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U & D COAL LIMITED

A.C.N. 165 894 806

Off-Market Buyback Booklet

28 November 2014

This is an important document and requires your urgent attention.

If you are in any doubt as to how to deal with this Booklet, please consult your legal, financial, taxation or other professional advisor immediately.



Off-Market Buyback Booklet

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Important Dates

The timetable for the Buyback is set out below. While the Company does not anticipate any changes to these dates and times, it reserves the right, subject to the Corporations Act and the Listing Rules, to amend this indicative timetable without prior notice to Shareholders. Any change in date or time will take effect from the time it is authorised by the Board and will be communicated to Shareholders as soon as practicable following the Board's authorisation. Any change will also be announced by market announcement made via the Australian Stock Exchange (**ASX**) company announcements platform.

Annual General Meeting and Buyback Shareholder approval	Wednesday, 12 November 2014
Announcement of the Buyback	Thursday, 13 November 2014
Record Date	Friday, 21 November 2014
Opening Date	Friday, 28 November 2014
Closing Date	5pm, Friday, 16 January 2015
Buyback Date	Wednesday, 21 January 2015
Buyback proceeds despatched to accepting Offerees by cheque or by direct credit.	Wednesday, 21 January 2015

Buyback Summary

Buyback size	A maximum of 8,557,800 Eligible Shares
Buyback Price	50 cents (Australian currency) per Share
Eligible Shares	Shares that were: (a) subscribed for and issued pursuant to the offer made under the Company's Prospectus; or (b) acquired on market at any time between the Company's listing on 19 February 2014 and the date when trading in the Shares was halted on 11 March 2014.
Offerees	The Buyback Offer is made to each holder of Eligible Shares as at the Record Date
Excluded Shareholders	Excluded Shareholders are Shareholders who are excluded in accordance with Section 4.1 of this Booklet.
Offer Acceptance Form	Each Offeree wanting to accept the Buyback Offer must lodge an Offer Acceptance Form before the Closing Date.
Australian tax	General information on the Australian taxation considerations associated with the Buyback is set out in Section 3 (Australian Tax Implications for Offerees).

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As at the date of this Offer Booklet, there are 8,557,800 Eligible Shares on issue (comprising in aggregate 0.85% of the Company's issued Share capital). Any Eligible Shares which are disposed of by Offerees subsequent to the Record Date (other than pursuant to acceptance of the Buyback Offer), can no longer be the subject of a Buyback Agreement.

CONSIDER INDEPENDENT ADVICE

This Offer Booklet does not constitute financial product advice and has been prepared without taking into account your particular investment objectives, financial situation or needs. You should consider obtaining independent advice before making any financial decisions. The Directors of the Company make no recommendation as to whether or not you should accept the Buyback Offer.

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Chairman's letter

来自董事长的信函

To:

Shareholders of U&D Coal Ltd

致

优德煤业有限公司股东

If you have received this Booklet, it is likely you hold shares of U&D Coal Limited (ACN: 165 894 806, the **Company**). Please confirm your shareholding information with your stockbroker. If you no longer hold any shares of the Company, or your shareholding information has changed, please contact your stockbroker and change your shareholding details with the share registry as soon as possible. If you are not a shareholder of the Company, please disregard this Booklet.

如果您收到本手册，代表您可能持有优德煤业有限公司（ACN: 165 894 806，**本公司或优德煤业**）的股份，请您和您的证券经纪人确认您的持股信息。如果您已经不再持有本公司的股份，或您的持股情况已经发生变化，请您尽快通知您的证券经纪人，在证券登记公司修改您的持股登记信息。如果您不是优德煤业有限公司的股东，请您无需理会本手册。

This Booklet contains very important information which directly relates to your shareholding in the Company. Please read this Booklet carefully before making any decision in relation to the offer made in this Booklet. You may also wish to seek advice from your stockbroker or your legal, financial, taxation or other professional advisor.

本手册所载内容直接关系到您在优德煤业有限公司的持股，请您在做出与本手册中要约有关的任何决定之前仔细阅读本手册内容并慎重考虑。您还可以考虑咨询您的证券经纪人或您的法律、财务、税务或其他专业顾问。

NOTICE

提示

If you have any queries about the contents of this Booklet and its attachments, please ask your stockbroker to contact the Company. If you cannot read or understand the contents of this Booklet, please seek help from professional interpreter.

如果您对本手册及其附件所载内容有任何疑问，请要求您的证券经纪人与优德煤业有限公司联系。如果您不能准确阅读或理解本手册的内容，请获取专业翻译人员的帮助。



SELECTIVE BUY-BACK

部分回购

Background

背景

This section of the Chairman's Letter summarises the events leading up to the Buyback Offer in Chinese, which is provided elsewhere in this Booklet.

优德煤业有限公司于2014年2月19日在澳大利亚证券交易所（ASX）上市，包括澳大利亚坤谦国际能源有限公司（Australia Kunqian International Energy Co., Ltd，坤谦公司）在内的合计481名股东以0.5澳元/股的价格，认购了优德煤业首次公开发行的合计108,557,800股股份。

2014年3月11日，坤谦公司根据澳大利亚公司法第737条，向优德煤业发出通知，要求向优德煤业退回其所认购的100,000,000股股份，并要求优德煤业退还认购资金。不久之后，优德煤业向维多利亚州最高法院提起诉讼，要求裁定坤谦公司所发出的737通知无效且不具强制执行力。

2014年8月1日，优德煤业公司董事会设立了一个专为处理737通知及相关法律程序事宜，并由公司董事Gavin Houghton先生和公司秘书 Peter Edwards 先生组成的下属委员会。2014年8月18日，坤谦公司与代表优德煤业的下属委员会达成和解，优德煤业将回购并撤销坤谦公司在IPO过程中所认购的100,000,000股股份，并向坤谦公司退回5000万澳元的认购资金。相应的，坤谦公司将向优德煤业提供2000万澳元的长期贷款。

优德煤业亦同意为其它参与IPO的所有股东提供一个与坤谦公司类似的机会，对公司股份进行部分回购（Selective Buy-Back）并为此寻求优德煤业股东的批准，进而使所有IPO的参与者都得到公平平等的对待。

2014年11月12日，优德煤业公司召开股东年度大会，合计持有公司980,000,000股股份的股东赞成部分回购的议案（且无股东投票反对该议案），股东大会作出如下决议：

“根据澳大利亚公司法（2001）第257D条及其它条款之要求，同意公司：

- (a) 向持有普通股（价款完全支付）的公司股东发出回购股份的要约，该等股东所持股份应满足下列情况之一：
 - (i) 根据2013年12月5日公司替代招股说明书所认购并由公司发行的股份；
 - (ii) 在2014年2月19日公司上市之日起至2014年3月11日公司停牌止的期间（均包括该期间的起始日）内任何时候在股票市场购买的股份，并且在本要约发出日期仍持有上述股份；和
- (b) 与接受本要约的各股东签订股份回购协议，协议具体条款详见股东会通知中的决议所付解释函。”



Conditions

条件

This section of the Chairman's Letter provides information in Chinese about which shareholders are eligible to accept the Buyback Offer. This information is provided elsewhere in this Booklet.

