ABN 13 112 682 158

25 November 2013

The Manager Companies
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

(441 pages by email)

Dear Madam

Takeover bid by Cockatoo Coal Limited for Blackwood Corporation Limited

In accordance with item 5 of subsection 633(1) of the *Corporations Act 2001 (Cth)*, please find enclosed a copy of the bidder's statement and offer document in relation to the off-market bid to acquire all of the ordinary shares in Blackwood Corporation Limited ACN 103 651 538 (Target). The bidder's statement has today been served on Target.

Yours faithfully

Lee J. O'Dwyer
Company Secretary

pjn7520

Level 2, 66 Hunter Street Sydney NSW Australia 2000 **T**: (61 2) 9300 3333 **F**: (61 2) 9221 6333
E: lodwyer@cockatoocoal.com.au **W**: www.cockatoocoal.com.au

Cockatoo Coal Limited

BLACKWOOD
ENERGY TO GROW

The directors of Blackwood Corporation unanimously recommend that you

ACCEPT

Cockatoo's takeover offer, in the absence of a superior proposal

This booklet contains a bidder's statement and a target's statement relating to the offer by Cockatoo Coal Limited (ABN 13 112 682 158) to purchase all of your shares in Blackwood Corporation Limited (ABN 31 103 651 538)

This is an important document and requires your immediate attention. If you are in doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

FINANCIAL ADVISER TO COCKATOO	AUSTRALIAN LEGAL ADVISER TO COCKATOO	FINANCIAL ADVISER TO BLACKWOOD	AUSTRALIAN LEGAL ADVISER TO BLACKWOOD
Credit Suisse	MinterEllison Lawyers	Morgans In alliance with CIMB	Clayton Utz

Important Notices

Nature of this document

This booklet contains a bidder's statement issued by Cockatoo Coal Limited (ABN 13 112 682 158), and a target's statement issued by Blackwood Corporation Limited (ABN 31 103 651 538), each under Part 6.5 of Chapter 6 of the Corporations Act.

A copy of the Bidder's Statement and Target's Statement were lodged with ASIC and given to ASX on 25 November 2013. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this booklet (including the contents of the Bidder's Statement and the Target's Statement).

Responsibility statements

The information in Part 1 of this booklet is qualified by the information set out elsewhere in this booklet.

Part 2 of this booklet was prepared by Cockatoo and Part 3 was prepared by Blackwood. Except as set out below, neither Blackwood nor any member of the Blackwood Group takes any responsibility for, and to the maximum extent permitted by law disclaims any liability in respect of, the contents of the Bidder's Statement in Part 2 of this booklet. Neither Cockatoo nor any member of the Cockatoo Group takes any responsibility for, and to the maximum extent permitted by law disclaims any liability in respect of, the contents of the Target's Statement in Part 3 of this booklet.

The pro forma financial information concerning the Merged Group contained in Section 10.7 of the Bidder's Statement (the Pro Forma Financial Information) includes information that Blackwood has provided to Cockatoo, with the Pro Forma Financial Information being prepared by Cockatoo.

Blackwood takes responsibility for the information about Blackwood which Blackwood has provided to Cockatoo for the purpose of preparing the Pro Forma Financial Information and Cockatoo otherwise takes responsibility for the Pro Forma Financial Information.

Attachments 1 and 2 of the Target's Statement in Part 3 of this booklet were prepared by the Independent Expert, Grant Thornton, and are the sole responsibility of the Independent Expert. Neither Blackwood, Cockatoo nor any member of the Blackwood or Cockatoo Groups, take any responsibility for, and to the maximum extent permitted by law, disclaim any liability in respect of, the contents of the Independent Expert's Reports in Attachments 1 and 2 of the Target's Statement.

No account of your personal circumstances

The Bidder's Statement and the Target's Statement, and the recommendations contained in each of those documents and elsewhere in this booklet, should not be taken as personal financial advice, as they do not take into account your individual objectives, financial and tax situation or particular needs. The Bidder's Statement and the Target's Statement, and the recommendations contained in each of those documents and elsewhere in this booklet do not take into account the individual investment objectives, financial situation and particular needs of any Blackwood Shareholder. Accordingly, before making a decision whether or not to accept the Offer, you should obtain independent legal, financial and tax advice.

Disclaimer as to forward looking statements

Some of the statements appearing in this booklet may be in the nature of forward looking statements. You should be aware that such statements are either statements of current expectation or only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Blackwood and Cockatoo and the members of the Cockatoo Group and the Blackwood Group operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Cockatoo, Blackwood, the respective officers and employees of Cockatoo and Blackwood, any persons named in this booklet with their consent or any person involved in the preparation of this booklet, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this booklet reflect views held only as at the date of this booklet.

Disclaimer as to information

The information on Blackwood, Blackwood's securities and the Blackwood Group contained in the Bidder's Statement has been prepared by Cockatoo using publicly available information and limited non-public information made available to Cockatoo by Blackwood. The information in the Bidder's Statement concerning Blackwood and the assets and liabilities, financial position and performance, profits and losses and prospects of the Blackwood Group, has not been independently verified by Cockatoo. Accordingly Cockatoo does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on Cockatoo, Cockatoo's securities and the Cockatoo Group contained in the Target's Statement has been prepared by Blackwood using publicly available information and limited non-public information made available to Blackwood by Cockatoo. The information in the Target's Statement concerning Cockatoo and the assets and liabilities, financial position and performance, profits and losses and prospects of the Cockatoo Group, has not been independently verified by Blackwood. Accordingly Blackwood does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This booklet has been prepared in accordance with Australian law and the information contained in this booklet may not be the same as that which would have been disclosed if this booklet had been prepared in accordance with the laws and regulations outside Australia. The availability of the Offer to persons who are not resident in and citizens of Australia may be affected by the laws of the relevant jurisdictions in which they are located. This booklet does not constitute an offer of securities in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Cockatoo or to otherwise permit a public offering of Cockatoo Shares outside Australia.

In offering Cockatoo Shares under the Offer to Blackwood Shareholders in New Zealand, Cockatoo is relying on the Securities Act (Overseas Companies) Exemption Notice 2013. This document is not a prospectus or an investment statement under New Zealand law and may not contain all the information that a prospectus or investment statement under New Zealand law is required to contain.

Blackwood Shareholders who are resident outside of Australia or New Zealand should refer to Section 13.7 of the Bidder's Statement for further details.

Hong Kong Notice

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, Cockatoo Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to Cockatoo Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Cockatoo Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person issued with Cockatoo Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

US Notice

The Cockatoo Shares offered by the Offer contained in the Bidder's Statement have not been and will not be registered under the US Securities Act of 1933, as amended (the Securities Act), or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

Privacy

Cockatoo has collected your information from the register of Blackwood Shareholders and option holders for the purpose of making the Offer and, if accepted, administering acceptance over your holding of Blackwood Shares and paying the Offer Consideration. The type of information Cockatoo has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in Blackwood. Without this information, Cockatoo would be hindered in its ability to carry out the Offer. The Corporations Act requires the name and address of shareholders and option holders to be held in a public register. Your information may be disclosed on a confidential basis to Cockatoo's related bodies corporate and external service providers (such as the share registry of Cockatoo and Blackwood, print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Cockatoo, please contact Computershare Investor Services Pty Limited at the address shown below.

Defined terms

A number of defined terms are used in this booklet. Unless the contrary intention appears or the context requires otherwise, such terms are defined in Section 15 of the Bidder's Statement and in Section 11 of the Target's Statement (and in various other locations throughout this booklet). In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this booklet have the same meaning and interpretation as in the Corporations Act.

Maps and diagrams

Diagrams and maps appearing in the Bidder's Statement or Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, maps, graphs and tables is based on information available at the date of this booklet.

Key dates

Date of this booklet and the date of the Bidder's Statement and Target's Statement	25 November 2013
Date of the Offer	[•]
Offer closes (unless extended or withdrawn)	7:00pm (Sydney, Australia time) [•]

Other key contacts

Shareholder Information Line

1300 356 497 (for callers in Australia)

+61 3 9415 4067 (for international callers)

This information line is being run by Blackwood.

Contents

Part 1:
Introduction

Letter from the Chairman of Cockatoo

Dear Blackwood Shareholders,

On behalf of the directors of Cockatoo Coal Limited ("**Cockatoo**"), I am pleased to present you with an offer ("**Offer**") to acquire all of your shares in Blackwood Corporation Limited ("**Blackwood**").

