

ASX ANNOUNCEMENT

16 May 2014

U&D COAL SIGNS AGREEMENT WITH SOJITZ MINING FOR PROPOSED JV OF MDS

U&D Coal Ltd (UND) is pleased to announce that its WHOLLY owned subsidiaries U&D Mining Industry (Australia) Pty Ltd (UDM) and Endocoal Pty Ltd (EOC) have signed an Arrangements Agreement with Sojitz Coal Mining Pty Ltd (a wholly owned subsidiary of Sojitz Corporation of Japan (Sojitz) for a proposed joint venture and farmin agreement of its Meteor Downs South project (MDS).



From left to right - Tony Tanaka (Sojitz), Cameron Vorias (Sojitz), Yinan Zhang (U&D), Wei Liu (U&D).

SOJITZ

Sojitz is a Japanese head-quartered multi-national conglomerate with conventional coal assets located in Australia including the 96% interest in the Minerva Coal Mine located 65 kilometres northwest of MDS. Sojitz has significant coal mine development and operating skills and is seeking strategic expansion opportunities. Subject to the parties finalising the farmin and joint venture agreements, Sojitz has also agreed to provide the use of their transportation infrastructure for the benefit of the MDS Joint Venture.

UND considers that Sojitz has complimentary resources and expertise, and that working together on certain projects will generate increased value and synergies for their respective shareholders while meeting their individual strategic objectives. This proposed joint venture agreement is a progression of joint venture investigations that were being undertaken at the time of preparing the Company's prospectus.

MDS

MDS is the Company's most advanced near term development Project (mining lease application number 70452, **(MLA 70452)**). Initially discovered in 2010, with a JORC resource of 16.82 Mt, including 13.32 Mt at a JORC measured category. MDS is located 45km southeast of the Central Queensland town of Springsure, 30km West North West of the Central Queensland town of Rolleston, and 65km northwest of Minerva. Please refer to Appendix One for a map showing the MDS location.

The project is located within the Orion Downs tenement, adjacent to the Rolleston open cut mine which has 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. 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

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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.

Agreement

Sections of the agreement are immediately legally binding although the Joint Venture and Farmin Agreement itself is to be negotiated in good faith between the two parties. The non-binding principles of the proposed Joint Venture and Farmin Agreement are as follows:

1. Sojitz develops an approved Mine Plan at their cost.
2. Sojitz bears the responsibility for all costs associated with the design, construction and commissioning of the mine, including the initial box cut until the mine is "mine ready".
3. Sojitz provides all the capital equipment required for the mining operations.
4. On completion of items 1 to 3 Sojitz will acquire a 50% legal interest in the mining lease.
5. Sojitz will be appointed as the initial manager of the MDS Joint Venture.
6. EOC will pay 50% of budgeted cost of coal per tonne of coal sold.
7. Sojitz will provide a total train load out facility, rail and port solution.

The company will continue to keep the market informed of further developments under the agreement.



Yours faithfully



Peter Edwards
Company Secretary

For further information please contact: Peter Edwards, Company Secretary (Tel: +61 418 798 828)

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