本手册（以及其附件），与公司向股东（该股东根据2014年2月19日的替代招股说明书从公司处获得所发行的或在澳大利亚证券交易所购买的股份）做出的回购要约有关。如果您认购了优德煤业有限公司2014年2月19日公开发行的股份，或在澳大利亚证券交易所（ASX）购买了优德煤业有限公司的股份，您可以选择：

- (a) 继续持有优德煤业有限公司的股份；或
- (b) 将所持有的优德煤业有限公司股份部分、或全部，以 0.5 澳元/股的价格由优德煤业有限公司进行回购。

公司无法回购登记信息之外的任何股份。如果您所持有的优德煤业有限公司股份与登记信息不符，您需要及时联系您的证券经纪人或证券登记公司，对您的持股信息进行修正。

如果您所持有的股份并非是在优德煤业有限公司首次公开发行时认购的，或并非在澳大利亚股票交易所（ASX）购买的，您所持有的股份将不符合参加本次部分回购的条件，且因此优德煤业有限公司将无法对您所持有的股份进行回购。

Time and Method to Accept the Buyback Offer

接受回购要约的时间及参加方式

This section of the Chairman's Letter provides information in Chinese about how to accept the Buyback Offer, which is provided elsewhere in this Booklet.

本次部分回购的截止日期为2015年1月16日，如果您符合前述条件，且您愿意将所持有的部分或全部优德煤业有限公司股份售让给优德煤业有限公司，请您填写所附的《要约同意书》

（Offer Acceptance Form），并在截止日期之前，以手册指示的方式将要约同意书邮寄回。请注意，2015年1月16日为收件截止日，如果您有意参加本次部分回购，请您确保您的《要约同意书》在2015年1月16日下午五点或之前以手册指示的方式抵达收件人。

优德煤业有限公司将委托证券登记公司接收并处理所收到的回函，因此，请您将邮寄所需时间考虑在内。请您仔细填写相关《要约同意书》，否则，如果您的持股数量、股东名称、股东住址与证券登记公司所登记信息不一致，您的《要约同意书》将无效。



Payment Method

付款方式

This section of the Chairman's Letter provides information in Chinese about methods of payment of the Buyback proceeds, which is provided elsewhere in this Booklet.

在收到您的《要约同意书》之后，并经证券登记公司确认您所填写的信息与登记信息一致。如果您的《要约同意书》被接受，优德煤业有限公司将在2015年1月21日之后，根据您售让股份的数量，将等值于您售让股份价值的回购款以电汇或支票的方式支付给您，且该等股份将被公司回购并注销。支票将邮寄到您的登记地址。

- (a) 如果您希望通过一家澳大利亚境内的银行以直接入帐形式收到回购款，请您联系 Link Market Services Limited (优德煤业指定的证券登记公司)，该公司的联系详情已列于手册中，其将会安排通过直接入帐形式进行付款。
- (b) 如果您未就 (a) 项所述事宜通知 Link Market Services Limited，公司将以支票的方式将回购款支付给您。

在收到支票后，澳大利亚居民可在澳大利亚境内任何一家银行进行兑付。

若股东为中国居民，经咨询，公司获知支票应当能够在中国境内的主要银行的大部分支行进行兑付。

如果您在提交《要约同意书》之后3个月内仍未收到直接入帐付款或支票，请您要求您的证券经纪人与我公司联系。

We sincerely appreciate your support and trust.

最后，优德煤业有限公司感谢您的支持与信任。


Mr Dongsheng Wu
Chairman
U&D Coal Limited
28 November 2014

吴东升
董事长
优德煤业有限公司
2014年11月28日



Offer to buy back Shares

You (The **Offeree**) are the registered holder of a number of Eligible Shares as specified on your personalised Offer Acceptance Form accompanying this Booklet.

In accordance with the share buy-back resolution approved at the Annual General Meeting of 12 November 2014, the Company offers to buy back your Eligible Shares for 50 cents per share (**Buyback Offer**).

The terms and conditions of the Buyback Offer are contained in this Booklet.

For the purpose of section 257G of the Corporations Act, this Booklet sets out all of the information known to the Company that is material to your decision of whether or not to accept the Buyback Offer.

This Buyback Offer remains open until 5pm Sydney time on Friday 16 January 2015 (**Closing Date**).

You may accept the Buyback Offer by completing and signing the Offer Acceptance Form accompanying this Booklet and returning it in accordance with the instructions in this Booklet and on the form. The completed and signed form can be received by the Company at any time prior to 5pm Sydney on the Closing Date. Receipt by the Company of your completed and signed Offer Acceptance Form during the Offer Period will constitute your acceptance of the Buyback Offer, and upon your acceptance, a Buyback Agreement between you and the Company will be entered into, on the terms and conditions set out in this Booklet.

Dated: 28 November 2014

A handwritten signature in black ink, appearing to be 'Qian Yu', written over a horizontal dotted line.

Qian Yu
Director and Acting CEO

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How to Accept

It is each Offeree's choice whether or not to accept the Buyback Offer.

If you DO choose to accept the Buyback Offer:

How you submit your Offer Acceptance Form will depend on the type of holding you have. This will be specified on your personalised Offer Acceptance Form.

a) Issuer Sponsored Holders

If your holding of Eligible Shares is an Issuer Sponsored Holding, you need to complete and sign your personalised Offer Acceptance Form and:

- **return the form by post or in person** to the Company's Share Registry, Link Market Services, at the relevant address provided below; or
- **fax the form** to Link Market Services at +61 2 9287 0303; or
- **email a scanned PDF copy of the form** to Link Market Services at capitalmarkets@linkmarketservices.com.au.

Offer Acceptance Forms must be received no later than 5:00pm Sydney time on 16 January 2015 (Closing Date) unless the Company announces a later Closing Date.

If sending the Offer Acceptance Form by post, the relevant address is:

U & D Coal Limited Buyback
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

You can use the enclosed reply-paid envelope if you are posting your personalised Offer Acceptance Form from within Australia.

If delivering the Offer Acceptance Form in person, the relevant address is (during business hours only):

U & D Coal Limited Buyback
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Australia

The Company will not accept an Offer Acceptance Form from you unless it is actually received at one of these addresses by 5:00pm Sydney time on 16 January 2015. You should allow sufficient time for this to occur if you are sending your Offer Acceptance Form by post.

b) CHESS Holders

You need to instruct your controlling participant (normally your broker) in sufficient time for them to process your Offer Acceptance Form so that it is received by the Registry by 5:00pm Sydney time on 16 January 2015. The name of the controlling participant who manages your CHESS Holding as at the Record Date is printed on your Offer Acceptance Form.

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As a CHESS Holders you should NOT send your Offer Acceptance Form to the Company or the Registry as it cannot process your Acceptance Form, and therefore any such forms will not be accepted by the Company.

If you are a CHESS Holder, you may receive written confirmation from CHESS of the acceptance made on your holding or acceptance withdrawn by your controlling participant. Irrespective of its wording, this confirmation is not an acceptance by the Company.

By returning an Offer Acceptance Form to the Company (using the methods described above, depending on whether your Eligible Shares are held on the Issuer Sponsored or CHESS subregister), you accept the Buyback Offer in respect of the Eligible Shares specified on your Offer Acceptance Form and agree to be bound by the terms of the Buyback Agreement in respect of those Eligible Shares.

You will be sent payment by cheque to the address that you have registered with Link Market Services, or the payment will be transferred to your nominated bank account, on or about 21 January 2015.