Under the Offer, the consideration offered is 2 Cockatoo Shares for every Blackwood Share that you hold.

Based on Cockatoo's volume-weighted average share price ("**VWAP**") on ASX over the 5 days to 21 November 2013 (being the last practicable date prior to printing of this Bidder's Statement), the value of the Offer is A$0.110 per Blackwood Share. This represents an attractive premium to the trading price of Blackwood Shares on ASX prior to the Offer being announced, being a:

- 47% premium to the closing price of Blackwood Shares on 16 October 2013 (being the last day of trading prior to the announcement of the Offer);
- 33% premium to the 1 month VWAP of Blackwood Shares up to and including 16 October 2013; and
- 54% premium to the 3 month VWAP of Blackwood Shares up to and including 16 October 2013.

This is an exciting and transformational period for Cockatoo and its shareholders. On 17 October 2013, in conjunction with the announcement of the proposed Offer, Cockatoo announced an equity and debt financing solution to repay its A$95 million KEB Australia Ltd ("**KEBA**") loan facility and provide funding for the expansion of the Baralaba mine complex ("**the Baralaba Expansion**"). The proposed financing solution comprises the following ("**Cockatoo Recapitalisation**"):

- a A$153 million equity raising, comprising three inter-conditional placements to Noble Group Limited ("**Noble**"), SK Networks, Co., Ltd ("**SKN**") and institutional investors ("**Cockatoo Equity Raising**");
- a share purchase plan to eligible Cockatoo Shareholders to subscribe for up to A$15,000 worth of new Cockatoo Shares each (capped at A$35 million) ("**Cockatoo SPP**"); and

"This is an exciting and transformational period for Cockatoo and its shareholders."

- a A$255 million senior secured project finance package for the Baralaba Expansion fully underwritten by ANZ ("**Cockatoo Project Finance Facilities**").

In addition to representing an attractive premium for your Blackwood Shares, the Offer, which is conditional on, among other things, the Cockatoo Equity Raising being approved by Cockatoo Shareholders at an Extraordinary General Meeting to be held on 12 December 2013, provides you with the opportunity to share in the benefits of a combined Cockatoo and Blackwood business ("**Merged Group**"). These benefits include:

- becoming part of a company which generates cashflows from a producing Ultra Low Volatile Pulverised Coal Injection ("**ULV PCI**")[1] mine (Baralaba);
- sharing in an attractive near term, low capital, low cost brownfield ULV PCI expansion (the Baralaba Expansion) with port and rail infrastructure in place;
- a complementary portfolio of coal exploration assets throughout Queensland to support the Merged Group's long-term growth plans;
- the synergies expected to be achieved by the Merged Group from the combination of its Bowen and Surat Basin assets; and
- a strong balance sheet with no drawn debt and material cash reserves to fund development.

[1] PCI is used as a substitute to coke in blast furnaces in the steel making process, thus reducing the requirement for more costly coking coals. ULV PCI is a premium grade product with high fixed carbon, giving a high coke replacement ratio.

Letter from the Chairman of Cockatoo (CONT.)

The Blackwood Directors unanimously recommend that you accept the Offer for all of your Blackwood Shares, in the absence of a superior proposal and subject to the independent expert appointed by Blackwood continuing to conclude that the Offer is fair and reasonable to Blackwood Shareholders and completion of the Cockatoo Equity Raising. In addition, Blackwood's largest shareholder, Noble, holding 51.2% of Blackwood Shares, has indicated its current intention is to accept the Offer, subject to the independent expert appointed by Blackwood continuing to conclude that the Offer is fair and reasonable to Blackwood Shareholders, completion of the Cockatoo Equity Raising and in the absence of a superior proposal.

How to accept the Offer

The Offer will close after 7.00pm (Sydney, Australia time) on [•] (unless extended). To accept the Offer, simply follow the instructions outlined in Sections 1 and 14.3 of the Bidder's Statement.

This Bidder's Statement sets out details of the Offer, its terms, conditions, benefits and risks. If you have any questions about the Offer, you should call the Shareholder Information Line (which has been established by Blackwood) on 1300 356 497 (toll free) from within Australia or +61 3 9415 4067 (not toll free) from outside Australia. Alternatively, you may contact your legal, financial or other professional adviser. You should seek independent legal, financial and taxation advice before deciding whether or not to accept the Offer.

On behalf of Cockatoo, I look forward to your acceptance of the Offer and to welcoming you as a Cockatoo Shareholder.

Yours sincerely,

Mark Lochtenberg
Chairman
Cockatoo Coal Limited

Letter from the Chairman of Blackwood

Dear Shareholders,

On 17 October 2013, Cockatoo Coal Limited ("**Cockatoo**") announced its intention to make a takeover offer for all of the shares in Blackwood Corporation Limited ("**Blackwood**") ("**Cockatoo Offer**").

Under the Cockatoo Offer, Blackwood Shareholders are being offered 2 Cockatoo Shares for every 1 Blackwood Share held.

The Directors of Blackwood unanimously recommend that you ACCEPT the Cockatoo Offer, in the absence of a superior proposal and subject to an independent expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood shareholders and Cockatoo's announced capital raising ("**Cockatoo Equity Raising**") completing.

Accompanying this Target's Statement is the Bidder's Statement from Cockatoo, which sets out the detailed terms of the Cockatoo Offer. A copy of the Bidder's Statement is also available from the website of ASX at www.asx.com.au.

This Target's Statement sets out your Directors' formal response to the Cockatoo Offer, including the reasons why we unanimously recommend that you accept the Cockatoo Offer.

In summary, the Directors unanimously recommend that you accept the Cockatoo Offer, in the absence of a superior proposal and subject to an independent expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood shareholders and the Cockatoo Equity Raising completing, because:

- the Blackwood board has considered a range of potential transactions and the Cockatoo Offer is the most value enhancing alternative available at the current time;
- the Cockatoo Offer represents an attractive premium to current and recent historical prices of Blackwood Shares;
- the Cockatoo Offer allows Blackwood Shareholders to become part of a leading mid-tier ASX listed metallurgical coal producer with the potential to expand to 3.5 million tonnes per annum ("**Mtpa**");
- the Merged Group would have significant development opportunities from a portfolio of more than 100 EPCs, prospective for coking, PCI and thermal coal deposits and including 15 mining leases either approved or in application;
- simultaneous financing transactions announced by Cockatoo mean that Cockatoo's Baralaba Expansion is expected to have a funded capital investment program for the foreseeable development;
- the Blackwood Board believes the merger will provide substantial capital markets benefits for Blackwood Shareholders including increased scale, relevance and liquidity; and
- the Independent Expert, appointed by Blackwood, has determined that the Cockatoo Offer is fair and reasonable for Blackwood shareholders.

*"The Directors of Blackwood unanimously recommend that you **ACCEPT** the Cockatoo Offer."*

Each of these reasons are explained in greater detail in Section 1 of the Target's Statement.

You should note that each of the Directors intends to accept the Cockatoo Offer in respect of all of the Blackwood Shares they own or control, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders and the Cockatoo Equity Raising completing. In addition, Blackwood's largest shareholder, Noble Group Limited ("**Noble**"), holding 51.2% of Blackwood Shares, has indicated that they intend to accept the

Offer, subject to the Independent Expert appointed by Blackwood continuing to conclude that the Offer is fair and reasonable to Blackwood shareholders and subject to completion of the Noble Placement.

If Cockatoo varies the Cockatoo Offer to improve the consideration it is offering for your Blackwood Shares, you will be entitled to receive the improved consideration even if you have already accepted the Cockatoo Offer (but subject always to the defeating conditions attached to the Cockatoo Offer not being triggered).

If you do not accept the Cockatoo Offer, and Cockatoo gains control of Blackwood but is not entitled to proceed to compulsory acquisition of the outstanding Blackwood securities, you will be a minority shareholder in Blackwood. Issues associated with being a minority shareholder include those discussed in Sections 1.8, 6.2 and 6.3.

The Cockatoo Offer is scheduled to close at 7.00pm (Sydney, Australia time) on [•]. To accept the Cockatoo Offer, simply follow the instructions outlined in the Bidder's Statement and the accompanying Acceptance Form. No action is required if you decide not to accept the Cockatoo Offer.

