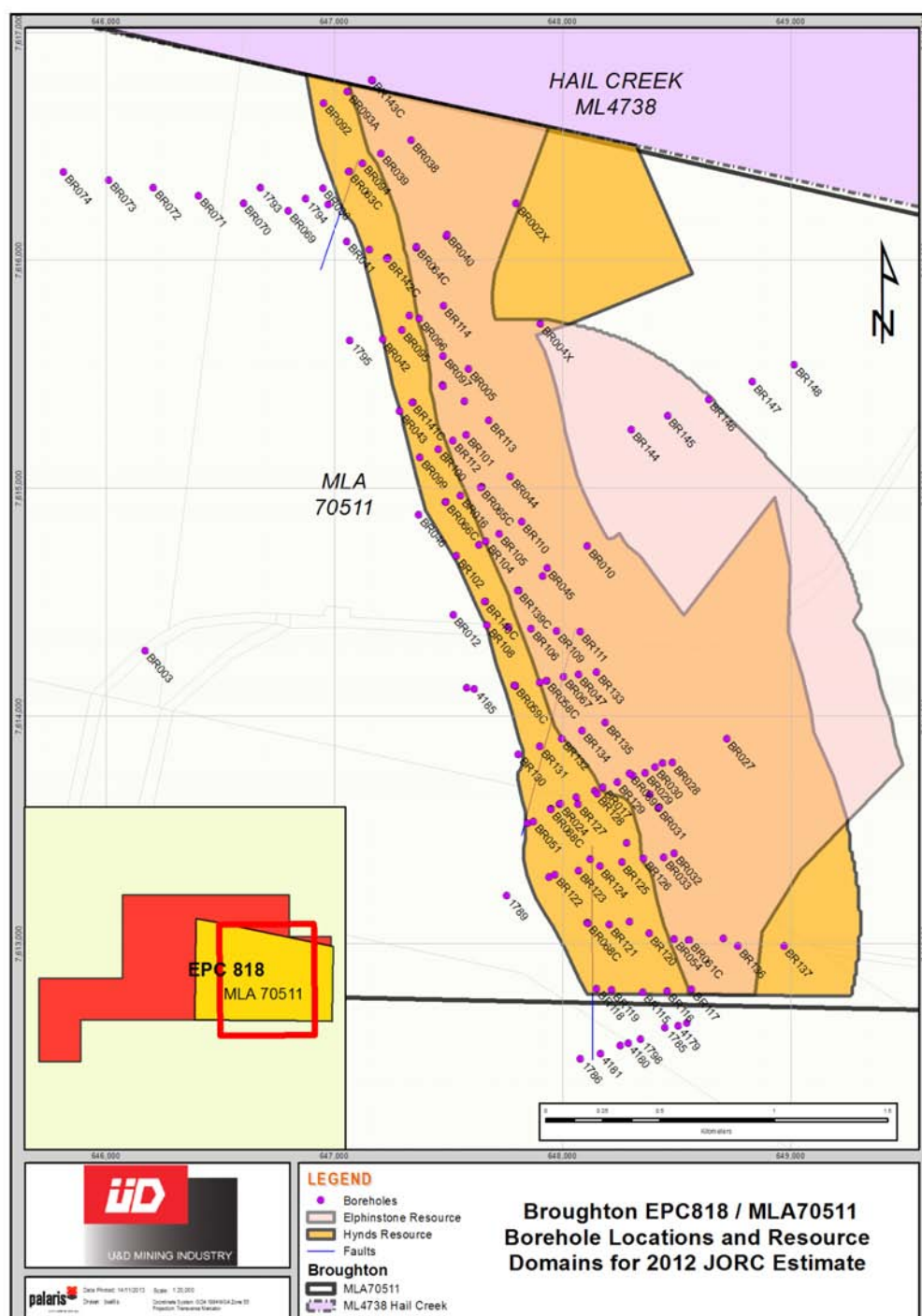
The Broughton Project is located on the western limb of the Hail / Bee Creek Syncline, and in the resource area, the Permian strata strikes broadly north-south and dips east towards the syncline axis with moderate seam dips (15 degrees). Geological structure within the resource area is relatively benign 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 sub-crop 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.

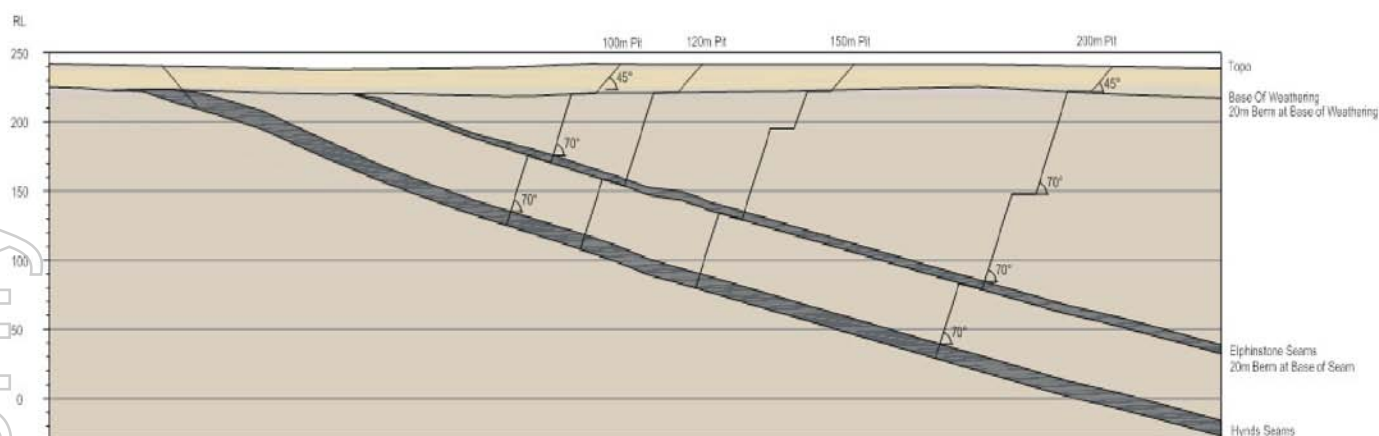
The current JORC Resources have been limited to potential open cut resources with the resource open to the east and coal seams continuing at depth to the eastern boundary of the tenure. The JORC Resource for the Broughton Project is shown in the table below.

SEAM	Measured (Mt)	Indicated (Mt)	Inferred (Mt)
TOTAL ELPHINSTONE	6.5	3.5	7.0
TOTAL HYNDS	9.5	7.0	8.0
TOTAL	16.0	10.5	15.0
	41.5		

JORC Resources for Broughton Project



Broughton Project Geology and Existing Drilling



Geological Cross Section through the Broughton Deposit showing potential open cut pit shells

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.

Seam	No. Samples	Ash Content % (ad)	Volatile Matter % (ad)	Total Sulphur % (ad)	CSN	Maximum Fluidity (ddpm)
Elphinstone	20	7.7	22.3	0.45	7	90
Hynds	72	7.5	22.1	0.54	8.5	90

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

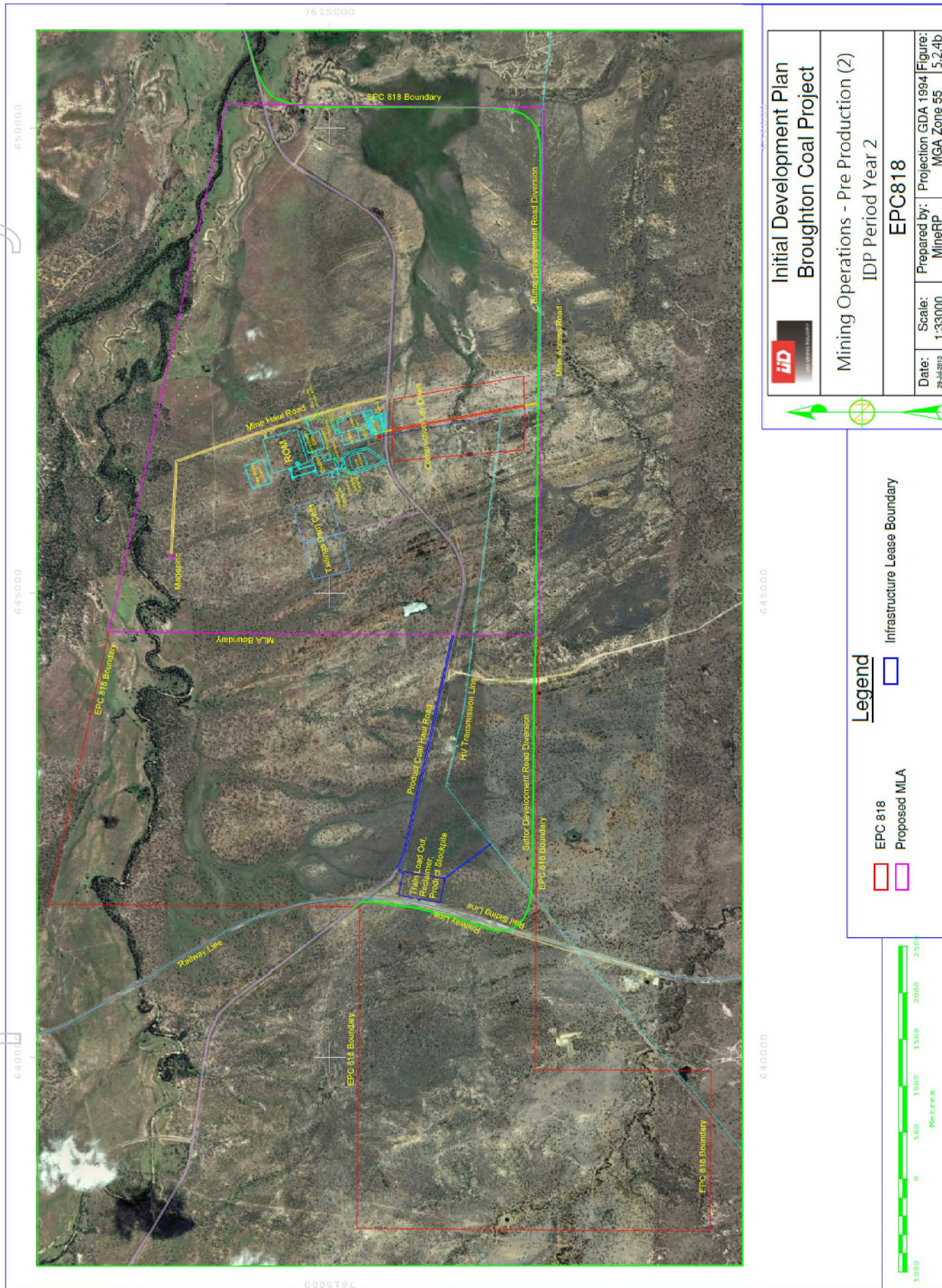
Mine Development

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.