Please see Section 4 of this Booklet for additional information about accepting the Buyback.

If you choose NOT to participate in the Buyback you do not need to take any action. The number of Shares you hold will not change as a result of the Buyback.

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1. Overview of the Buyback Process

This Booklet contains information known to the Company on the Buyback to help you (an Offeree) make an informed decision on whether to accept the Buyback Offer. This Offer Booklet has been prepared by the Company to comply with the requirements under section 257G of the Corporations Act.

Capitalised words and expressions used in this Booklet are defined in Section 5.1 to this Booklet.

The Buyback has been approved by Shareholders in a special resolution passed at the Annual General Meeting of the Company held on 12 November 2014, in accordance with Corporations Act requirements.

1.1 What is the Buyback?

Under a share buy-back, a company buys its own shares back from shareholders who accept the buy-back offer. Shareholders may accept a buy-back offer at their discretion.

The shares bought back are cancelled, which reduces the total amount of shares which the company has on issue by the number of shares bought back.

In an off-market selective buy-back, a company offers to buy shares from eligible shareholders. A buy-back is said to be “off-market” when the offer is made to shareholders directly rather than through a securities exchange (such as ASX).

Under the Buyback Offer made by the Company, Offerees may accept the offer by returning the Offer Acceptance Form.

Further details on how to return the Offer Acceptance Form are set out in the previous section of this Booklet.

1.2 Reasons for the Buyback

Pursuant to the Prospectus for the Company’s initial public offering, Australia Kunqian International Energy Co Pty Ltd ACN 153 835 440 (**KQ**) applied to be issued with 100 million Shares (**KQ IPO Shares**) in the Company for an aggregate subscription price of \$50 million (**Subscription Monies**). The KQ IPO Shares were issued by the Company and the Subscription Monies were paid by KQ to the Company.

On 10 March 2014, KQ issued a notice (**s737 Notice**) under section 737 of the Corporations Act which alleged that the Prospectus contravened section 724 of the Corporations Act and entitled KQ to return the KQ IPO Shares to the Company and have the Subscription Monies repaid.

On 21 March 2014 the Company commenced legal proceedings in the Supreme Court of Victoria against KQ (**Proceedings**) seeking, amongst other things, a declaration that the s737 Notice was invalid.

In the period 21 July 2014 to 1 August 2014, four directors of the Company resigned and three new directors were appointed and an independent committee was established by the Board to determine all issues associated with the Proceedings.



The committee sought a settlement of the Proceedings to achieve certainty and avoid additional costs. On 15 August 2014, the Company and KQ agreed on settlement terms in respect of the s737 Notice and the Proceedings and a deed of settlement (**Deed of Settlement**) was signed.

Under the Deed of Settlement, the Company and KQ agreed to make a joint application to the Supreme Court of Victoria to obtain consent orders under section 259A(c) of the Corporations Act that the Company may acquire the KQ IPO Shares for \$50 million and cancel those Shares and, if the court order was made and payment effected, KQ would loan back \$20 million to the Company for 3 years.

The Court made the orders sought on 18 August 2014 and the KQ IPO Shares were cancelled on 19 August 2014 and the relevant payments were made.

The Company and KQ also agreed under the Deed of Settlement that the Company would seek approval from Shareholders to make the selective buy-back offer contained in this Booklet. The reason this was agreed was that the independent committee of the Board that was responsible for the Proceedings thought it was fair and equitable to allow other Shareholders who invested under the Prospectus to have the opportunity to, in effect, return the Shares to the Company in exchange for repayment of their subscription monies. This would afford those Shareholders similar treatment to that received by KQ under the settlement of the Proceedings.

As part of the settlement, KQ agreed to support the buy-back and vote in favour of the resolution required to approve its terms and the making of the buy-back offer. KQ did vote in favour of the Buyback resolution at the Company's Annual General Meeting.

ASX has required the buy-back offer to also be extended to Shares acquired on market at any time between the date of the Company's listing on 19 April 2014 and the date trading in the Shares was halted on 11 March 2014. The Company has agreed to this extension.

1.3 ASX decisions

Following the signing and implementation of the Deed of Settlement, as was announced to the market on 18 August 2014, ASX made certain decisions in respect of the Company's ASX Listing status, which it informed the Company of in a letter dated 23 September 2014. The decisions of ASX that remain relevant as at the date of this Booklet are:

- a) that ASX Listing Rule 10.1 applies to the acquisition and cancellation of the 100 million Shares in the Company that were held by KQ, because it involved the Company acquiring a substantial asset from a related party (being KQ) for which Shareholder approval is required under that listing rule, but that no corrective action is required to be taken by the Company for this breach of the listing rule on the condition that it makes this Buyback Offer by 30 November 2014;
- b) that the ASX considers the acquisition and cancellation of KQ's Shares together with the loan and security, as contemplated under the Deed of Settlement, constitutes a significant change in the nature or scale of the activities of the Company and as a result, the Company is required to re-comply with the admission requirements in Chapters 1 and 2 of the Listing Rules by 31 May 2015; and
- c) trading in the Company's Shares is to remain suspended until the Company has completed the aforementioned re-compliance.



The ASX also indicated in the letter that if re-compliance is not achieved by 31 May 2015, then a resolution will be put to the ASX National Committee to remove the Company from the Official List.

Although in respect of the decision in paragraph (a), the Company is complying with the relevant condition (ie. that this Buyback Offer be made), the Company has lodged a notice of appeal to the ASX Appeal Tribunal against the ASX decisions in paragraphs (a) and (b) above. The ASX Appeal Tribunal has set 24 November 2014 for the hearing of the appeal, and the Company will advise the market as soon as it is aware of the outcome.

The Board is considering all options available to it to raise funds for its projects. The Board will report further once decisions have been made on fund raising. As at the date of this Booklet, the Board has not decided whether the re-compliance requirement of ASX (if it stands after the appeal) will be pursued by the Company.

1.4 Do I have to accept the Buyback Offer?

No. If you do not want to sell your Eligible Shares you do not need to take any action.

Acceptance of the Buyback Offer is completely voluntary. If you do choose to accept, you may only accept the offer in respect of all your Eligible Shares. All Shares bought back under the Buyback will be cancelled.

If you do not accept the Buyback Offer the number of Shares that you hold in the Company will remain the same but your percentage shareholding in the Company will increase if other Offerees accept the Buyback Offer.

1.5 How many Shares will the Company buy back?

There are 8,557,800 Eligible Shares on issue. This is the maximum number of Shares which may be bought back, not the actual number that will be bought back.

The actual number of Shares that will be bought back will depend on the number of Offerees who elect to accept the Buyback Offer and the number of Eligible Shares that the accepting Offerees hold.

1.6 Who may accept the Buyback?

Shareholders who hold Eligible Shares at 7:00 pm Sydney time on 21 November 2014 (the Record Date) may accept the Buyback Offer.

1.7 At what price will Shares be bought back?

The Buyback Price is 50 cents (Australian currency) per Share.

1.8 How is the Company funding the Buyback?

The Company is funding the Buyback from existing cash holdings.

Following the completion of the Buyback, and depending on the level of take-up of the offers, the Company will consider its options for raising further funds for its projects. This could include an issue of further equity (ordinary shares or other forms of equity) or seeking further debt funding.

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1.9 When and how will I receive payment for Shares bought back?