I encourage you to read this document carefully and if you need any more information, I recommend that you seek professional advice or call the shareholder information line on 1300 356 497 (for calls made from within Australia) or +61 3 9415 4067 (for calls made from outside Australia). We will also post updates on our website at www.bwdcorp.com.au

Yours sincerely,

Barry Bolitho

Chairman

Blackwood Corporation Limited

Part 2:
Bidder's Statement

Contents

1. How to accept

Set out below is a summary of how to accept the Offer, the process for which is more fully set out in Section 14.3.

You may only accept this Offer for all of your Blackwood Shares. Acceptances must be received before the end of the Offer Period.

CHESS Holdings	If your Blackwood Shares are in a CHESS Holding (such holdings will be evidenced by an “X” appearing next to your holder number on the Acceptance Form), either: ▪ complete and sign the enclosed Acceptance Form in accordance with the instructions on the form and send it in the supplied envelope to the address specified on the form; or ▪ call and instruct your Controlling Participant (normally your broker) to initiate acceptance of the Offer, so that your acceptance can be processed before the Offer closes.
Issuer Sponsored Holdings	If your Blackwood Shares are in an Issuer Sponsored Holding (such holdings will be evidenced by an “I” appearing next to your holder number on the Acceptance Form): ▪ complete and sign the enclosed Acceptance Form in accordance with the instructions on the form; and ▪ send it with all other documents required by the instructions on the Acceptance Form in the supplied envelope to the address specified on the form, so it is received before the Offer closes.
Participants	If you are a Participant, initiate acceptance of the Offer in accordance with the ASX Settlement Operating Rules before the Offer closes.

Key Dates and Contacts

Announcement Date	17 October 2013
Date of Bidder's Statement	25 November 2013
Date of Target's Statement	25 November 2013
Date Cockatoo Offer made (beginning of Offer Period)	[•]
Close of Cockatoo Offer (unless extended or withdrawn)	after 7.00pm on [•] (Sydney, Australia time)

2. Why you should accept the Offer

Cockatoo's Directors wish to highlight the following reasons to accept the Offer:

- the Offer represents an attractive premium for your Blackwood Shares;
- Cockatoo generates cashflows from its producing ULV PCI Baralaba Mine;
- Cockatoo provides exposure to an attractive near term, low capital, low cost brownfield ULV PCI expansion;
- the Merged Group will have a complementary asset portfolio with a substantial development pipeline;
- the Merged Group has the potential to realise significant synergies;
- the Merged Group will have a strong balance sheet with no drawn debt and material cash reserves to fund development;
- the Offer is unanimously recommended by your Blackwood Directors, who all intend to accept the Offer in respect of all of the Blackwood Shares they own or control[2]; and
- Blackwood's largest shareholder, Noble, intends to accept the Offer[3].

The Offer is subject to Conditions

The Offer is subject to a number of Conditions which are summarised in Section 3 and set out in full in Section 14.7.1. There is a risk that some of these Conditions may not be satisfied or waived and that, as a result, the Offer will not become unconditional. In this event, Blackwood Shareholders who accept the Offer will not receive the Offer Consideration for their Blackwood Shares and will retain their Blackwood Shares.

Risk Factors

In deciding whether to accept the Offer, you should consider the risk factors which are summarised in Section 3 and set out in full in Section 11.

2.1. The Offer represents an attractive premium for your Blackwood Shares

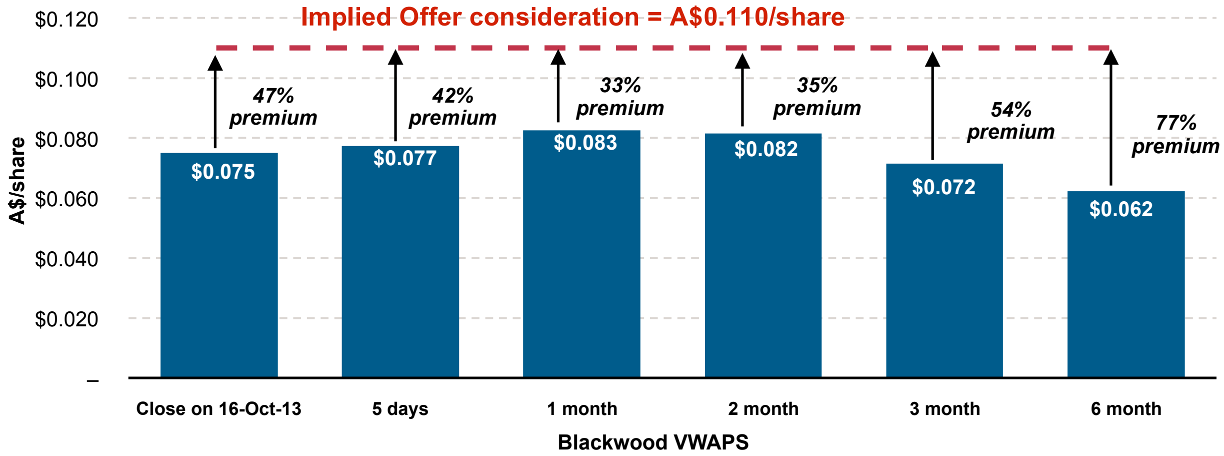
The Offer Consideration comprises 2 Cockatoo Shares for each Blackwood Share.

Based on Cockatoo's 5 day VWAP as at 21 November 2013 (the last practicable date prior to printing of this Bidder's Statement), the value of the Offer Consideration is A$0.110[4] per Blackwood Share. This represents a significant premium to key value benchmarks prior to the Offer being announced on 17 October 2013, as illustrated in the chart below.

[2] In the absence of a superior proposal and subject to the completion of the Cockatoo Equity Raising and the independent expert appointed by Blackwood continuing to conclude that the Offer is fair and reasonable to the Blackwood Shareholders.
[3] In the absence of a superior proposal and subject to the completion of the Cockatoo Equity Raising and the independent expert appointed by Blackwood continuing to conclude that the Offer is fair and reasonable to the Blackwood Shareholders.
[4] The actual value of the Offer Consideration will vary depending on the price of Cockatoo Shares during the Offer Period.

2. Why you should accept the Offer (CONT.)

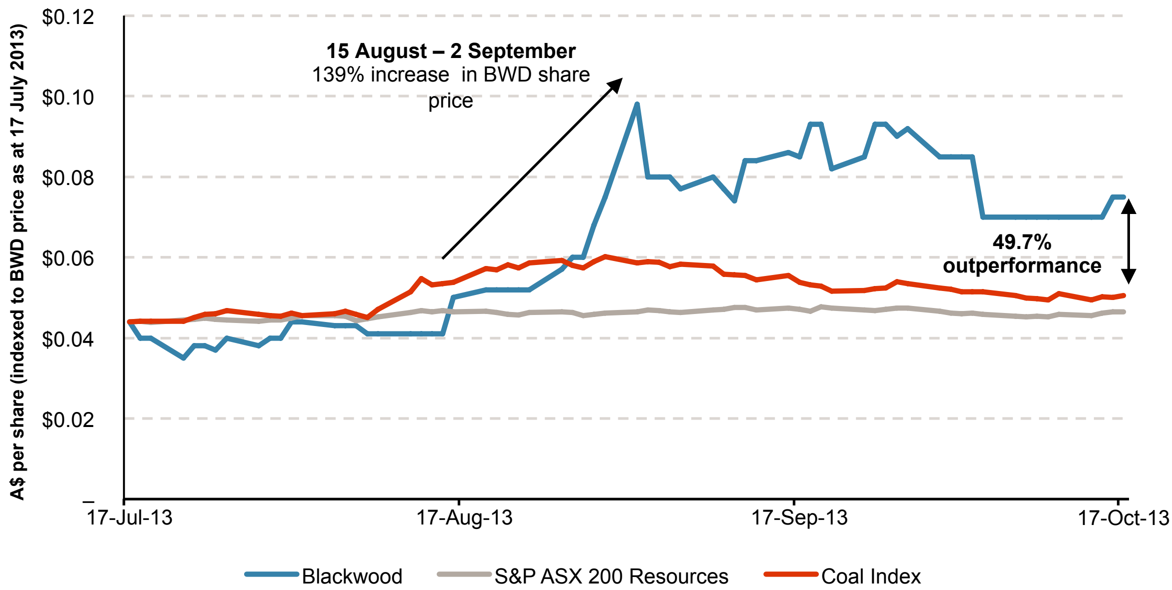
Implied Offer premiums[5]



Source: IRESS.

The premium being offered by Cockatoo is also based off a Blackwood share price which materially outperformed the S&P ASX 200 Resources Index and the ASX listed coal company index in the three months prior to the Offer being announced, as highlighted in the chart below.