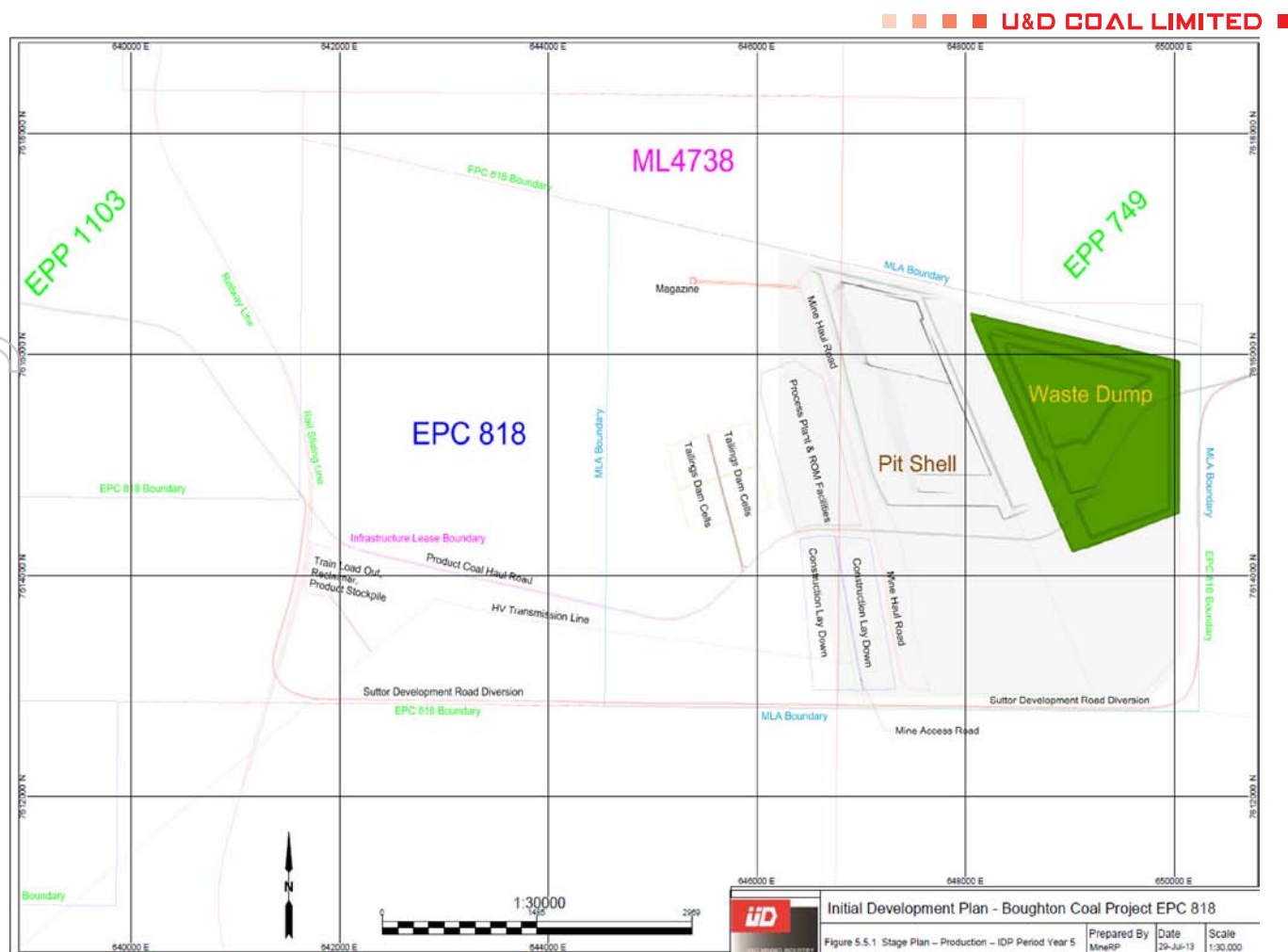
In line with the Company's cost minimization strategy, the planned feasibility study will also focus on identifying and assessing existing technology involving alternative mining and coal processing methodologies. These new technologies will be assessed against capital and running costs as well as suitability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



Broughton Proposed Mining Operations Year 5

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.

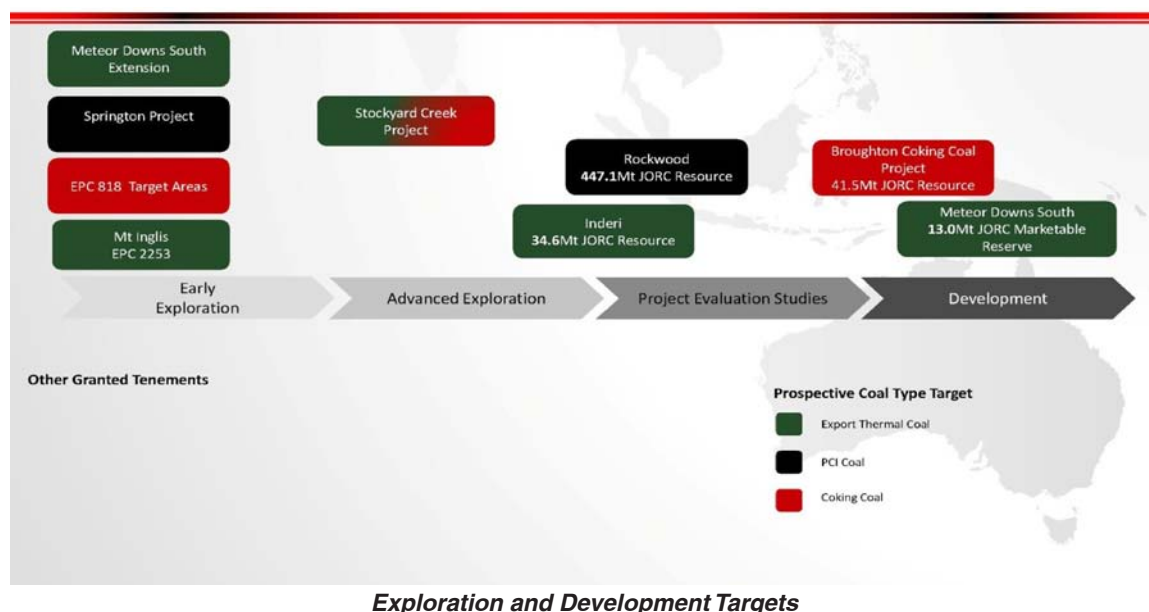
The Company will be evaluating a number of potential coal opportunities across its broad range of existing tenements and those that are in the process of being granted. The Company's strategy is to carry out further advanced development activities on Projects with existing open cut JORC resources as 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: compliance with native title and cultural heritage statutory requirements, 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 from 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.