The Buyback Date is 21 January 2015. On this date Eligible Shares accepted into the Buyback are cancelled and amounts payable for those Shares to be bought back are to be distributed to accepting Offerees.

Payment for Shares bought back will be made by cheque or direct credit to your nominated bank account. The payment will be in Australian Dollars and where payment is by way of cheque, posted to the address held by Link Market Services for each accepting Offeree. If you wish to be paid by direct credit to your nominated bank account, you must contact the Registry by the Closing Date.

1.10 How does the Buyback compare to selling the Shares on the stock market?

Although the Company is listed on the ASX, the Shares have been suspended from trading since 11 March 2014. The most recent Share sales on the ASX, which occurred prior to the suspension, were at 51 cents. However, it is likely that the Shares in the Company are worth materially less than 50 cents (the Buyback Price) as at the date of this Offer Booklet.

The tax consequences for accepting Offerees if they sell their Shares pursuant to the Buyback may be different to the consequences of selling Shares on the ASX or off-market. You should obtain your own tax advice in this regard.

There is not currently an active market in the Shares. It is likely that Shareholders would have difficulty selling their Shares in the short to medium term, other than via acceptance of the Buyback Offer.

Accepting Offerees will pay no brokerage charge, (unless they use a broker for this transaction), if they sell their Eligible Shares under the Buyback. Usually when selling shares on the ASX, sellers would pay a brokerage fee for the transaction.

1.11 How long will the Buyback Offer be open?

The Buyback Offer will be open from 28 November 2014 until 5:00 pm Sydney time on the Closing Date, which is 16 January 2015 (**Offer Period**). The Board may, at its discretion, extend the Offer Period. If the Offer Period is extended, the new Closing Date will be announced to the ASX.

1.12 Reasons for accepting the Buyback?

Set out below are reasons you may choose to accept the Buyback:

- The Buyback allows Offerees to sell all of their Eligible Shares for cash, at the price of 50 cents (Australian currency) per Share;
- It is unlikely that the Shares in the Company are currently worth 50 cents each – they are likely worth less than that, although the absence of a market for the Company's Shares at present makes this difficult to assess. Please refer to Sections 2.5 and 2.6 of this Booklet for further information.
- Depending on the level of take-up of the Buyback, the Company's cash holdings will be reduced following the Buyback. Assuming 100% take-up, the Company's cash position would move from approximately \$7,000,000 (the cash position as at the date of this Booklet), to less than \$3,000,000 as a result of the Buyback. Although the Company will remain solvent following implementation of the Buyback (regardless of the level of take-up), it will need to obtain funding in the short to medium term to fund its projects. This could include obtaining further equity funding. If you choose not to accept the Buyback Offer and remain a Shareholder in the



Company, you will be exposed to this funding risk. If the Company chooses and is able to raise further equity, it may cause further reduction in value of the Company's existing Shares.

- Depending on the level of take-up of the Buyback, the Company may cease to have a sufficient number of Shareholders to meet the spread requirements under the ASX Listing Rules. Should this occur, the Company will consider whether it can take steps necessary to re-establish the minimum spread required by ASX. However, the absence of a sufficient spread of Shareholders may cause the Shares to remain suspended from trading or the Company removed from the Official List of ASX, or if trading on ASX resumes, an absence of sufficient liquidity to enable holders to sell their Shares on ASX.
- The Company is currently suspended from trading on ASX, and therefore there is not currently a public market for trading in the Company's Shares. ASX has advised the Company that it requires the Company to undertake a re-compliance with Chapters 1 and 2 of the ASX Listing Rules before trading can recommence. Although that decision is subject to appeal by the Company, if the appeal is not successful and re-compliance is not achieved by 31 May 2015, the Company may be de-listed. Accordingly, it is uncertain when, if at all, trading in the Company's Shares on ASX may resume. Even if it was to resume, it is unlikely that there would be significant liquidity of trading in the Company's Shares. Please refer to Sections 2.5 and 2.6 of this Booklet for further information.
- The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due, and meet its future exploration commitments and project development aspirations is dependent upon the Company being successful in securing additional funds. Whilst the Directors are hopeful that the Company will be successful, funding arrangements are not currently in place and therefore remain uncertain. There is uncertainty about the Company's ability to continue as a going concern in the medium term.
- There is no brokerage charge payable in relation to the Buyback transaction unless you use a broker for this transaction.
- Subject to receiving a favourable ruling from the ATO, there will be no Australian tax liability arising for persons who accept the Buyback Offer.

1.13 How are my voting rights affected by the Buyback if I accept the Buyback Offer?

In accordance with the Corporations Act, all rights attached to Shares are suspended once the Buyback Agreement for those Shares is entered into. Under the terms of the Buyback, the agreement to buy-back Shares will be entered into upon the Company receiving your Offer Acceptance Form.

1.14 What happens to the options that were issued to me as part of the Company's IPO?

You will continue to hold the options granted to you in accordance with their terms.

1.15 Can I withdraw my Buyback Offer acceptance?

No. Once your signed Offer Acceptance Form is received by the Company, you will have irrevocably agreed to sell your Eligible Shares under the Buyback.

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1.16 How can I obtain replacement Offer Acceptance Forms?

If you require replacement Offer Acceptance Forms, please call the Company Secretary, Peter Edwards on +61 7 3188 9101. A replacement form may be sent to you by fax or email.

1.17 Can I trade my shares after submitting my Offer Acceptance Form?

Once you have submitted your signed and completed Offer Acceptance Form, you must not sell, transfer or trade your Shares before the Buyback Date, as you have agreed to sell your Shares to the Company on that date. To do this would be a breach of the Buyback Agreement that you have entered into upon validly submitting your signed and completed Offer Acceptance Form.

1.18 How will I know if my Offer Acceptance Form has been received?

You can check if your Offer Acceptance Form has been received by contacting the Company Secretary on +61 7 3188 9101. Please note that the Company Secretary can only advise that your form has been received and not that it has been correctly completed.

1.19 Can I transfer my rights to accept the Buyback?

No. The Buyback Offer is personal to you and you cannot transfer or sell your right to accept it.

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2. Effect of the Buyback on U&D Coal Limited

2.1 Introduction

The purpose of this Section 2 is to show the effect the Buyback is expected to have on the Company. Before deciding whether to accept the Buyback, Offerees should carefully consider the factors discussed below, as well as the other information contained in this Booklet.

2.2 Financial and operating performance

On 30 September 2014, the Company announced its results for the year ended 30 June 2014. Copies of the Annual Financial Report are available from the Company's website www.udmining.com.au

The year ended 30 June 2014, was a difficult first year for the Company. The Company was listed on 19 February 2014 and the trading of Shares was suspended on 10 March 2014 and it is still suspended at the time of this Booklet, and it is expected to be suspended until May 2015 should the Company successfully re-list on the ASX. Shares in the Company were very lightly traded between 19 February 2014 and 10 March 2014, with the Share price reaching as high as 58 cents before closing at 51 cents on 10 March 2014.

The last twelve months have seen a further continuation of difficult trading conditions for coal companies, with weak coal prices, partly due to global over supply. Commodity markets are inherently cyclical but the Board believes it has coal projects that may be worth developing under the current economic conditions.