Relative Blackwood share price performance (last three months)



Source: IRESS.

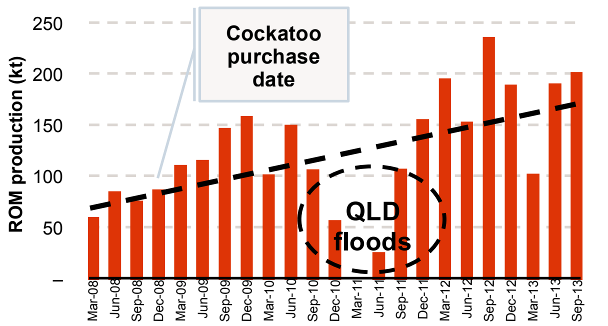
Note: Coal Index includes: Bandanna Energy (BND), Carabella Resources (CLR), Cockatoo Coal (COK), Malabar Coal (MBC), New Hope Corporation (NHC), NuCoal Resources (NCR), Stanmore Coal (SMR) and Whitehaven Coal (WHC). Yancoal Australia (YAL) was excluded given it was subject to a takeover offer during the observation period.

[5] Each VWAP of Blackwood Shares is for the period specified, up to, and including, 16 October 2013 (being the last trading day prior to the Offer being announced).

2.2. Cockatoo generates cashflows from its producing ULV PCI Baralaba Mine

In addition to maintaining the potential upside exposure to Blackwood's assets, through ownership in the Merged Group, the Offer provides Blackwood Shareholders with the opportunity to become part of a company with existing cashflows to assist in funding the development of the broader business.

Historical production from the Baralaba Mine



Source: Peabody Energy and Cockatoo company announcements.

Cockatoo owns and operates the high quality ULV PCI Baralaba Mine, located in the Bowen Basin, which is expected to generate material cashflows that will assist in funding the development and exploration plans of the Merged Group. Cockatoo has successfully doubled production and significantly reduced operating costs at the Baralaba Mine since Cockatoo acquired the mine from Peabody in December 2008.

In the year ended 30 June 2013, the Baralaba Mine produced 707,381 tonnes, which followed a record in calendar year 2012 in which 762,848 tonnes were produced. In the 2013 calendar year to date, Baralaba has operated at an average cash cost of less than A$103 per tonne (excluding royalties), despite adverse weather conditions in the March quarter. A planned shift from contractor to owner-operator mining in late 2013 is expected to further reduce operating costs. The Baralaba Mine has approximately 283,000 tonnes[6] of coal stockpiles to supplement production.

2.3. Cockatoo provides exposure to an attractive near term, low capital, low cost brownfield ULV PCI expansion

The Offer provides Blackwood Shareholders with exposure to the near-term, low capital, low cost brownfield expansion at Baralaba that will underpin the future of Cockatoo. The Baralaba Expansion is expected to increase production from the Baralaba Complex from approximately 750 thousand tonnes per annum (“**ktpa**”) to 3.5 million tonnes per annum (“**Mtpa**”) of ULV PCI coal. Cockatoo plans to commence construction in the fourth quarter of 2013, produce first coal by mid 2014 and be operating at its steady state production rate of 3.5Mtpa by late 2016, in line with the WICET Stage 1 timetable.

Cockatoo’s focus over the last couple of years has been developing and optimising a detailed Bankable Feasibility Study for the Baralaba Expansion. Cockatoo completed a Supplementary BFS in April 2013, which focused on a “North only” strategy and estimated development capex to be A$311 million (excluding contingency, 2013 dollars) and life of mine operating costs to be approximately A$96 per FOBt (excluding royalties). Cockatoo has continued to make improvements at the Baralaba Expansion since the Supplementary BFS was released, and to date has managed to reduce the initial development capital expenditure requirement by approximately A$25 million.

[6] As at 31 October 2013.

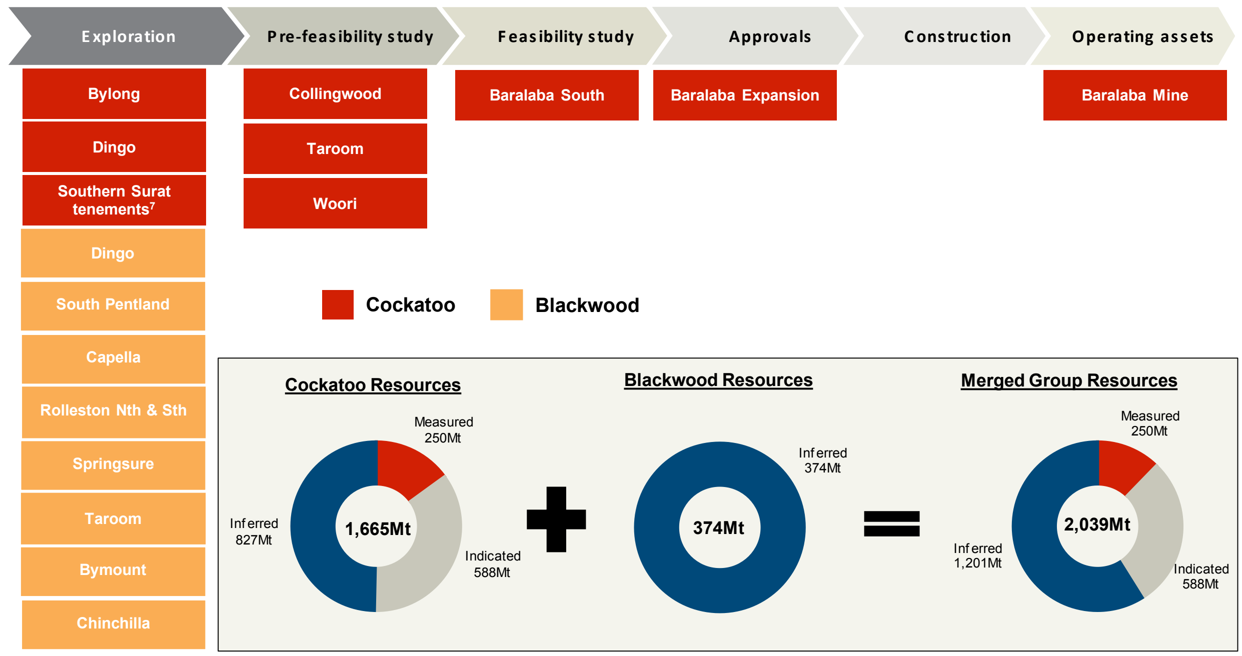
2.4. The Merged Group will have a complementary asset portfolio with a substantial development pipeline

The Offer provides Blackwood Shareholders with the benefit of participating in an enlarged coal producer, developer and explorer that is well positioned to deliver on its growth plans.

The Merged Group will own and operate a complementary and well balanced portfolio of assets comprising:

- a producing ULV PCI mine at Baralaba;
- a near term, low capital, low cost brownfield ULV PCI expansion project (Baralaba Expansion); and
- an extensive exploration portfolio across Queensland, including Blackwood's existing assets, providing the Merged Group with an enlarged longer term growth pipeline expected to focus on metallurgical coal and complementary tenement holdings in the Bowen and Surat Basins.

Merged Group development portfolio and Resource base immediately after the Offer



The diversified portfolio, which will include a mix of producing, development and exploration assets, positions the Merged Group to deliver substantial future growth to the Merged Group's shareholders. Cashflows from the Baralaba Mine and Baralaba Expansion will assist with the development of the mid to long term growth prospects within the Merged Group's expanded exploration portfolio.