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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**

Bowen Basin and Structural Outliers			
North	Central	South-East	South-West
Rangal Coal Measures (RCM)	Rangal Coal Measures (RCM)	Baralaba Coal Measures (BCM)	Bandanna Formation (BF)
Fort Cooper Coal Measures (FCCM)	Burngrove Formation (BGF)	Kaloola Member (KM)	
	Fair Hill Formation (FHF)		
Moranbah Coal Measures (MCM)	German Creek Formation (GCF)	(Aldebaran SS and Freitag Fm)	
Collinsville Coal Measures (CCM)	Blair Athol and Wolfgang Coal Measures		
	Reids Dome Beds (RDB)		Reids Dome Beds (RDB)

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

EPC	Name	Project	Status	Area (Km2)	Prospectivity Ranking	Target Coal Measures
1517	Orion Downs	Orion Downs Project	Granted	840	High - BCM resources at Inderi and MDS, Rolleston mining project adjacent. Also prospective for untested and unconventional coal measures in the west of the tenement.	BCM, Aldebaran SS, Freitag Fm, RDB
2025	Overlander		Granted	6	Low - Reports of BCM in historical government mapping	BCM
2253	Mt Inglis		Granted	50.4	Medium to High - Outcropping coal seams found in the tenement	Aldebaran SS
818	Broughton	818 Project	Granted	48	High- resources reported in the RCM in the east, field mapping has identified potential MCM and RCM in central and west	RCM, MCM
1514	Rockwood	Rockwood Project	Granted	81.2	High - MCM Resources reported. Potential for RCM in west of tenement	MCM, RCM
2022	Rockwood 2		Granted	5.6		
2822	Carfax West		Granted	2.8		
2339	Stockyard Creek	Stockyard Creek Project	Granted	50	High - Stockyard Creek Coal Measures identified. Geophysical surveys indicate extension of the coal bearing zones north and south	SCCM
1516	Cedars		Granted	672		
1620	Barfield		Granted	465		
1803	Springton Duaringa	Springton Project	Granted	504	Medium - Seismic surveys and geophysical surveys indicate potential coal bearing targets	RCM, MCM
2461	Twelve Mile Creek		Granted	59		
1513	Nebo	Nebo Project	Granted	64.4	Medium - Reports of shallow coal in water bores	MCM
2306	Cooper Creek	Cooper Creek Project	Granted	818	Medium - Potential for similar Rockwood style in the west and Stockyard Creek style in the east	MCM, SCCM
2854	Thirty Mile Creek	30 Mile Creek Project	Granted	8.4	Medium - RCM confirmed 65 associated 65 und depths by historical seismic surveys	RCM
2262	Millray	Gaillie Project	Draft Grant	103.6	Medium - Significant coal intersections identified in historical drilling	Bretts Creek Coal Beds
1518	Sullivan Creek	Talwood Project	Granted	537.6	Low to Medium - Coal seams identified at Talwood Project through historical and current drilling	CCM, Rugby Measure Equivalents
1590	Talwood		Granted	115		
1515	Essex	Essex Project	Granted	134.4	Low to Medium - Rckwood style coal seams identified	MCM
2596	Turrawulla	Turrawulla Project	Pending Grant	47.6	Low to Medium - Potential for shallow RCM and MCM from historical exploration	RCM, MCM
1512	Expedition Peak	Expedition Peak project	Granted	84	Low	CCM, GCF and FF
2135	Pretoria Hill JV **held jointly with Corrabella Resources	Pretoria Hill Project	Granted	358	Low	CCM, Rugby Measure Equivalents
2173	Bundarra	Granted	Priority Applicant	11	Low	RCM and MCM
2283	Kola Bar	Granted	Priority Applicant	28	Low	MCM
2348	Sandilands	Currently Under Application	Priority Applicant	109.2		
2709	Devlin Creek		Application	14		
2825	Bee Creek		Priority Applicant	22.4		
2833	Morpeth		Competing Application	28		
2857	South Creek		Competing Application	22.4		
2858	Deep Creek		Competing Application	84		

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)

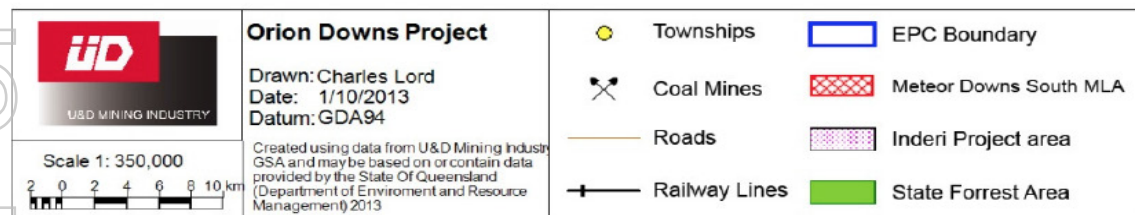
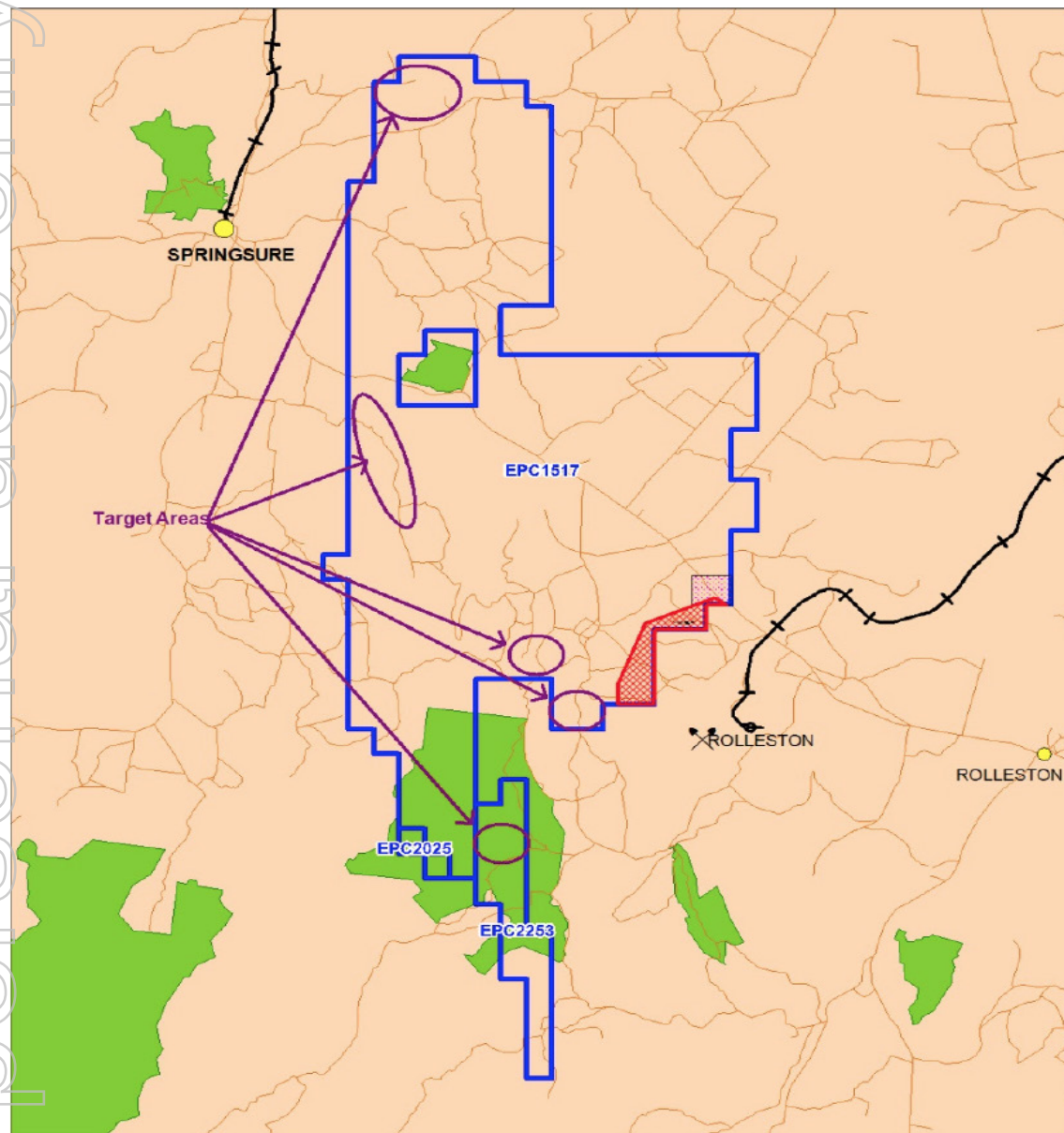


Figure 4.2.1: Orion Downs Project Area

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 Aldabarren 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 Aldabarren 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.