The Company has continued to push forward with the mining lease application for our Meteor Downs South project (**MDS**) and the grant of a mining lease is expected in the first half of 2015. The Company is working with Sojitz Coal Mining Pty Ltd on a joint venture agreement and farm-in agreement for the project.

An increased JORC resource* for the Broughton project, from 41.5Mt to 121.0Mt, was announced on 7 July 2014. The Company has engaged consultants to perform feasibility study work and the Company is continuing the mining lease application approval process.

The Company has also continued to undertake drilling programs, desktop studies and geological mapping across its other tenements to identify resource potential, but this work is not complete.

* The information in this Booklet 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 this document and has reviewed all statements pertaining to this information in the form and context in which it appears.



Financial performance and financial position

The Company reported an operating loss for the year to 30 June 2014 of \$6,113,206.

Section 1.2 summarises the Proceedings and the Deed of Settlement in relation to the s737 Notice issued by KQ to the Company.

The Deed of Settlement, and the transactions implemented pursuant to its terms, have had a significant effect on the balance sheet and available cash and cash equivalents of the Company. A hypothetical pro-forma balance sheet for 30 June 2014, based on treating the transactions that occurred under the Deed of Settlement as if they had occurred before the 30 June 2014 balance date, is shown below.

	Pro-forma Balance Sheet 30 June 2014	Audited Balance Sheet 30 June 2014
	\$ million	\$ million
Cash and cash equivalents	13.0	43.0
Other current assets	5.7	5.7
Current assets	18.7	48.7
Non-current assets	115.0	115.0
Total assets	133.7	163.7
Current liabilities	1.2	1.2
Non-current liabilities	90.0	70.0
Total liabilities	91.2	71.2
Net assets	42.5	92.5

2.3 Impact of the Buyback on U&D Coal Limited's issued Shares

As at the date of this Booklet, the Company had 1,008,557,800 Shares on issue, held by 491 Shareholders. Of the Shares on issue 955,300,000 (94.72%) Shares are restricted Shares, which are escrowed until 19 February 2016. The remaining 53,257,800 (5.28%) Shares are not restricted.

There are 8,557,800 (0.85%) Eligible Shares subject to the Buyback Offer, which are held by 487 Shareholders (the Offerees).



Assuming that all 8,557,800 Eligible Shares are bought back under the Buyback, then the total number of Shares on issue would reduce to 1,000,000,000 Shares, and these would be held by the four Shareholders not subject to the Buyback Offer:

- Australia Kunqian International Energy Co., Ltd.
- China Kunlun International Holding Ltd
- Golden Globe Energy Ltd
- Zhanjun Fei

2.4 Impact of the Buyback on the control of U&D Coal Limited

As the total number of Shares subject to the Buyback Offer is less than 1% of the Company's total Shares on issue, there will be no impact on the control of the Company.

2.5 Trading price of U&D Coal Limited's Shares

Trading of Shares was very light between the listing date on 19 February 2014 and the date on which Shares were last traded before the trading halt of 11 March 2014, and the following period of suspension. The table below, extracted from ASX daily movements, summarises the trading activity.

Trading Date	Open	High	Low	Close	Volume
19-Feb-14	0.580	0.580	0.530	0.530	26,753
20-Feb-14	0.525	0.525	0.525	0.525	10,000
21-Feb-14	0.520	0.520	0.520	0.520	955
24-Feb-14	0.520	0.520	0.520	0.520	0
25-Feb-14	0.520	0.520	0.520	0.520	0
26-Feb-14	0.510	0.510	0.510	0.510	30,000
27-Feb-14	0.510	0.510	0.510	0.510	0
28-Feb-14	0.510	0.510	0.510	0.510	0
3-Mar-14	0.510	0.510	0.510	0.510	4,000
4-Mar-14	0.510	0.510	0.510	0.510	0
5-Mar-14	0.510	0.510	0.510	0.510	0
6-Mar-14	0.510	0.510	0.510	0.510	0
7-Mar-14	0.510	0.510	0.510	0.510	0
10-Mar-14	0.510	0.510	0.510	0.510	2,000

Source: ASX Daily Movements



2.6 Performance of Junior Explorer stocks since U&D Coal Limited listed

The Company has reviewed the performance of similar shares listed on the ASX between the date that the Company listed on 19 February 2014, and up to 30 September 2014. Naturally no two companies are the same but those other listed entities reviewed are either small coal producers or junior explorers. The results show an overall decline in the performance of small coal producers and junior explorers throughout the period.

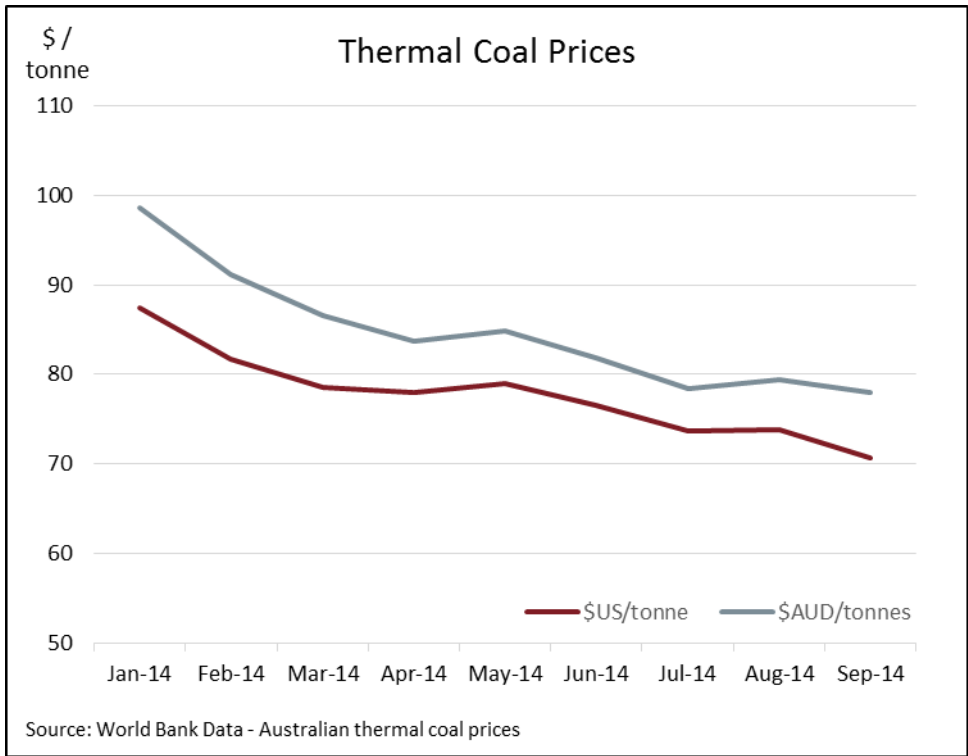
Based on the movement between the opening Share price of 19 February 2014 and the closing Share price of 30 September 2014, it is possible that Shares could have dropped by anywhere between 23% and 100% in value.