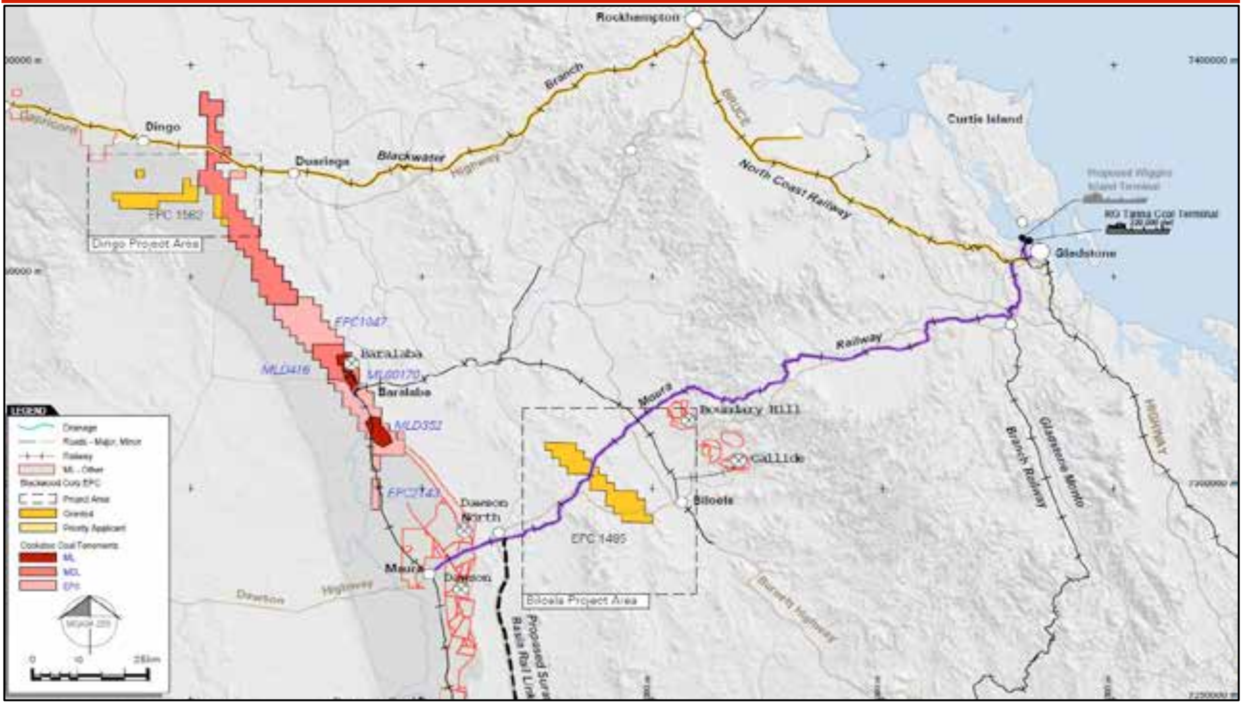
2.5. The Merged Group has the potential to realise significant synergies

The Merged Group has the potential to realise significant operational and blending synergies over the medium to long term from a number of key tenement holdings in the Bowen and Surat Basins. In particular, the proximity of Blackwood's Dingo project to Cockatoo's Baralaba Complex (including the Dingo and Lochinvar tenements), as well as the proximity of Blackwood's Taroom project to Cockatoo's Collingwood and Taroom projects, presents the Merged Group with numerous opportunities in the future to:

- reduce capital expenditure requirements and operating costs;
- extend mine lives and increase production rates; and
- optimise yields, product quality and earnings margins through coal blending.

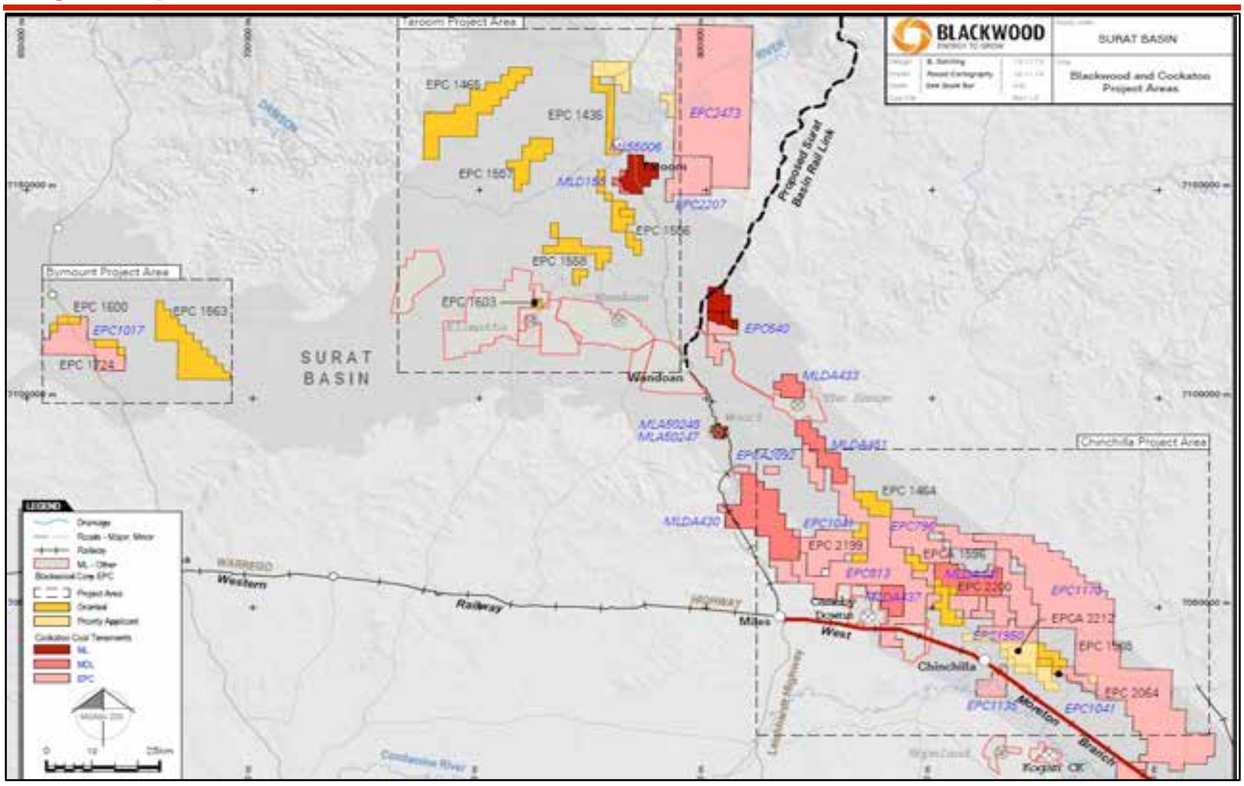
[7] Includes Tin Hut Creek, Bottle Tree, Krugers, Davies Creek, Bushranger and Kingaroy.

Merged Group Baralaba Complex tenements



Source: Blackwood.

Merged Group Surat Basin tenements



Source: Blackwood.

The Merged Group is also expected to realise synergies from improved access to funding, enhanced liquidity, the consolidation of duplicate roles and merging the three existing offices into one Brisbane office.

2.6. The Merged Group will have a strong balance sheet with no drawn debt and material cash reserves to fund development

The Offer provides Blackwood Shareholders with the opportunity to become part of the Merged Group which will have a strong balance sheet, following the completion of the Cockatoo Recapitalisation, and expected cashflows from the Baralaba Mine and Baralaba Expansion to assist in funding the development of the longer term exploration portfolio.

This is an attractive alternative to the development of Blackwood's exploration portfolio on a standalone basis given Blackwood has a cash position of A$10 million, short-term debt of A$7.7 million and no near-term operational assets. Accordingly, the Offer will avoid a potential dilutionary equity raising in the short-term.

2.7. The Offer is unanimously recommended by your Blackwood Directors, who all intend to accept the Offer

The Blackwood Directors have unanimously recommended that Blackwood Shareholders accept the Offer in the absence of a superior proposal and subject to the independent expert, appointed by Blackwood, continuing to conclude that the Offer is fair and reasonable to Blackwood Shareholders and the completion of the Cockatoo Equity Raising.

Blackwood has indicated that each Blackwood Director who holds or controls Blackwood Shares intends to accept the Offer in respect of their own beneficial holdings of Blackwood Shares, in the absence of a superior proposal and subject to the independent expert, appointed by Blackwood, continuing to conclude that the Offer is fair and reasonable to Blackwood shareholders and the completion of the Cockatoo Equity Raising.

2.8. Blackwood's largest shareholder, Noble, intends to accept the Offer

Blackwood's largest shareholder, Noble, holding 51.2% of Blackwood Shares, has indicated its current intention is to accept the Offer in the absence of a superior proposal and subject to the independent expert, appointed by Blackwood, continuing to conclude that the Offer is fair and reasonable to Blackwood Shareholders and completion of the Cockatoo Equity Raising.

Noble's acceptance will come cloe to satisfying the minimum acceptance condition of 52.1%.

3. Investment overview

The information set out in this Section is intended to provide you with an overview of Cockatoo, the Offer and the risks that you should consider.

The information set out in this Section is not intended to be comprehensive and should be read in conjunction with the detailed information contained in the other sections of this Bidder's Statement.