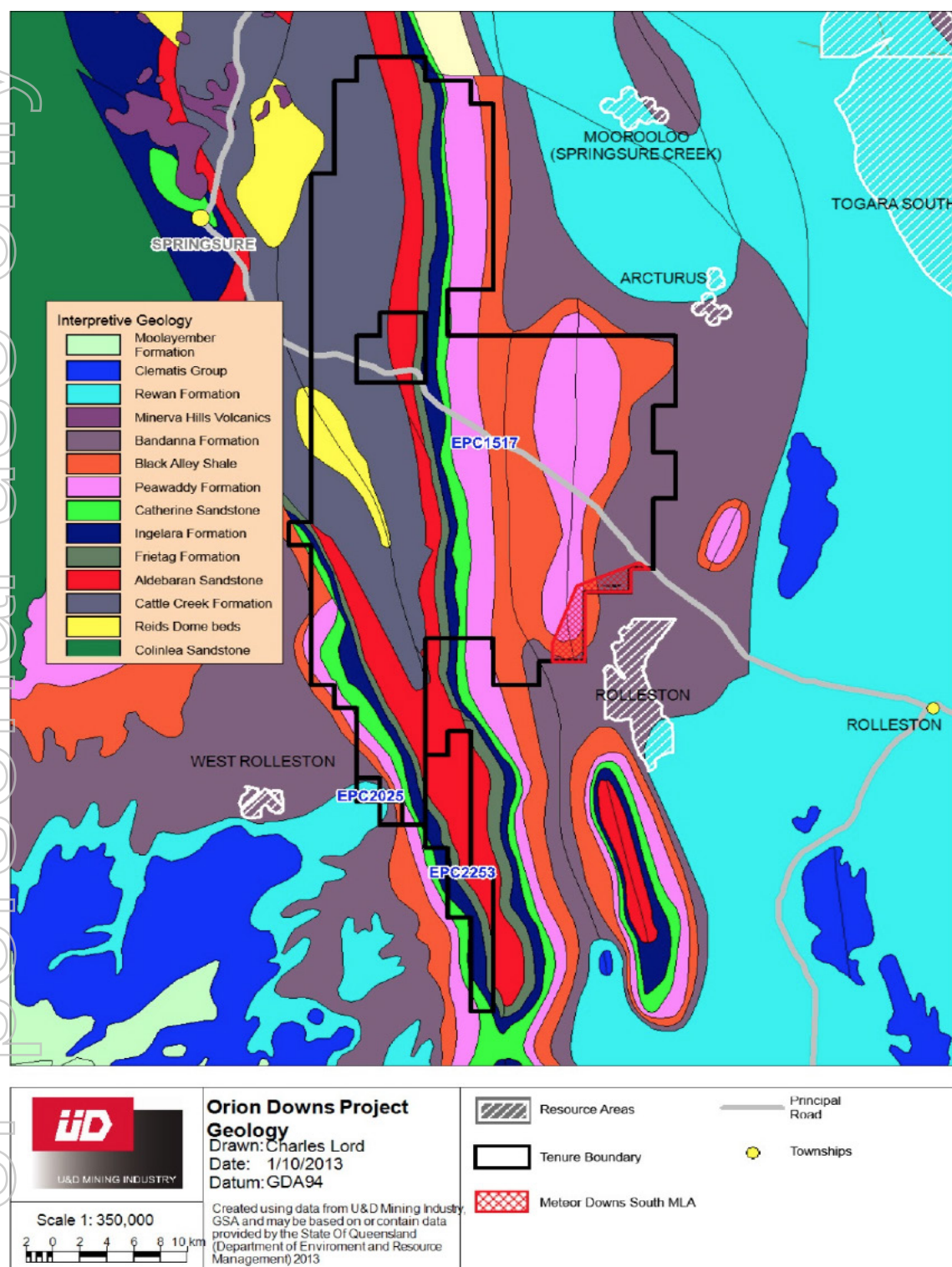


Figure 4.2.2: Interpretative geology EPC1517 (Government data, Balfe et al., 1988)

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 than 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 than 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.

SEAM	Mersured			Indicated			Inferred			Raw Coal Qualities (Air Dried Basis)					
	Area(ha)	Thick(m)	Mt	Area(ha)	Thick(m)	Mt	Area(ha)	Thick(m)	Mt	Ash	IM	TS	Se MJ/kg	RD	IRD
B							33	1.0	-0.5					1.44	1.44
C							37	2.0	1.0	9.7	11.5			1.45	1.41
BC				45	4.1	2.6	1	2.0	<0.5	16.1	10.3	0.46	22.61	1.52	1.46
D	24.7	4.92	18.48	90	4.5	5.5	104	5.0	7.0	8.9	10.2	0.42	26.09	1.41	1.37
Sub TOTAL	18.48			8.10			8.0								
TOTAL	35.48														

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 group's 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.





(B) Broughton Project - EPC 818

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.

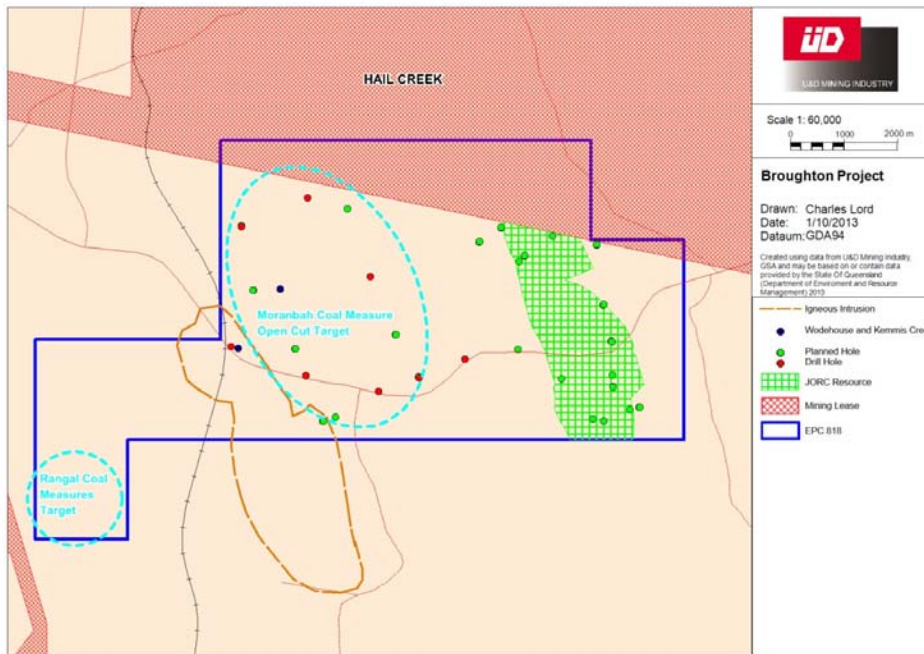


Figure 4.2.5: Broughton Coal Project Map

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)

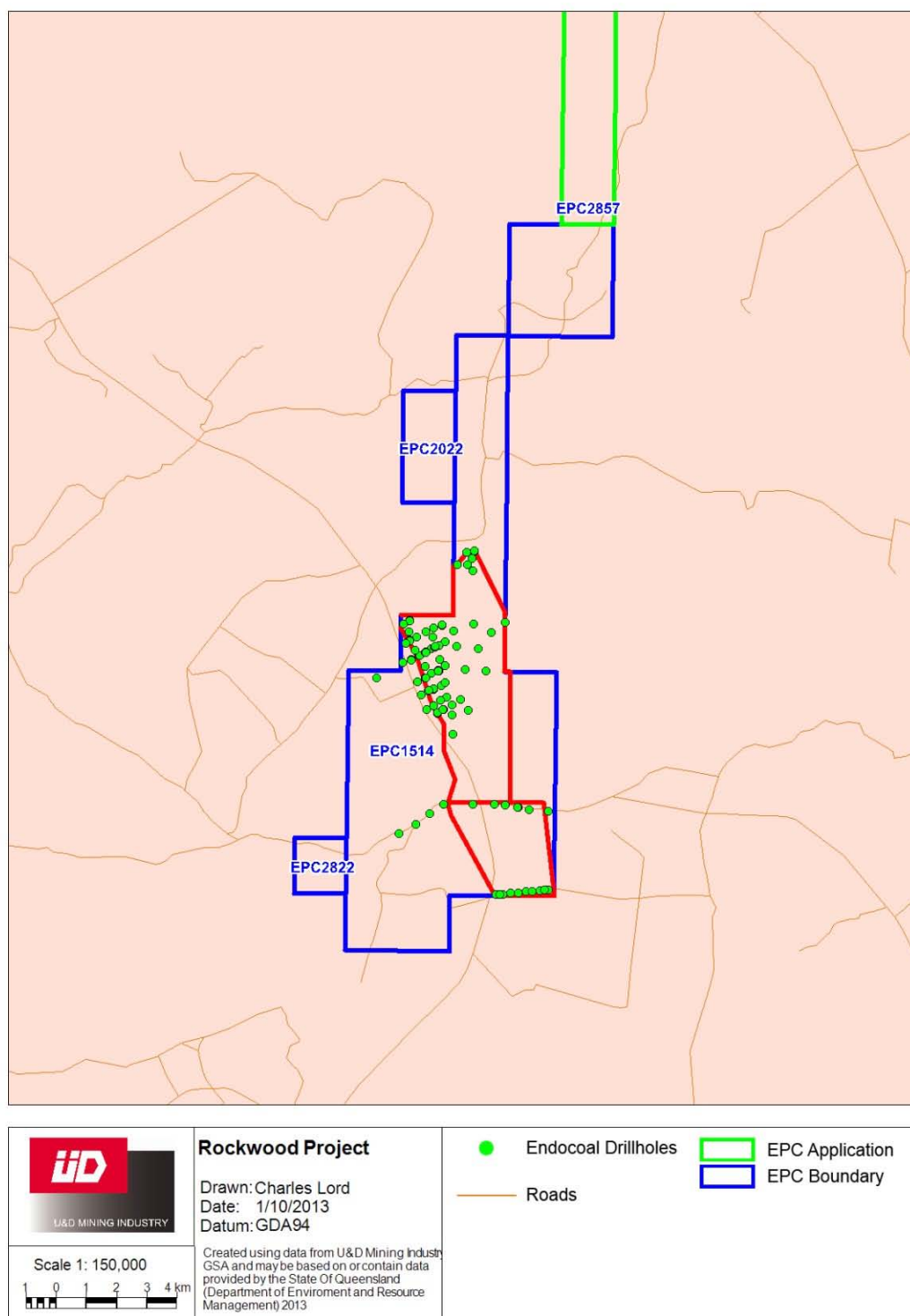


Figure 4.2.6: Rockwood Project Map

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 trending 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.