	Share Price 19/02/2014	Share Price 30/09/2014	Decline
New Hope Corp Ltd (NHC.ASX)	3.40	2.61	-23%
Coalspur Mines Ltd (CPL.ASX)	0.28	0.04	-86%
Stanmore Coal Ltd (SMR.ASX)	0.19	0.12	-37%
Guildford Coal Ltd (GUF.ASX)	0.10	0.04	-60%
Cockatoo Coal Ltd (COK.ASX)	0.04	0.02	-50%
NuCoal Resources Ltd (NCR.ASX)	0.02	0.01	-50%
Cuesta Coal Ltd (CQC.ASX)	0.09	0.09	0%
Australian Pacific Coal Limited (AQC.ASX)	0.01	-	-100%
Acacia Coal Ltd (AJC.ASX)	0.01	-	-100%
Bandanna Energy Ltd (BND.ASX)	0.15	-	-100%
New Horizon Coal Ltd (NHO.ASX)	0.02	-	-100%
International Coal Ltd (ICX.ASX)	0.09	0.03	-67%
Moreton Resources Ltd. (MRV.ASX)	-	-	0%

Source: Yahoo Finance

In the absence of Share trading it is not possible to predict the likely Share value of the Company had Share trading not been suspended. Because 94.72% of the Shares are escrowed until February 2016, a significant majority of the Shares could not be traded even if the trading of Shares was not suspended. It is therefore likely that the Company would have experienced a low level of Share trading and therefore a low liquidity in the stock, because only 5.28% of total Shares or 53,257,800 Shares would be tradable had the trading of Shares not been suspended.

During the same period world coal prices have also dropped significantly. The graph below shows the Australian thermal coal monthly price in \$US / tonne and \$AUD / tonne. The graph shows that there is some correlation between share prices on the ASX of small coal producers and junior explorers, and the Australian thermal coal price, as both have shown a decline between February and September 2014.



Whilst the differences between the two currencies show some volatility in the graph, there is only a 3.5% decline in the Australian dollar against the US dollar on the two key dates of 19 February 2014 and 30 September 2014.

<u>Date</u>	<u>AUD / US</u>
19-Feb-14	0.9037
30-Sep-14	0.8725
Change	-3.5%

Source: Oanda

The information in this section shows a trend in the market with regards to the performance of shares of some small coal producers and junior explorers, and the declining coal prices. It does not necessarily follow that the Company's Shares would have followed similar sorts of trends, but it is likely. Shareholders should perform their own review or seek their own financial advice.

2.7 Can Directors and senior management participate in the Buyback

Directors of U&D Coal Limited and senior management who hold Eligible Shares are entitled to accept the Buyback Offer. As at the date of this Booklet none of the Directors of the Company hold Shares in the Company.



2.8 General tax implications

The Company is currently in the process of applying for a class ruling in respect of the Buyback from the ATO to, amongst other things, confirm that the Commissioner of Taxation will not seek to apply the dividend substitution anti-avoidance rules to the Buyback. The ruling is expected to be available after the completion of the Buy-Back. Please refer to Section 3 for further details.

If a favourable ruling is obtained from the ATO, the Company does not expect there to be adverse income tax consequences for the Company from the Buyback.

The Buyback may ultimately impact the Company's ability to set off its existing tax losses against future taxable income when determining the Company's tax liabilities. This is because, generally, the Company must pass the continuity of ownership test (**COT**) to set off prior year tax losses against its taxable income in a given income year. While the proportionate change in ownership of the Company as a result of the Buyback is limited, the Buyback could increase the likelihood that the Company will fail the COT in the future.

If the COT is not passed, the Company would need to satisfy the Same Business Test in order to be able to utilise those tax losses in the future.

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3. Australian Tax Implications for Offerees

The tax consequences of participating in the Buyback will vary depending on your circumstances. It is important that you consult with your tax adviser regarding your individual circumstances

3.1 Australian tax implications for Offerees

The following information is intended only as a general summary of the Australian income tax implications for Australian resident and non-resident Offerees who participate in the Buyback. These comments do not apply to Offerees that hold Shares on revenue account, who are professional share traders or who have made an election under the taxation of financial arrangements (TOFA) regime that affects the recognition of gains and losses in respect of their Shares.

This summary is provided only as a guide and is not intended to be advice and should not be relied upon by Offerees as such. Accordingly, it is important that Offerees seek independent taxation advice based on their own specific circumstances on the relevant income tax implications of participating in the Buyback. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising Offerees about the tax consequences of the Buyback.

This discussion is based on Australian income tax laws as at 12 November 2014. These laws, and their interpretation by the Courts and the ATO, are subject to change at any time, including potentially with retrospective effect.

Before deciding whether to participate in the Buyback, Offerees should carefully consider the factors discussed below, as well as the other information contained in this Booklet.

3.2 Overview

Application has been made to the ATO for a class ruling confirming that, for Australian tax purposes, the Buyback Price will comprise a 100% capital component of \$0.50 per share. Accordingly, no part of the Buyback Price is expected to be treated as a dividend (subject to confirmation that the Commissioner of Taxation will not seek to apply the dividend substitution anti-avoidance rules).

Once the class ruling has been issued by the ATO, an Offeree may rely on that class ruling in preparing their income tax return.

The ATO has not yet released a class ruling in response to the Company's application, and is not expected to issue a class ruling until after the outcome of the Buyback is known. Offerees should be aware that a class ruling from the ATO regarding the Buyback may not be available until after the Buyback Offer Period ends.

The final version of the class ruling will be published on the ATO website and a notice included in the Gazette. The Company will make an announcement when the final class ruling is published and display the final class ruling on its website as soon as it becomes available.

Offerees should be aware that, despite the expectation of the Company, the ATO may adopt a position in the Class Ruling that could differ materially from the position outlined below.

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Australian Resident Offerees

If you are an Australian resident Offeree, you could make a capital gain or capital loss on sale of your Shares into the Buyback.

An Offeree will make a capital gain to the extent that the sale consideration of \$0.50 cents per Share exceeds the cost base of the Shares disposed of under the Buyback. Conversely an Offeree will make a capital loss where the sale consideration of \$0.50 cents per share is less than the cost base of the Shares disposed of under the Buyback.

Generally, the Offeree's cost base for the Shares will include the amount the Offeree paid to acquire a Share, plus any incidental costs of acquisition, for example, brokerage, and adjusted for any incidental costs of disposal. Where the value of the Shares is determined to be less than the Buyback Price, Offerees who participate in the Buyback may be required to increase the cost base of their Shares under Australia's value shifting provisions.

Offerees should obtain their own advice on the amount of any capital gain that is to be included in their taxable income, including calculation of the cost base of their Shares.

Non-Resident Offerees

A non-resident Offeree that holds their Shares on capital account may disregard any capital gain or capital loss arising in respect of the disposal of the Shares where the Shares do not qualify as Taxable Australian Property. The Shares should not qualify as Taxable Australian Property and, accordingly, should not be subject to Capital Gains Tax (**CGT**) where a non-resident Offeree has not, together with their Associates, ever held 10% or more of the Shares in the Company.

The ability to disregard a capital gain or capital loss may not apply where any Shares have been used at any time in carrying on a business through a permanent establishment in Australia or the Offeree chose to disregard a capital gain or loss on ceasing to be an Australian resident as a result of an election under section 104-165 of the *Income Tax Assessment Act 1997*.

3.4 Non-Australian tax implications to a non-resident Offeree

If you are an Offeree who is not a resident of Australia for Australian income tax purposes, you will need to seek professional advice on the taxation implications of the Buyback in your country of residence. The Company is neither required nor will withhold any non-Australian tax from the amounts payable by it under the Buyback. If you are subject to any tax outside Australia, you will need to make necessary tax filings and pay tax in accordance applicable tax law.