The full terms and conditions of the Offer are contained in Section 14.

Part 3 below provides a summary of the key risk factors which you should consider in deciding whether to accept the Offer. This list is not exhaustive and is not a substitute for careful consideration of Section 11 which describes both these risk factors, and other risk factors in detail.

Part 1: Summary of the Offer	
What is the Offer?	This Bidder's Statement relates to the Offer by Cockatoo to acquire all of your Blackwood Shares. The Offer relates to all Blackwood Shares on issue on the Record Date and, subject to ASIC granting relief (or ASIC confirming that no such relief is required), to all Blackwood Shares issued before the end of the Offer Period as a result of the vesting of Blackwood Performance Rights that are on issue as at the Record Date. The full terms and conditions of the Offer are contained in Section 14.
Why have I received this document?	You have received this Bidder's Statement because you are a Blackwood Shareholder. It contains important information prepared by Cockatoo to help you determine whether or not to accept the Offer. You should read this Bidder's Statement in full and seek independent advice if you have any queries in respect of the Offer. This Bidder's Statement includes details of the Offer, the full terms and conditions of which are contained in Section 14.
Who is making the Offer?	Cockatoo Coal Limited (ABN 13 112 682 158) is offering to acquire all of your Blackwood Shares. Cockatoo is an ASX listed (code: COK) coal producer, developer and explorer with metallurgical and thermal coal projects in the Bowen and Surat basins in Queensland. For more information on Cockatoo see part 2 below and Section 4.
What will I receive if I accept the Offer?	If you accept the Offer, and the Offer becomes unconditional, you will receive 2 Cockatoo Shares for each Blackwood Share you hold, subject to the terms and conditions of the Offer. If you are a Foreign Shareholder and accept the Offer, you will not receive any Cockatoo Shares. Instead, the Cockatoo Shares that you would have received will be sold. The amount of cash that you will be paid will depend on the price received for Cockatoo Shares when they are sold (less selling expenses). See Section 13.7 for further details of how you will be treated as a Foreign Shareholder.
What is the current value of the Offer?	The implied value of the Offer is A$0.110 per Blackwood Share (based on the 5 day VWAP of Cockatoo Shares on ASX of A$0.055 as at 21 November 2013, being the last practicable date prior to printing this Bidder's Statement).
What do the Blackwood Directors recommend?	The Blackwood Directors have unanimously: ■ recommended that Blackwood Shareholders accept the Offer, in the absence of a superior proposal and subject to the independent expert appointed by Blackwood continuing to conclude that the Offer is fair and reasonable and the completion of the Cockatoo Equity Raising; and ■ indicated they intend to accept the Offer for all of the Blackwood Shares they hold or control, in the absence of a superior proposal and subject to the independent expert appointed by Blackwood continuing to conclude that the Offer is fair and reasonable and the completion of the Cockatoo Equity Raising.

When does the Offer open and close?	The Offer opens on [•] and is scheduled to close after 7.00pm (Sydney, Australia time) on [•], but may be extended in accordance with the Corporations Act.
Can the Offer Period be extended?	Yes. While the Offer is subject to the Conditions, Cockatoo may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in Section 14.7.6). However, if all of the Conditions are fulfilled or waived, Cockatoo may extend the Offer Period at any time before the end of the Offer Period. In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, Cockatoo improves the Offer Consideration, or Cockatoo's Voting Power in Blackwood increases to more than 50% (which, for example, would occur if Noble accepted the Offer for its entire 51.2% shareholding). If either of these events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs. Under the terms of the Bid Implementation Agreement, Blackwood's prior written consent is required for Cockatoo to extend the Offer Period beyond a period of 3 months after the date Offers first become open for acceptance.
How do I accept the Offer?	See the summary in Section 1 and the full terms in Section 14.3, as well as the instructions on the accompanying Acceptance Form.
If I accept the Offer, when will I be issued with Cockatoo Shares?	If you validly accept the Offer and the Offer becomes unconditional then you will be provided with the Offer Consideration on or before the earlier of: ■ 1 month after the date of your acceptance, or if at the time of your acceptance the Offer is subject to a Condition, 1 month after the Offer becomes, or is declared unconditional; and ■ 21 days after the end of the Offer Period. Foreign Shareholders will be provided with the cash proceeds from the sale of their Cockatoo Shares to which they are entitled under the Offer at a different time. See Section 14.2.4 for further information as to when Cockatoo Shares will be issued under the Offer.
Will my new Cockatoo Shares be listed on ASX?	Cockatoo will apply to ASX for Official Quotation of all Cockatoo Shares issued under the Offer. Official Quotation of these Cockatoo Shares will depend on ASX exercising its discretion. However, as Cockatoo is already admitted to the official list of ASX and Cockatoo Shares are already quoted, Cockatoo is of the view that quotation of Cockatoo Shares issued under the Offer will be granted.
Will my new Cockatoo Shares have the same rights and liabilities as all other Cockatoo Shares	Yes. Cockatoo Shares issued under the Offer will rank equally with existing Cockatoo Shares.
Can I withdraw my acceptance of the Offer?	You can only withdraw your acceptance in limited circumstance permitted under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, Cockatoo varies the Offer in a way that postpones, for more than 1 month, the time when Cockatoo has to meet its obligations under the Offer (for example, if Cockatoo extends the Offer for more than 1 month while the Offer remains conditional).
Can I accept the Offer for part of my holding of Blackwood Shares?	No. You cannot accept the Offer for part of your holding of Blackwood Shares. You may only accept the Offer for all of the Blackwood Shares held by you.
Do I pay brokerage or stamp duty if I accept the Offer?	If you accept the Offer, you should not pay Australian stamp duty on the sale of your Blackwood Shares to Cockatoo under the Offer nor on the issue of Cockatoo Shares to you as the Offer Consideration. You will not pay brokerage if you accept the Offer and your Blackwood Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Cockatoo. If your Blackwood Shares are registered in a CHESS Holding, you should ask your Controlling Participant (usually your broker) whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.

What are the tax implications of accepting the Offer?	You should consult your financial, tax or other adviser on the tax implications for you of accepting the Offer. Section 12 contains a general summary of the major likely Australian tax consequences for Blackwood Shareholders who accept the Offer.
What are the conditions of the Offer?	The Offer is subject to: ■ completion of the Noble Placement component of the Cockatoo Equity Raising; ■ a minimum acceptance condition of 52.1%; ■ there being no material adverse change in relation to Blackwood; ■ no material acquisitions or disposals by Blackwood; ■ no unbudgeted capital expenditure by Blackwood in excess of A$1 million; ■ no prescribed occurrences occurring in relation to Blackwood; ■ no regulatory actions in consequence of or in connection with the Offer; and ■ ASX granting Official Quotation for the Cockatoo Shares issued under the Offer (this is a statutory condition which cannot be waived). The above is only a summary of the Conditions. Full details of the Conditions are set out in Section 14.7.1.
What happens if the conditions of the Offer are not satisfied?	If the Offer closes with Conditions remaining unsatisfied or not waived, the Offer will lapse and acceptances will be void. This means that the Offer will not proceed and you will continue to hold your Blackwood Shares, regardless of whether or not you have accepted the Offer.
What happens if I do not accept the Offer?	You will remain a Blackwood Shareholder and will not receive the Offer Consideration. However, you should note that if Cockatoo becomes entitled to compulsorily acquire your Blackwood Shares, it intends to do so. If your Blackwood Shares are compulsorily acquired by Cockatoo, the acquisition will be on the same terms as the Offer (including the same consideration for each Blackwood Share acquired). However, you will receive the Offer Consideration later than the Blackwood Shareholders who choose to accept the Offer. If the Offer becomes unconditional but Cockatoo does not become entitled to compulsorily acquire your Blackwood Shares: ■ you will be exposed to the risks associated with being a minority Blackwood Shareholder for as long as you continue to hold Blackwood Shares; and ■ if the Offer lapses and there are no other offers for Blackwood, Blackwood will remain a listed company and Blackwood Shares will remain quoted on ASX.
Can I sell my Blackwood Shares on market?	Yes, but you will pay brokerage fees and, if applicable, goods and sales tax ("**GST**") on that brokerage.
Can I be forced to sell my Blackwood Shares?	Yes. If you do not accept the Offer, Cockatoo may become entitled to compulsorily acquire your Blackwood Shares in certain circumstances, including where: ■ Cockatoo (and its associates) acquire a relevant interest in 90% or more of all Blackwood Shares and as a result, Cockatoo becomes entitled to proceed to compulsory acquisition of outstanding Blackwood Shares in accordance with Part 6A.1 of the Corporations Act; or ■ Cockatoo otherwise becomes entitled to exercise general compulsory acquisition rights under part 6A.2 of the Corporations Act.
What if I am an overseas Blackwood Shareholder?	If you are a Foreign Shareholder and you accept the Offer, the Cockatoo Shares which would otherwise have been issued to you will instead be issued to a nominee (an application has been made to ASIC for approval of the appointment) who will sell these Cockatoo Shares on ASX (or another relevant financial market) and pay to you the net proceeds (by cheque, in Australian dollars) received, after deducting any applicable brokerage, taxes and charges in accordance with the Offer (calculated on an averaged basis so that all Foreign Shareholders receive the same price per Cockatoo Share, subject to rounding). Otherwise, persons outside Australia who come into possession of this Bidder's Statement should inform themselves of, and observe, any restrictions that apply to them. Further information relating to some of the restrictions that may apply is contained in of Section 13.7.