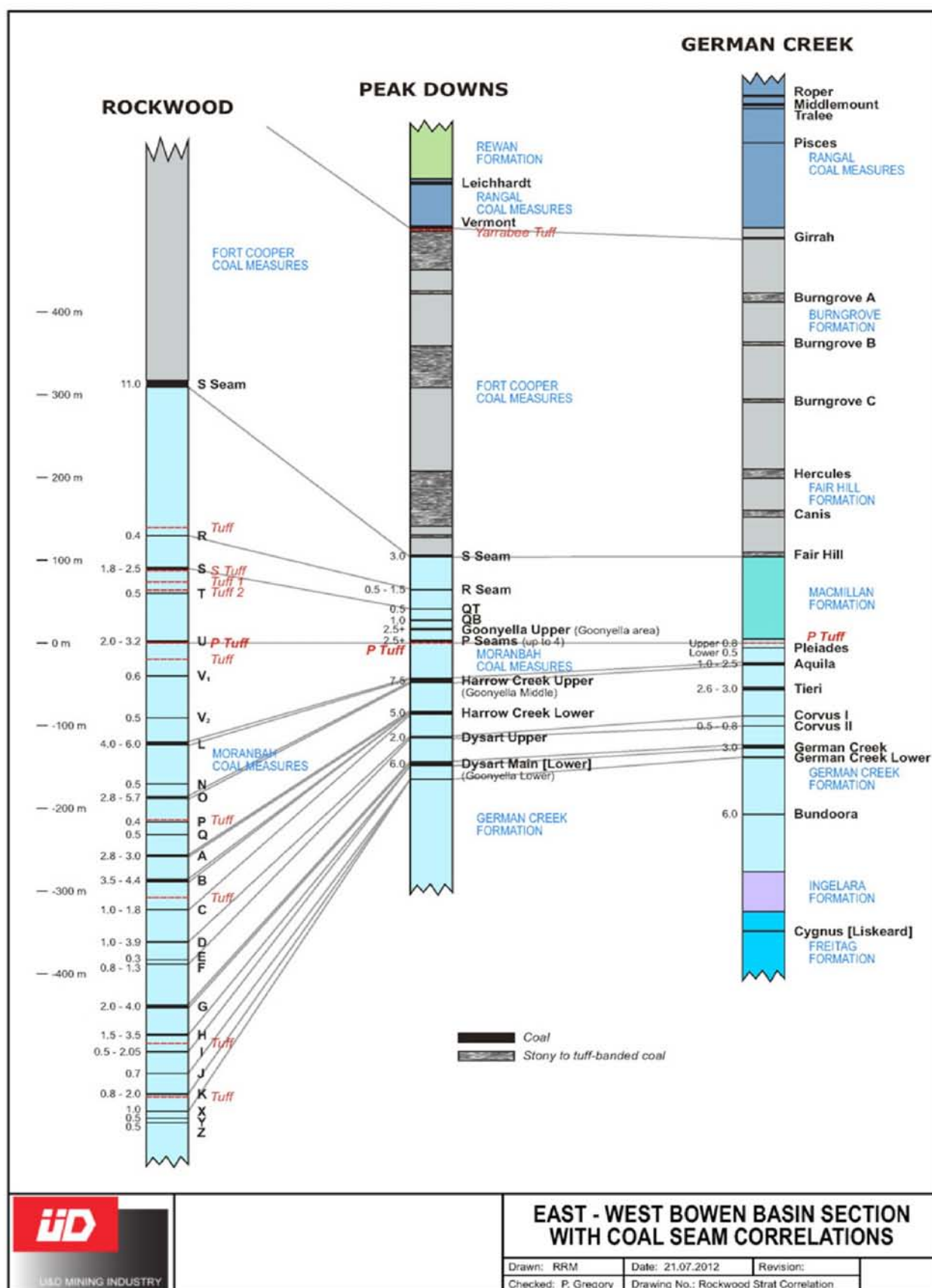


Figure 4.2.7: Rockwood MCM Geology and Proposed Correlations with the Western Bowen Basin (for coal seam correlation only and seam depth is not indicative of the Rockwood resource area)

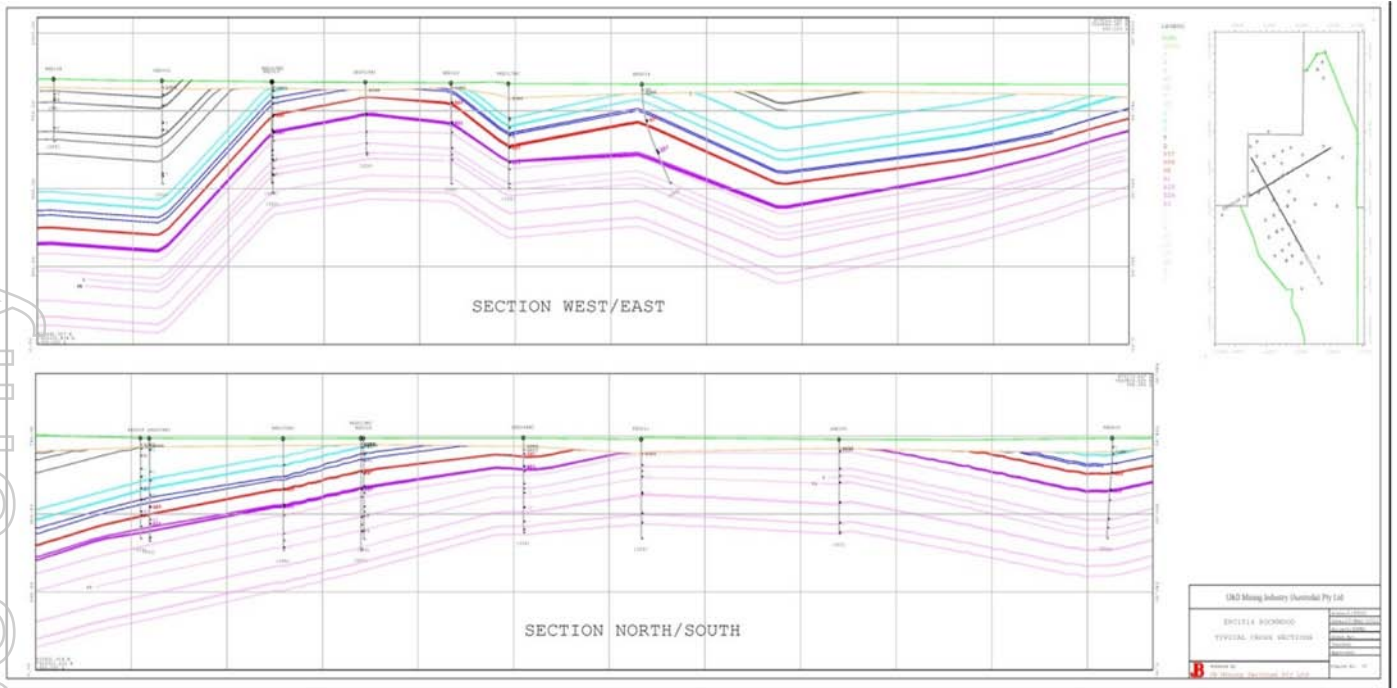


Figure 4.2.8: Geological Cross Sections through the Rockwood Deposit

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.

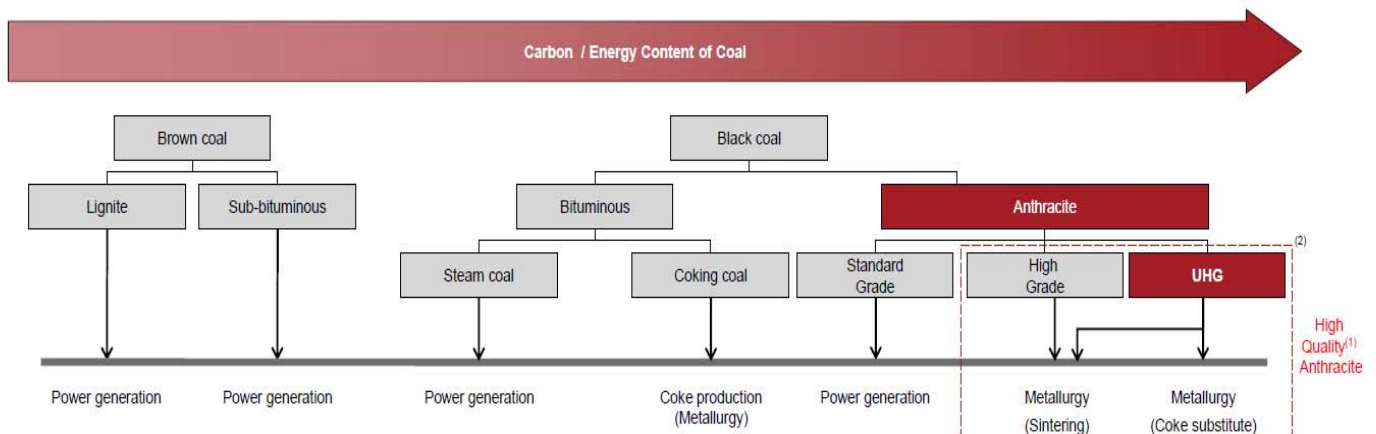
Resources	Measured	Indicated	Inferred	TOTAL
Million Tonnes	0	47.1	400.0	447.1

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.

Coal Classification



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**.

Ash Content% (ad) 5 (daf)	Volatile Matter % (daf)	Fixed Carbon	Specific Energy MJ/kg (ad)
11.3	6.5	91.8	30.1

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.