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4. Additional Information Regarding the Buyback

4.1 Excluded Shareholders

Any person holding Shares:

- that are not Eligible Shares;
- to whom the Company would be prohibited from paying money pursuant to:
 - the *Banking (Foreign Exchange) Regulations 1959* (Cth);
 - Part 4 of the *Charter of the United Nations Act 1945* (Cth), the *Charter of the United Nations (Terrorism and Dealings with Assets) Regulations 2002* (Cth), the *Charter of United Nations (Sanctions - Afghanistan) Regulations 2001* (Cth) and the *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003* (Cth);
 - the *Criminal Code Act 1995* (Cth); or
 - any other act, rule or regulation prohibiting the Company from making payments to Excluded Shareholders;
- whose address on the Company's share register is outside Australia or the People's Republic of China unless the Company is satisfied that it is lawful and practicable to extend the Buyback Offer into such jurisdiction; or
- who the Company is aware resides in a foreign jurisdiction where it would be either illegal under the laws of that jurisdiction or in the opinion of the Company, excessively onerous, costly and/or time consuming, to permit shareholders residing in that jurisdiction to participate in the Buyback,

is an **Excluded Shareholder**.

The Buyback Offer is not being made to Excluded Shareholders. Without limiting the rights the Company otherwise has in relation to the Buyback, any Offer Acceptance Form returned by an Excluded Shareholder will not constitute acceptance of the Buyback Offer by that holder, and no Buyback Agreement will be formed as a result.

The Company will also reserve the right to reject an Offer Acceptance Form it receives to the extent necessary, as determined by the Company, to ensure that it, or any other person, is not at risk of breaching, and does not actually breach, any Australian or foreign laws (such persons excluded also being Excluded Shareholders).

The Company does not expect any holders of Eligible Shares to be Excluded Shareholders.

By returning the Offer Acceptance Form, you warrant that you are not an Excluded Shareholder.

4.2 What if I have more than one holding of Shares?

You will receive a personalised Offer Acceptance Form for each separate beneficial holding of Eligible Shares. For example, if you hold Eligible Shares in your name, Eligible Shares jointly with your spouse and Eligible Shares on trust for another person or entity, you will receive three Offer Acceptance Forms. You may sell your Eligible Shares into the Buyback from any or all of your separate beneficial holdings provided that you complete the Offer Acceptance Form and follow the instructions for each holding you wish to sell.



Shares held by trustees and nominees

Trustees and nominees who hold Eligible Shares should inform the beneficial owners of the Shares about the Buyback, subject to any legal restrictions in the countries where such beneficial owners are resident and then aggregate all Offer Acceptance Forms received from beneficial owners. It is the responsibility of the trustee or nominee to complete one aggregated Offer Acceptance Form on behalf of all beneficial owners other than those who are Excluded Shareholders (if any).

Shares held jointly with another person

If you hold your Eligible Shares jointly with another person (for example, your spouse) you must complete and return the Offer Acceptance Form in accordance with instructions for joint holdings on the Offer Acceptance Form.

4.3 Encumbrances on Eligible Shares

By accepting the Buyback Offer you warrant to the Company that, as at the date of your acceptance and on the Buyback Date, the Eligible Shares are free from any mortgage, charge, lien or other encumbrance (whether legal or equitable) and from any third party rights.

If you hold Eligible Shares under margin lending arrangements or if they are held as security for a loan, you should ensure that your participation in the Buyback is permitted by those margin lending arrangements or that loan and security documentation.

4.4 Can I still vote if a general meeting is held during the Offer Period?

Yes, but only prior to receipt by the Company of your completed Offer Acceptance Form. Once your completed Offer Acceptance Form is received by the Company, the voting rights attaching to your Eligible Shares will be suspended pending completion of the Buyback. The Company does not currently intend to hold a general meeting during the Offer Period.

4.5 Can I participate if I am resident outside Australia or the People's Republic of China?

Yes, you may accept the Buyback Offer if you are a holder of Eligible Shares who is resident in any jurisdiction in which the Company considers that it is lawful and practicable for the Company to make the Buyback Offer to Offerees, or are holding for the account of persons in these jurisdictions. You will need to seek professional advice on the taxation implications of accepting the Buyback Offer in your country of residence.

4.6 Restrictions on the payment of Buyback proceeds

The Company will pay Offerees the Buyback Price for each of their Eligible Shares that are bought back, unless it is prohibited from doing so. If it is prohibited, then the Buyback Agreement in respect of your Eligible Shares will be cancelled and your Eligible Shares will not be bought back.

4.7 The effect of submitting an Offer Acceptance Form

An Offer Acceptance Form completed and signed by an Offeree which is validly received by the Company as specified in this Booklet constitutes an acceptance by that Offeree of the Buyback Offer on the terms and conditions set out in the Buyback Documents.

On validly submitting a completed and signed Offer Acceptance Form with the Company, you:

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- agree to the terms and conditions set out in the Buyback Documents;
- agree to sell to the Company on the Buyback Date all your Eligible Shares as specified on your personalised Offer Acceptance Form;
- agree that a Buyback Agreement is formed for the purchase of your Eligible Shares upon receipt by the Company of your completed Offer Acceptance Form;
- warrant to the Company that, at all times after your completed Offer Acceptance Form is received by the Company up to the Buyback Date, you are the registered holder of the Shares that you have agreed to sell and that they are free from any mortgage, charge, lien or other encumbrance (whether legal or equitable) and from any third-party rights and otherwise able to be sold freely by you;
- warrant that you are a person to whom the Buyback Offer may lawfully be made, can receive the proceeds of the sale of your Eligible Shares and your acceptance of the Buyback Offer, the sale by you of your Eligible Shares under the Buyback, and your receipt of the aggregate Buyback Price in respect of your Eligible Shares is permitted under the laws of the jurisdiction in which you are resident, and that you are not an Excluded Shareholder;
- authorise the Company (and its officers, agents, contractors or advisers) to correct any error in, or omission from, your Offer Acceptance Form and to insert any missing details;
- undertake not to sell or offer to sell Shares to any other person if, as a result, you will at any time after you submit your Offer Acceptance Form until the Buyback Date hold fewer Shares than the number of Eligible Shares you have agreed to sell under the Buyback;
- authorise the Company to complete on your behalf a share transfer form for the purposes of satisfaction of your obligation to transfer your Eligible Shares to the Company;
- irrevocably appoint each director or secretary of the Company severally your attorney with power:
 - in your name to complete, execute and deliver to the Company a share transfer form for the transfer of your Eligible Shares to the Company and also to do anything necessary or desirable (including to complete, execute and deliver to the Company any other document in connection with or incidental to a transfer of Shares) to effect such transfer of Shares on the Buyback Date; and
 - to delegate his or her powers (including, without limitation, this power to delegate) to any person who is an employee of the Company for any period and to revoke a delegation;
- agree that if, as at the Buyback Date, you are the registered holder of a number of Eligible Shares that is less than the number of Eligible Shares you were the registered holder of as at the Record Date, then the Company may determine, in its absolute discretion, that:
 - the Buyback Agreement shall apply to that lesser number of Eligible Shares; or
 - the Buyback Agreement is terminated and of no further effect;
- acknowledge that neither the Company nor any other party involved in the Buyback has provided you with financial product advice, or any securities recommendation, or has any obligation to provide this advice or recommendation, concerning your decision to participate in the Buyback;
- authorise the Company to make payment by cheque, unless you have separately contacted the Registry before the Closing Date to elect payment by direct credit to your nominated bank account;

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- agree that damages is not an adequate remedy for breach of these covenants, undertakings, agreements, representations and warranties;
- undertake that if you breach any of these covenants, undertakings, agreements, representations or warranties you will indemnify the Company for all its costs or losses arising from the breach; and
- agree that any obligation of the Company to buy your Eligible Shares which you have agreed to sell is conditional on your compliance with the covenants, undertakings, agreements, representations and warranties listed above.