What if I require further information?	If you have any questions in relation to the Offer or how to accept it, or if you have lost your Acceptance Form and require a replacement, please call the Shareholder Information Line (which has been established by Blackwood) on 1300 356 497 (within Australia) or +61 3 9415 4067 (from outside Australia).
Part 2: Overview of Cockatoo	
Who is Cockatoo?	Cockatoo is an ASX listed (code: COK) coal producer, developer and explorer with metallurgical and thermal coal projects in the Bowen and Surat basins in Queensland. Cockatoo holds an attractive portfolio comprising one producing ULV PCI asset (Baralaba), one near term, low capital, low cost brownfield ULV PCI expansion asset (the Baralaba Expansion) and a substantial suite of development and exploration assets. Cockatoo currently has attributable JORC Resources of approximately 1.7 billion tonnes ("**bt**") and recoverable Reserves of 266 million tonnes ("**Mt**"). Cockatoo's key focus is on successfully expanding production from the Baralaba Complex from approximately 750ktpa to 3.5Mtpa over the next few years and identifying key assets in the broader portfolio which are most likely to provide significant future option value.
Who are the directors of Cockatoo?	As at the date of this Bidder's Statement, the following are directors of Cockatoo: ■ Mark Lochtenberg (Executive Chairman); ■ Andrew Lawson (Managing Director); ■ Peter Nightingale (Executive Director and Chief Financial Officer); ■ Hyunsoo (Hans) Kim (Non-Executive Director); ■ Kenneth (Scott) Thompson (Non-Executive Director); ■ Paul Chappell (Independent, Non-Executive Director); ■ Lindsay Flint (Independent, Non-Executive Director); ■ Robert Yeates (Independent, Non-Executive Director); and ■ John (Gillis) Broinowski (Independent, Non-Executive Director); It is important to note that following completion of the Cockatoo Equity Raising, Cockatoo intends to restructure its Board. The new Board will comprise seven individuals: ■ an independent Chairman to be appointed; ■ Managing Director, Andrew Lawson; ■ three non-executive directors separately nominated by each of SKN, Noble and Harum; and ■ two independent non-executive directors to be appointed. The identity of the new independent Chairman, three non-executive directors and two independent non-executive directors to be appointed is expected to be confirmed by Cockatoo by [•]. Cockatoo will announce the details of the persons to be appointed through the Company's ASX announcements and on Cockatoo's website at www.cockatoocoal.com.au. For further information on the proposed Cockatoo Board restructure, please see Section 10.5.

What is the Cockatoo Recapitalisation?	The Cockatoo Recapitalisation, which was announced to ASX at the same time as the Offer on 17 October 2013, is an equity and debt financing solution whereby Cockatoo will raise funds under the following: ■ **Cockatoo Equity Raising:** a A$153 million equity raising, comprising three inter-conditional placements to SKN, Noble and institutional investors; ■ **Cockatoo SPP:** a share purchase plan to eligible Cockatoo Shareholders to subscribe for up to A$15,000 worth of new Cockatoo Shares each (capped at A$35 million); and ■ **Cockatoo Project Finance Facilities:** a A$255 million senior secured project finance package for the Baralaba Expansion fully underwritten by ANZ. See Schedule B of this Bidder's Statement for summaries of the relevant agreements Cockatoo has entered into which give effect to the Cockatoo Recapitalisation.
What is the Cockatoo Equity Raising?	The Cockatoo Equity Raising is a A$153 million equity raising, comprising three inter-conditional placements: ■ to SKN of 1,000.0 million Cockatoo Shares at A$0.050 per share to raise A$50 million; ■ to Noble of 866.0 million Cockatoo Shares at A$0.050 per share to raise A$43 million; and ■ to institutional and sophisticated investors of 1,333.3 million Cockatoo Shares at A$0.045 per share to raise A$60 million. The placement to institutional and sophisticated investors was cornerstoned by Harum, Cockatoo's second largest shareholder, with a A$20 million commitment. The Cockatoo Equity Raising is conditional upon shareholder approval at an Extraordinary General Meeting to be held on 12 December 2013. If Cockatoo Shareholders approve the Cockatoo Equity Raising, 3,199,364,579 new Cockatoo Shares will be issued on or around 18 December 2013. The A$153 million will be used to fund: ■ repayment of the A$95 million KEBA Loan; ■ development capital expenditure requirements at the Baralaba Expansion; and ■ transaction costs. See section 1 of Schedule B of this Bidder's Statement for further information about the agreements which give effect to the Cockatoo Equity Raising.
What is the Cockatoo SPP?	Under the Cockatoo SPP, Cockatoo is proposing to issue up to 777,777,777 new Cockatoo Shares to raise up to A$35 million. Cockatoo Shares will be offered under the Cockatoo SPP at an issue price of A$0.045 per Cockatoo Share. The Cockatoo SPP opened on 1 November 2013 and will close on 20 December 2013, and is conditional on Cockatoo Shareholder approval at an Extraordinary General Meeting to be held on 12 December 2013. The proceeds raised under the Cockatoo SPP will be applied towards funding the Baralaba Expansion development capital expenditure as well as a contingency buffer.
What are the Cockatoo Project Finance Facilities?	The joint venture partners in the Baralaba Expansion, Cockatoo and JFE Shoji, through Baralaba Coal and Wonbindi Coal, executed a credit approved commitment letter with ANZ on 17 October 2013 for a fully underwritten A$255 million senior secured project finance package, comprising: ■ a A$180 million Project Finance Facility; ■ a A$20 million Cost Overrun Facility; and ■ a A$55 million Letter of Credit / Environmental Bonding Facility. The facilities have a seven year tenor and, in conjunction with the Cockatoo Equity Raising and the Cockatoo SPP, provide funding for the Baralaba Expansion. The facilities remain subject to the parties entering into definitive documentation, and drawdown is conditional upon a number of occurrences, including: ■ Cockatoo being granted regulatory approvals to increase production to 3.5Mtpa at the Baralaba Expansion;