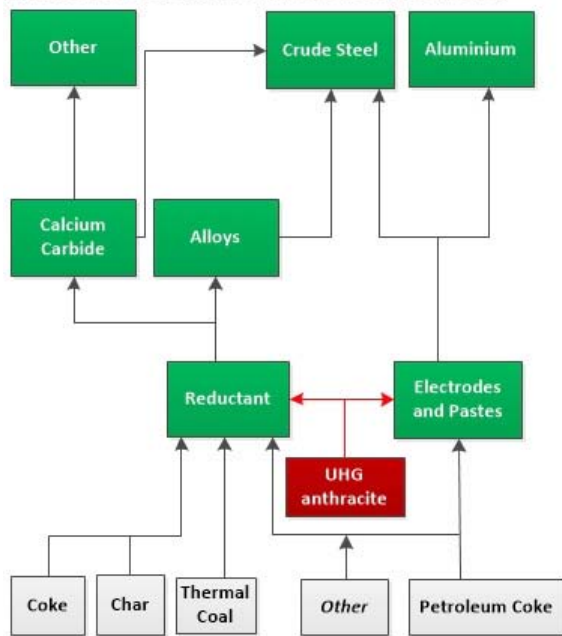
Preliminary studies have additionally been completed with the aim of assessing potential Rockwood PCI product and its acceptance into world PCI markets taking into account existing PCI product competition. Results from the studies have calculated a fuel replacement ratio of 0.82 for Rockwood coal which 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

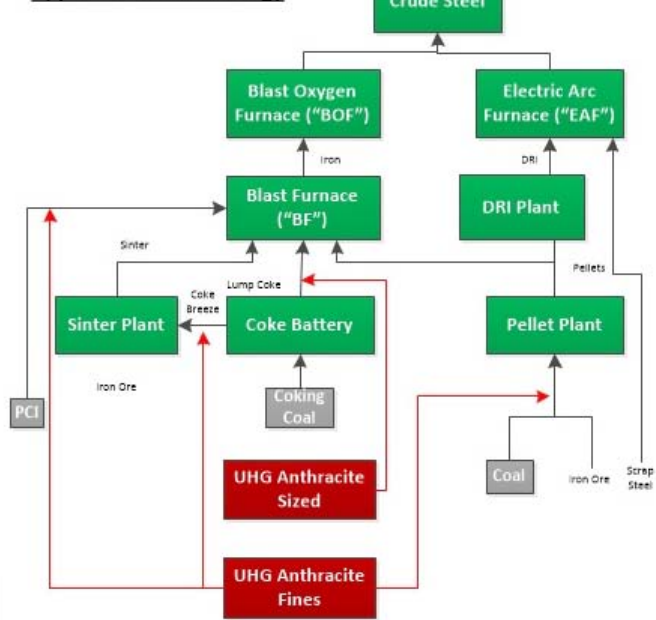
While there are no current Australian operations producing a Anthracite Product (semi Anthracite is the highest rank coal currently produced and exported in Australia), a large global market and demand exists for Anthracite coal. Anthracite is a natural substitute for Coke in steel making as well as 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.

Application in Chemicals and Electrode Production



Application in Metallurgy



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.

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

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)

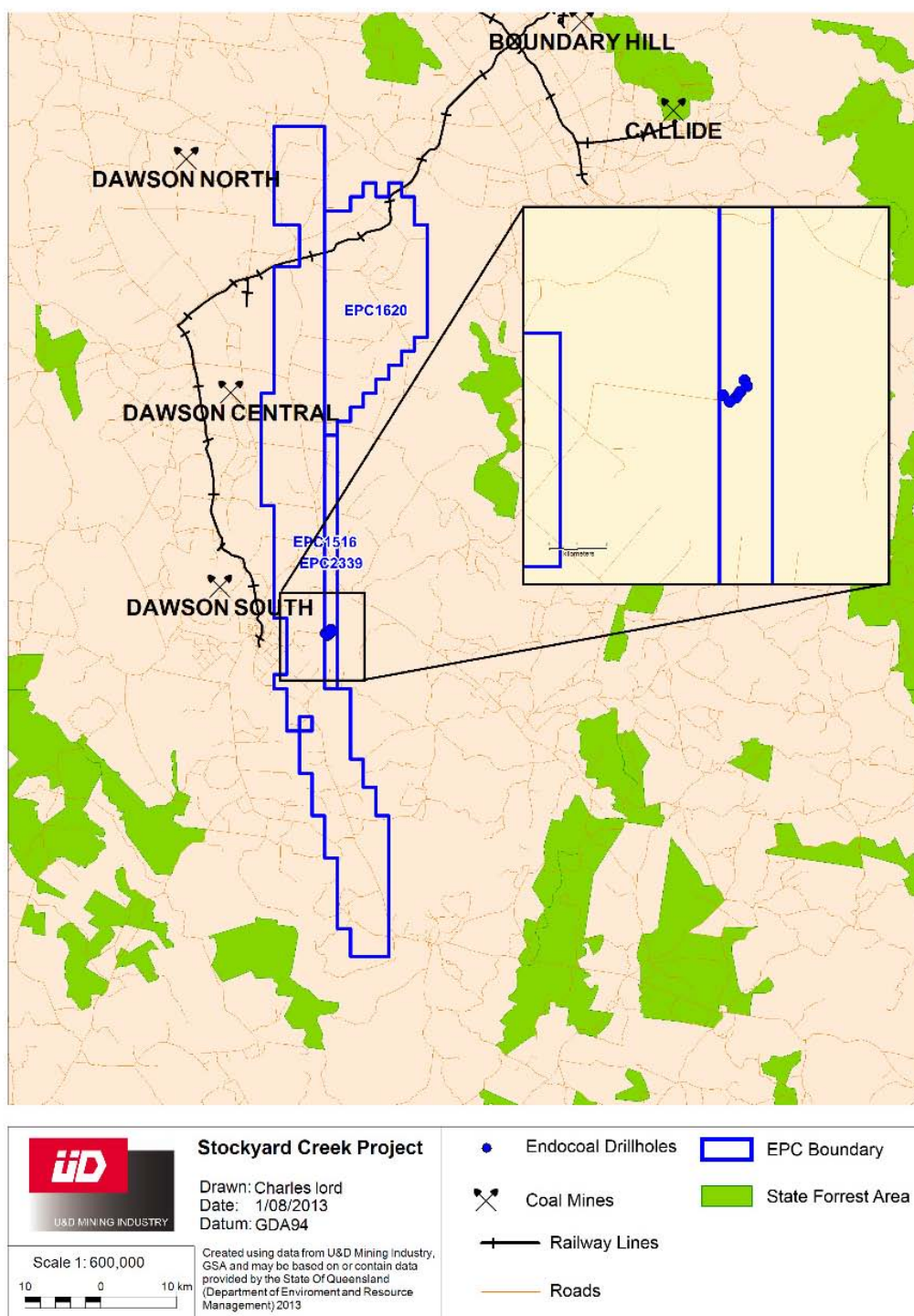


Figure 4.2.11: *Stockyard Creek Tenement Area*

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 westwen 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.

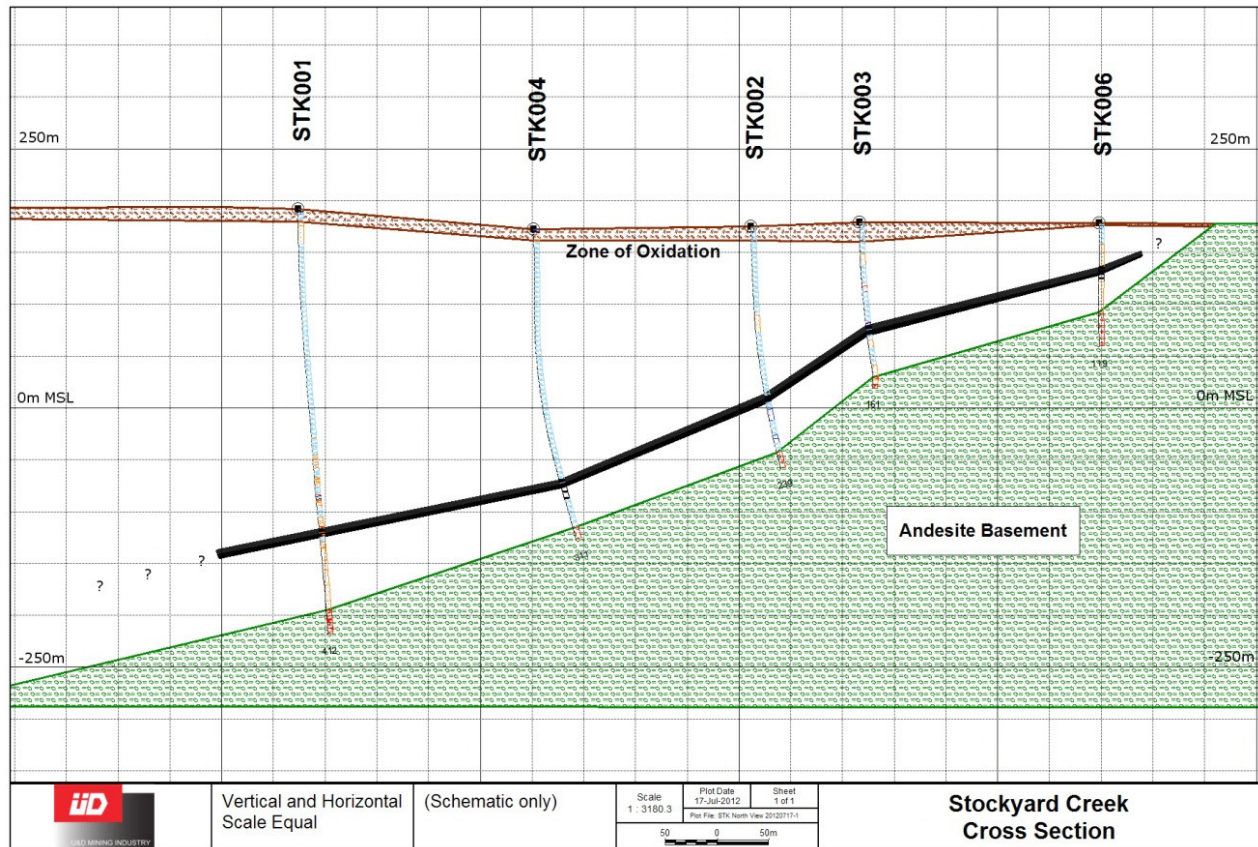


Figure 4.2.12: Geological Cross Section through the Stockyard Creek Initial Discovery Area

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.