You will be taken to have submitted an Offer Acceptance Form, and accepted the Buyback, when the Company receives your validly signed and completed Offer Acceptance Form in a manner specified in this Booklet.

4.8 The Company's right to vary dates and times

While the Company does not anticipate changing any of the dates and times set out in the Buyback Documents (including the Closing Date and the Buyback Date), it reserves the right to vary them. Any change in date or time will take effect from the time it is authorised by the Board and will be publicly announced on the U&D Coal Limited website and ASX's market announcement platform as soon as practicable following the Board's authorisation. Any such change will be taken to amend this Booklet (and the other Buyback Documents) accordingly.

4.9 The Company's right to adjust Offer Acceptance Forms

If you are an Offeree, you are entitled to sell into the Buyback all of the Eligible Shares registered in your name on the Record Date. If you submit more than one Offer Acceptance Form the Company reserves the right to use its discretion in choosing one form to process.

4.10 Legal and Regulatory Requirements

The Buyback is a selective share buy-back. Under section 257A of the Corporations Act, the Company may only buy back its own shares if:

- the buy-back does not materially prejudice the Company's ability to pay its creditors; and
- the Company follows the procedures set out in the Corporations Act.

Section 257D of the Corporations Act requires that the terms of the Buyback be approved by a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates.

Shareholder approval has been obtained by way of a special resolution on 12 November 2014.

The Directors consider that the Buyback will not materially prejudice the Company's ability to pay its creditors.

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4.11 Continuous disclosure

The Company is a disclosing entity for the purposes of the Corporations Act, and as such is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require the Company to continuously notify the ASX of information about specific events and matters for the purposes of making that information available to the market. In particular, the Company is required by the Listing Rules (subject to certain limited exceptions) to notify the ASX immediately of any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of Shares.

The Company may disclose information to the ASX after the date of this Booklet, but before it buys-back Shares which may be relevant to the Buyback or which qualifies statements made in the Buyback Documents. Where the Company discloses such information which affects the Buyback, it will do so by announcing it to the ASX, rather than sending it to shareholders, except where otherwise required by law. You can access the information that the Company discloses to the ASX on the ASX's website at www.asx.com.au.

4.12 Stamp duty

Stamp duty will not be payable on the Buyback or the cancellation of your Eligible Shares following acceptance of the Buyback Offer.

4.13 Brokerage

You should not have to pay brokerage if you sell your Shares in the Buyback, unless you use a broker for this transaction.

4.14 Privacy

U&D Coal Limited is carrying out the Buyback in accordance with the Corporations Act. This involves the personal information contained in the Offer Acceptance Forms being collected to enable the Company to determine and complete the Buyback. If you do not provide this information, the Company and its agents may be hindered in, or prevented from, processing your Offer Acceptance Form.

The personal information collected by U&D Coal Limited will only be disclosed to a print and service provider, to the Company's advisers in relation to the Buyback and to financial institutions in respect of payments to you in connection with the Buyback or as required or authorised by law.

You may access the individual information collected by the Company in relation to your shareholding by writing to the Company Secretary of U&D Coal Ltd, Level 1, 37 Brandl Street, Eight Mile Plains, Qld 4113.

4.15 Applicable law

The Buyback Agreement, your Offer Acceptance Form, and the Buyback generally, are governed by the laws of the State of Queensland.



4.16 Independent advice

Offerees should consult their legal, financial, taxation or other professional adviser if they have any queries regarding:

- the Buyback;
- the taxation implications for them if the Buyback is implemented; or
- any other aspects of this Booklet.

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5. Glossary

5.1 Terms

The following terms used in this Booklet and the Offer Acceptance Form have the meanings given to them below, unless the context otherwise requires.

ASX	ASX Limited and the market operated by ASX Limited, as the context requires
ATO	Australian Taxation Office
Board or Board of Directors	the Board of Directors of the Company or any duly constituted committee of the Board of directors
Booklet	this Buyback Booklet
Buyback	the buyback of Shares by way of an off-market Buyback process as set out in the Buyback Documents
Buyback Agreement	the agreement which is entered into between you and the Company if you accept the Buyback Offer.
Buyback Date	21 January 2015, as may be adjusted by the Company
Buyback Documents	The Booklet and the Offer Acceptance Form
Buyback Offer	the offer contained in this Booklet for the Company to buy-back Eligible Shares
Buyback Price	\$0.50 per share
CHESS	Clearing House Electronic Sub-register System, the ASX's computer-based securities transfer and settlement system
CGT	capital gains tax
Corporations Act	the Corporations Act 2001 (Cth), as modified
Closing Date	16 January 2015, as may be adjusted by the Company
COT	Continuity of ownership test
Company or UND	U&D Coal Limited
Deed of Settlement	has the meaning given in section 1.2

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Eligible Shares	Shares that were: (a) subscribed for and issued under the Company's Prospectus; or (b) acquired on market at any time between the Company's listing on 19 February 2014 and the date when trading in the shares in the Company was halted on 11 March 2014 (both inclusive).
Excluded Shareholder	as defined in section 4.1 of this Booklet
IPO	the Company's initial public offering of Shares
KQ	Australia Kunqian International Energy Co., Pty Ltd (ACN 153 835 440)
KQ IPO Shares	has the meaning given in section 1.2
Listing Rules	listing rules of the ASX
MDS	Meteor Downs South project
Offer Acceptance Form	the personalised form of acceptance accompanying this Booklet
Offer Period	28 November 2014 to 5:00pm Sydney time on 16 January 2015
Offeree	each holder of Eligible Shares as at the Record Date who is not an Excluded Shareholder
Opening Date	28 November 2014
Proceedings	has the meaning given in section 1.2
Prospectus	the Company's replacement prospectus dated 5 December 2013 in respect of the IPO
Record Date	21 November 2014
Registry	Link Market Services Limited
s737 Notice	has the meaning given in section 1.2
Shareholder	a registered holder of Shares
Shares	fully paid ordinary shares in the capital of the Company
Subscription Monies	has the meaning given in section 1.2
Tax Act	the Income Tax Assessment Act 1936 or Income Tax Assessment Act 1997, as applicable
TOFA	Tax of financial arrangements



5.2 Interpretation

In the Buyback Documents, unless the context otherwise requires:

- a) singular includes the plural, and vice versa;
- b) words importing one gender include other genders;
- c) other parts of speech and grammatical forms of a word or phrase defined in this document have a corresponding meaning;
- d) terms used in the Buyback Documents and defined in the Corporations Act have the meanings ascribed to them in the Corporations Act;
- e) a reference to currency is to Australian dollars; and
- f) a reference to time is to Sydney time.

The postal acceptance rule does not apply to Offer Acceptance Forms.

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