

ASX: UND

ASX ANNOUNCEMENT

19 May 2014

THE MAJORITY BOARD VIEW

On 6 May 2014 the Company updated ASX regarding the general meeting of members (Meeting) to be convened by a Director, Mr Dongsheng Wu, and held on 19 June 2014, and attached a copy of the notice of meeting that Mr Wu prepared to be sent to shareholders (**Notice**). Mr Wu is a nominee of Australian Kunqian International Energy Co, Pty Ltd (**KQ**), the majority shareholder in the Company.

The resolutions set out in the Notice seek to appoint three new Directors of the Company, who are also nominated by or on behalf of KQ, and to remove three existing Directors (**Resolutions**). If all the resolutions are approved by shareholders at the Meeting, five of the seven Directors of the Company will then be nominees of KQ.

This announcement sets out the concerns of the majority of the existing Directors of the Company, comprising Mr Yinan Zhang, Mr Wei Liu, Mr Hao Liu, Mr Gavin Houghton and Dr Geoff Dickie, regarding the Resolutions and the possible effects on the Company if the Resolutions are approved.

Mr Yinan Zhang, Mr Wei Liu, Mr Hao Liu, who Mr Wu seeks to have removed at the Meeting, will shortly release a statement or statements relating to the Resolutions.

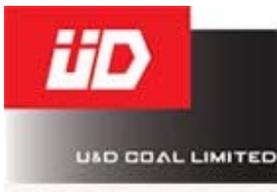
The Board of U&D Coal comprises seven Directors. Five of the seven Directors, Mr Yinan Zhang, Mr Wei Liu, Mr Hao Liu, Mr Gavin Houghton and Dr Geoff Dickie, forming a majority of the current Board (**Majority**) wish to inform shareholders that they do not support the Resolutions proposed by Mr Wu, and do not believe that approving the Resolutions would be in the best interests of the Company or of shareholders as a whole, although they may be in the interests of KQ.

The Majority refer to announcements made by the Company on 21 March 2014, 11 April 2014 and 17 April 2014 regarding the background to this matter, including:

- proceedings commenced by the Company in response to a claim by KQ to be refunded \$50,000,000 subscribed by KQ in the IPO of the Company in December 2013, under section 737 of the *Corporations Act 2001* (Cth);
- claims by KQ that the replacement prospectus issued by the Company in connection with the IPO was defective; and
- previous correspondence from KQ, in February 2014, stating that it would seek to remove certain Directors.

The Majority are concerned that the Resolutions are not in the interests of the Company and shareholders as a whole, but rather are intended to enable KQ to have effective control of the Company. Neither in communications with the Company nor in the Notice has Mr Wu provided any express explanation as to KQ's intentions for the Company if the Resolutions are approved, or in relation to the litigation between KQ and the Company.

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The Majority are particularly concerned about the ability of the Company to continue to conduct the litigation and protect the interests of shareholders as a whole if the Resolutions are approved and KQ obtains control of the Board, which would result in five of the seven Directors holding office being nominees of KQ. The Majority are concerned, in the absence of any further information being provided by KQ or Mr Wu, about the consequences for the Company if the reconstituted Board was to discontinue the litigation and refund to KQ the \$50,000,000 that it is seeking. In that situation, without any additional financial support, the financial position of the Company may be such that it is unable to continue to trade.

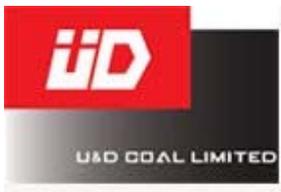
Prior to the Notice being finalized and dispatched, the Company raised with Mr Wu a number of other issues for consideration, including the following:

- whether it would be appropriate to hold the meeting in Brisbane rather than Sydney, as there are more than twice as many UND shareholders resident in Queensland than in New South Wales, which would be more convenient for shareholders in Queensland wishing to attend the Meeting – *Mr Wu continues to require that the Meeting be held in Sydney at the offices of KQ's lawyers;*
- the appointment of an independent Director as the Chair of the Meeting, rather than Mr Wu, to ensure that the conduct of a Meeting in which it proposed to remove Directors is, as far as possible, neutral, impartial and evenhanded – *Mr Wu confirmed that he intends to act as Chair of the Meeting;*
- whether Mr Wu would be willing to provide further reasons for the proposed removal of the relevant Directors. In particular:
 - Mr Wu has stated that Mr Hao Liu has breached his duties to KQ and alleged misconduct by Mr Hao Liu in relation to KQ, but has not explained how he has breached his duties or the nature of the alleged misconduct; and
 - Mr Wu has referred to a lack of care and diligence by Mr Yinan Zhang, Mr Wei Liu, Mr Hao Liu in relation to the IPO but has not provided any details of such lack of care and diligence.

Mr Wu did not provide any further information regarding these matters or include additional information in the Notice; and

- the Company proposed that the persons that Mr Wu proposes should be appointed as Directors be interviewed by a Board committee, akin to a nominations committee, to assess their suitability for appointment – *Mr Wu did not wish to arrange for interviews.*

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The Majority are also concerned that the Resolutions propose to remove three Australian based Directors and replace them with three China based Directors, reducing the effectiveness of the Board including to be able to meet and make decisions.

While KQ is the Company's largest shareholder, it is not entitled to expect that the board will act in the interests of KQ rather than of the Company or shareholders as a whole. The Majority is concerned that statements contained in the notice reflect the intention of KQ to ensure that its interests take priority over those of the Company and shareholders as a whole, if the resolutions are passed and KQ obtains control of the board through its nominees.

As noted above, Mr Yinan Zhang, Mr Wei Liu, Mr Hao Liu, who Mr Wu seeks to have removed at the Meeting, will shortly release statements relating to the Resolutions.

The Company will continue to keep shareholders informed of any other material developments.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Peter Edwards'.

Peter Edwards
Company Secretary

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

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