PROXIMATE ANALYSIS (%ad)				COKING COAL CHARACTERISTICS			
Inherent Moisture	Ash	Volatile Matter	Fixed Carbon	CSN	GKCT(ad)	Maximum Fluidity (ddpm)	Maximum Dilatation (%)
1.1	12-16	16-18	65-68	9+	G5	50	+35

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.

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5. Directors and Management



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 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

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, etc.



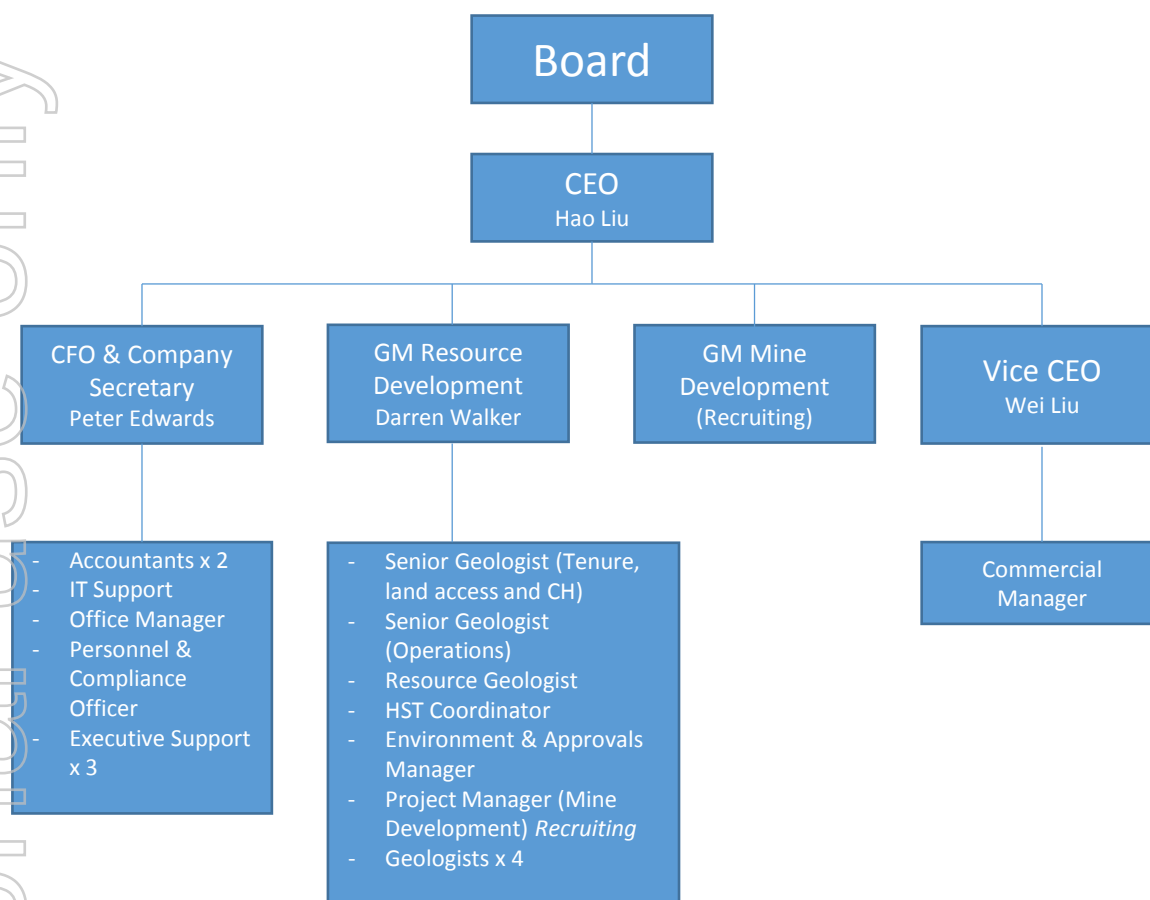
Mr Gavin Houghton

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

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:

Name of Director	Shares
Mr Dongsheng Wu	nil
Mr Yinan Zhang	nil
Mr Hao Liu	nil
Mr Wei Liu	nil
Mr Wenliang Wang	nil
Mr Gavin Houghton	nil
Dr Geoff Dickie	nil

(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 development, 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.

(u) 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.

(v) 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.

(w) 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 Share price and its 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 nonentity 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.

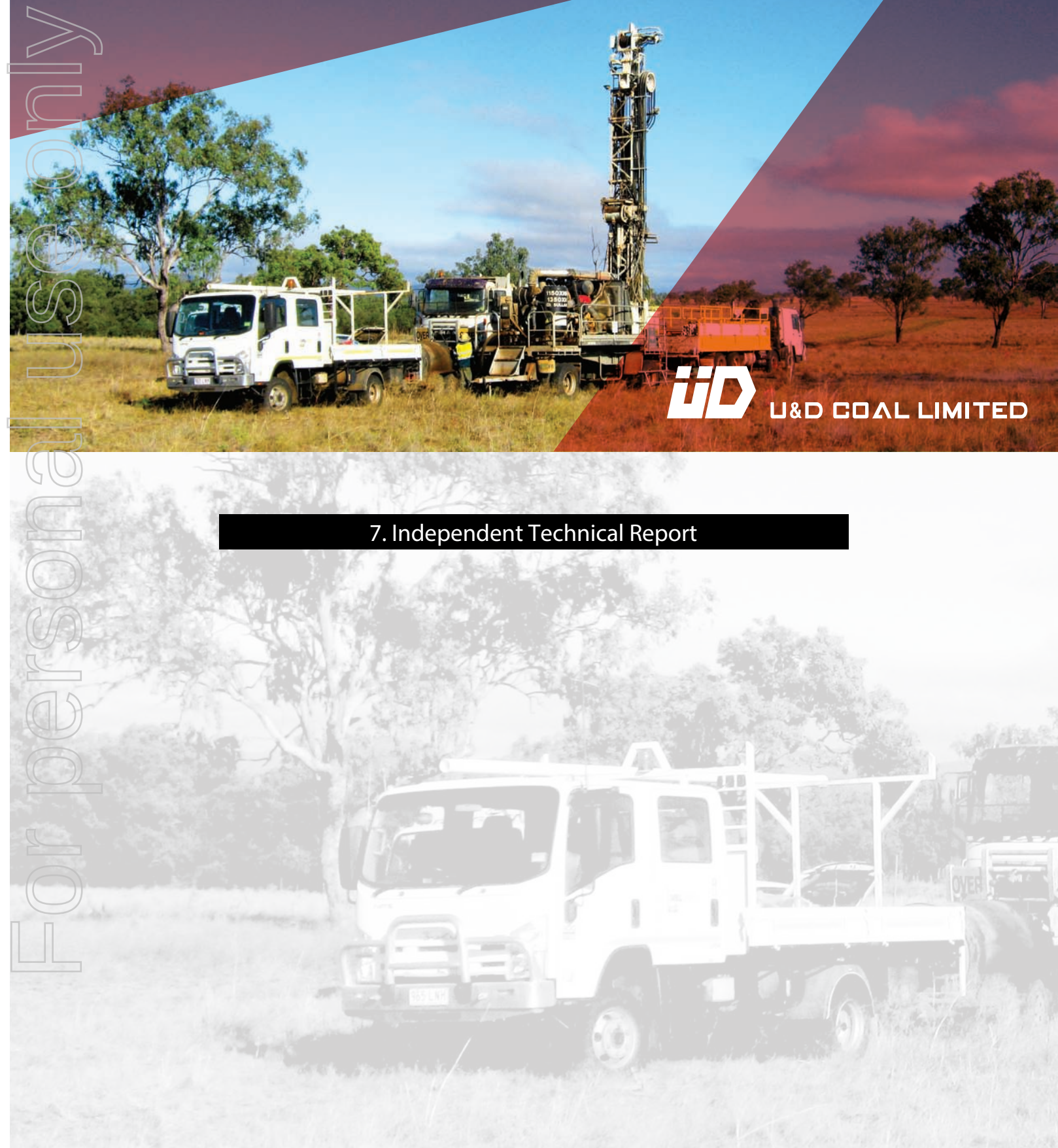
You should consider that an investment in the Company is speculative and consult your professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

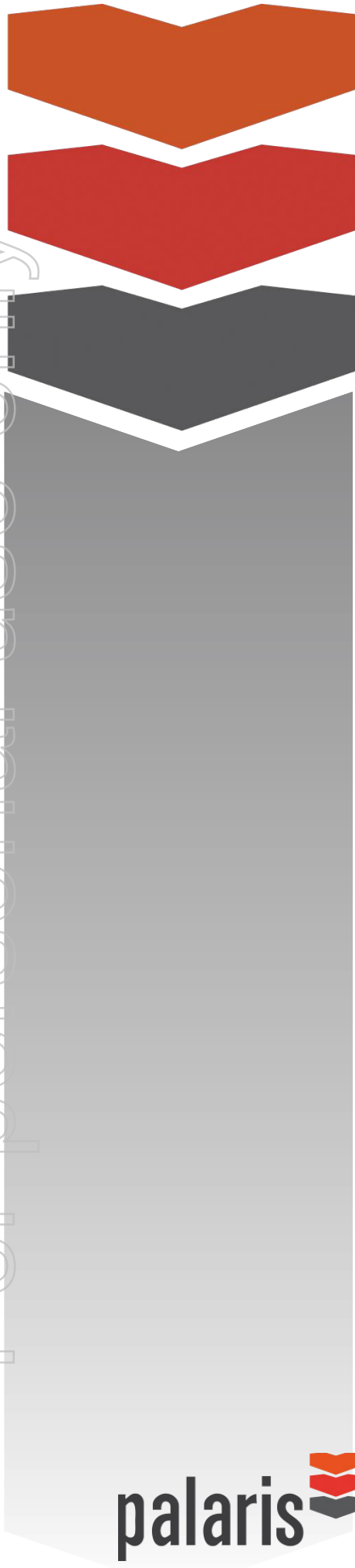
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7. Independent Technical Report





Report

Independent Technical Report – Meteor Downs South

Company

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

Site

Meteor Downs South

Date

December 2013

Doc No

UDM1731-04

Important Notice

U&D Mining Industry (Australia) Pty Ltd and U&D Coal Limited (“theClient”)

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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

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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.

Subject to review of the form and context for the use of the Palaris report, Palaris consents to the Commissioning Entity referring to Palaris and reproducing the Palaris report or extracts therefrom.

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.

Team Member	Qualifications	Experience
Martin Hibberd	BE Mining, B Econ, GDipAppFin , M. AusIMM	+ 13 years
Tracey Rock	BE Mining, GDip Econ, M. AusIMM	+19 years
Brad Willis	BSc (Hons) Geology, M. AusIMM	+ 14 years

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.

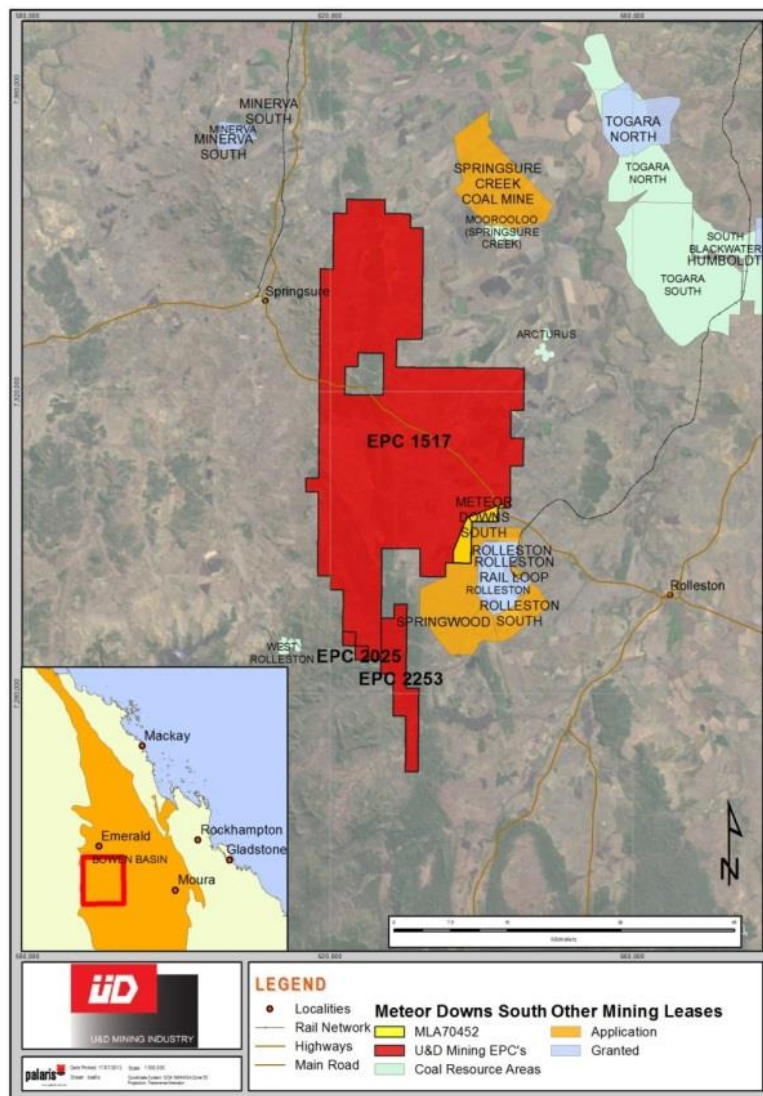


Figure 2.1 Location of Meteor Downs South Within EPC1517 and MLA70452

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 Services¹. 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.²

(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 designed 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 5,620k kcal/kg (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\$100/t to a high case of US\$140/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.

Sales Option	MDS Sales Price*	NPV @ 12%	Capital	Cost Basis (excl. royalty)	Cost	Margin (incl. royalty and capital)
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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

Sales Option	MDS Sales Price*	NPV @ 12%	Capital	Cost Basis (excl. royalty)	Cost	Margin (incl. royalty and capital)
Free on Truck (FOT)	\$51.96/t	\$21M	\$40M	FOT Cost excl. royalty	\$38.88/t	\$6.22/t
Free on Rail (FOR)	\$67.91/t	\$44M	\$89M	FOR Cost excl. royalty	\$43.51/t	\$12.81/t
Free on Board (FOB)	\$105.61/t	\$47M	\$89M	FOB Cost excl. royalty	\$78.41/t	\$12.80/t

* 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 Costs³

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

³ Meteor Downs South for Endocoal – Marketable Reserves May 2012.pdf, Minserve Group Pty Ltd, May 2012

- The Environmental Management Plan (EMP) was approved in July 2013⁴. 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 occur⁵

(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

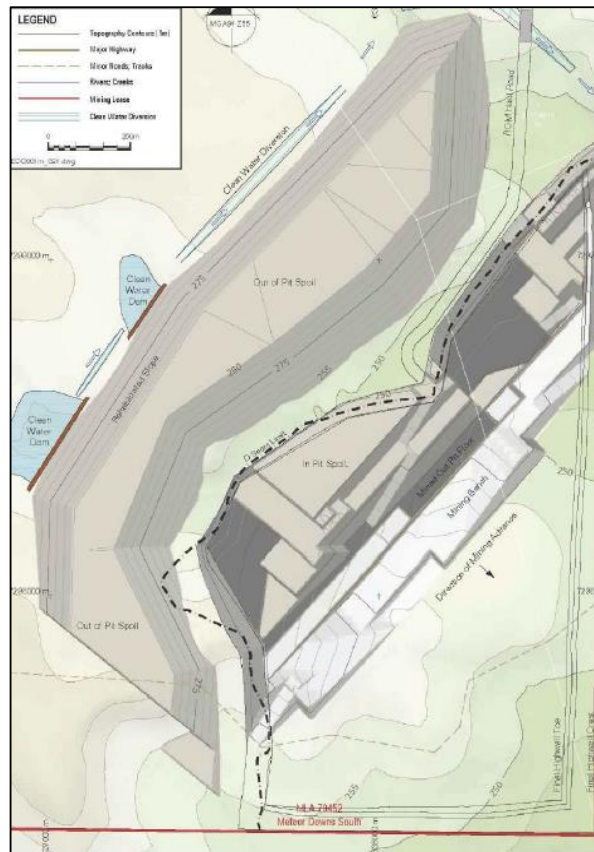


Figure 2.2 Mine Stage Plan – Year 3⁶

(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

http://www.wicet.com.au/assets/docs/120628_WEXP1%20CCDs%20media%20statement_FINAL.pdf

and when the project proceeds¹⁰. Wandoan is one of the major investors in the Surat Basin infrastructure¹¹

- On 6th December 2012, WICET and Endocoal signed a Feasibility Funding Deed Acknowledgement¹² 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 study¹³ 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.

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

Table 2.2 FOR and FOT Operating Costs

¹⁰ <http://www.wandoancoal.com.au/EN/Pages/default.aspx>

¹¹ <http://www.longwalls.com/storyview.asp?storyID=795159412§ion=Search§ionsourc=s89>

¹² Endocoal – Feasibility Funding Deed Acknowledgement 061212.pdf,

¹³ MDS –Project Mining Evaluation Study.pdf, Feb 2012

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.

	Unit	Unit Cost
Above Rail (Fixed and Variable)	\$/Sale t	\$ 11.07
Below Rail (Fixed and Variable)	\$/Sale t	\$ 9.48
Port (Fixed and Variable)	\$/Sale t	\$ 15.50
Rail Infrastructure Management	\$/Sale t	\$ 0.45
Total Rail and Port	\$/Sale t	\$ 36.50

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

¹⁴ MDS Feasibility Report – 4Apr2012.pdf, Apr 2012

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 coal¹⁵. 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 7km 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.

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

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.

Risk Area	Issue Description / Finding	Risk
Project Location	Located near several operating mines and rail lines to Gladstone	Low
Tenement	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 "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. Boundary agreement negotiations are being considered by U&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.	Medium
Coal Resources and Reserve	Reserves are predominantly within the Measured resource category (specific Proven and Probable categories were not supplied) Total tonnage is dependent on the inclusion of the restricted land in the ML area 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	Low
Geology	Shallow dipping with three coal seams, coalescing to two throughout the majority of the mining area	Low
Coal Handling and Preparation	Coal is prone to spontaneous combustion and dust emissions are above normal levels, requires extra care with stockpiling and transporting coal	Medium
Mining Method	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	Medium
Mining Complexity	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	Medium
Transport Access	MDS does not have port capacity and as such does not have rail capacity 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	High

Table 2.5 Risks Identified

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