	■ Cockatoo entering into off-take agreements for at least 75% of production from the Baralaba Expansion[8]; ■ Cockatoo having sufficient financing to fund development of the Baralaba Expansion (in conjunction with the Project Finance Facilities) to a P50 Contingency; ■ repayment of the A$95 million KEBA Loan; ■ JFE's continued commitment to proceed with the Baralaba Expansion[9]; and ■ other conditions precedent typical of a project financing of this nature. Cockatoo is confident of receiving the environmental approvals required for a 3.5Mtpa operation at Baralaba to meet the requirements of the WICET Stage 1 timetable. This confidence is based on the recent receipt of Mining Leases for 1.0Mtpa, combined with the fact that the Baralaba Expansion has been declared a 'Prescribed Project' by the Queensland Government. Further information on the Cockatoo Project Finance Facilities, including the conditions to drawdown, can be found in section 5 of Schedule B of this Bidder's Statement.
What is the Proposed Mezzanine Finance Facility?	Cockatoo may seek proposals from potential investors to provide a mezzanine finance facility prior to the drawdown of the Cockatoo Project Finance Facilities. Any such mezzanine finance will only be sought if additional funding is required to fund the Baralaba Expansion to a P50 Contingency (when taken in addition to the money raised under the Cockatoo Equity Raising and the Cockatoo SPP, and made available under the Cockatoo Project Finance Facilities). The final size of any mezzanine finance facility required to fund the Baralaba Expansion to a P50 Contingency will be determined following completion of the Cockatoo Equity Raising and Cockatoo SPP, as well as by the quantum of funds raised by Cockatoo through the sale of non-core assets in the short term. No such sale has been agreed as at the date of this Bidder's Statement. Cockatoo has already received a number of indicative term sheets and expressions of interest, including from Noble, and (if necessary) will look to run a formal process after completion of the Cockatoo Equity Raising. Cockatoo has appointed Credit Suisse and ANZ as the joint-lead arrangers with respect to any mezzanine financing process.
What are the agreements with Noble Group as part of the Cockatoo Recapitalisation?	Cockatoo has entered into the Noble Subscription Deed under which Noble and Cockatoo agree to undertake the Noble Placement. Subject to completion of the Noble Placement, Cockatoo has also granted Noble exclusive marketing rights (excluding Korea and Taiwan) for the majority of coal produced by Cockatoo or its related bodies corporate (which will include coal from the Baralaba Expansion). Noble is a market leading trader of bulk commodities, and the agreement ensures access to high quality end market users for product coal produced by Cockatoo and its related bodies corporate, including Baralaba Expansion product coal. Subject to completion of the SKN Placement, Cockatoo has granted SKN marketing rights on equivalent terms for the Korean and Taiwanese markets. Cockatoo considers that those arrangements were not entered into in order to induce Noble's acceptance of the Offer or its disposal of any of its Blackwood Shares. Summaries of the Noble Subscription Deed and the marketing rights granted by Cockatoo to Noble are set out in sections 1 and 2 of Schedule B of this Bidder's Statement.
Where can I find out more information about the agreements Cockatoo has entered into in relation to the Cockatoo Recapitalisation?	A summary of the key provisions of the various agreements Cockatoo has entered into in relation to the Cockatoo Recapitalisation is contained in Schedule B of this Bidder's Statement.

[8] Off-take agreements need to be for a minimum term of 3 years and either (a) contain no specifications or penalties with respect to phosphorus; or (b) have a maximum phosphorous specification of 0.14%.
[9] If JFE does not commit, this condition precedent can also be met if a plan satisfying ANZ can be agreed.

Part 3: Overview of key risks	
What are the key risks?	There are a number of risks factors Blackwood Shareholders should consider in deciding whether to accept the Offer. These risks include risks relating to the Offer and an investment in Cockatoo, as well as risks relating to Cockatoo and the Merged Group. The following risk factors are a summary of what Cockatoo considers to be the key risk factors relating to the Offer. However, these key risk factors are not exhaustive and are not a substitute for careful consideration of Section 11 which considers these risk factors, and other risk factors, in greater detail.
Key risks relating to the Offer	
Issue of Cockatoo Shares as consideration	Blackwood Shareholders are being offered consideration under the Offer consisting of a specified number of Cockatoo Shares. As such, the value of the consideration will fluctuate with movements in the market value of Cockatoo Shares. See Section 11.4.1 for further information.
Integration of Blackwood	There is a risk that the Merged Group's performance and prospects could be adversely affected if the integration of Blackwood is not completed efficiently and effectively. See Section 11.4.2 for further information.
Key risks relating to Cockatoo and the Merged Group	
Exploration and development	The majority of Cockatoo's projects are still at an exploration / evaluation stage. Coal exploration and mine development generally involves a high degree of risk and is subject to a range of hazards and uncertainty that may impact on ultimate project viability. In addition, there can be no assurance that Cockatoo's proposed exploration and evaluation program will successfully convert Resources into Reserves or that Reserves will be commercially exploited. See Section 11.3.1 for further information.
Mining development	In respect of its business activities, Cockatoo has made estimates of capital expenditures, operating costs and working capital requirements based on current circumstances, and its current understanding of those matters. There is a risk that actual circumstances may differ from Cockatoo's estimates and current understanding, with adverse consequences. See Section 11.3.2 for further information.
Infrastructure	Cockatoo is committed to take-or-pay obligations for both port and rail associated with the Baralaba Expansion. An inability to deliver the Baralaba Expansion on time or at the planned production rate may have material adverse effects on Cockatoo. Commercialisation of a significant portion of Cockatoo's Resources will require the development of, and Cockatoo's access to, new infrastructure including, but not limited to, the Surat Basin Railway and expansion of the Wiggins Island Coal Export Terminal. In the event that these projects proceed to development, there can be no assurance that Cockatoo will obtain sufficient volume allocations necessary to support the development of its project suite. See Section 11.3.3 for further information.
Joint venture and third party	Cockatoo does not own 100% of all projects in which it is involved. Through Cockatoo's participation in joint ventures and its use of contractors and other third parties for exploration, mining and other services, it is reliant on a number of third parties for the success of its current operations and for the development of its exploration projects. Failure to agree on a plan or any plan to develop a jointly owned asset, or a refusal or inability of any joint owner on an asset to contribute its share of funding of the cost of the development of a jointly owned asset could cause problems for Cockatoo. Further, a condition precedent to drawdown of the Cockatoo Project Finance Facilities is that JFE commits to continue to proceed with the Baralaba Expansion by 30 June 2014. In the event that JFE does not commit to continue with the project, Cockatoo will need to agree a plan satisfactory to the Lender in order to drawdown the Facilities. If an agreement cannot be reached there is a risk that Cockatoo will be

	unable to draw down on the Cockatoo Project Finance Facilities. See Section 11.3.4 for further information.
Environmental approvals	Cockatoo will require certain licenses and approvals to develop its project suite. Not all such approvals and licenses are currently in place. Cockatoo only currently has a 1.0Mtpa mining lease at the Baralaba Expansion, and still needs to receive the 3.5Mtpa mining lease approval to drawdown on the Cockatoo Project Finance Facilities and complete development of the Baralaba Expansion. Failure to obtain, or delays in obtaining, these approvals and licenses may adversely affect Cockatoo. See Section 11.3.5 for further information.
Access to future funding	Cockatoo may require additional funding to fully fund the Baralaba Expansion (as well as progress development of its broader asset portfolio). An inability to raise additional funds may delay the project, restrict the drawdown of the Cockatoo Project Finance Facilities and adversely affect Cockatoo. See Section 11.3.6 for further information.
Ability to draw on the Cockatoo Project Finance Facilities	Cockatoo has a number of conditions precedent that must be achieved before they can draw on the Cockatoo Project Finance Facilities. The material conditions include finalising finance and project documents, granting of the 3.5Mtpa mining lease at the Baralaba Expansion, securing off-take agreements for 75% of production, securing sufficient financing to fund development, repayment of the KEBA Loan and JFE committing to continue with the project. There can be no assumption that these conditions will be met. See Section 11.3.7 for further information about this risk and section 5 of Schedule B for a summary of the key terms of the Cockatoo Project Finance Facilities, including the conditions precedent to drawdown.
Ability to secure mezzanine financing	Cockatoo may require mezzanine financing to fully fund the Baralaba Expansion, and there can be no guarantee that Cockatoo will be able to secure mezzanine financing on reasonable terms. Failure to enter into a mezzanine facility on reasonable terms may have a material adverse impact on Cockatoo and its ability to fund the Baralaba Expansion. See Section 11.3.8 for further information.
Coal price and currency fluctuations	Cockatoo's Australian dollar earnings, which are derived from US dollar denominated revenues from coal sales and largely Australian dollar denominated costs, will be negatively impacted by lower coal prices and a stronger Australian dollar. See Section 11.3.10 for further information.
Environmental guarantees	Cockatoo is still in discussions with the Queensland Government about the quantum of the environmental guarantees required for the Baralaba Expansion. There can be no assurance that Cockatoo's expected environmental guarantee estimate will be correct and that Cockatoo will have sufficient facilities in place to cover the obligations. See Section 11.3.11 for further information.
Landholder and resource tenure	Cockatoo's land and resource tenure may be disputed by various parties such as community action groups resulting in disruption and/or impediment in the operation or development of a resource. Any new mine development or expansion of existing operations will require landholder, native title and cultural heritage issues to be addressed, which can have significant timing and cost implications. See Section 11.3.12 for further information.

4. Information on Cockatoo

4.1. Overview of Cockatoo

Cockatoo is an ASX listed coal producer, developer and explorer with metallurgical and thermal coal projects in the Bowen and Surat basins in Queensland. It was listed on ASX on 19 December 2005. Cockatoo's registered address is in Sydney, however Cockatoo plans to move its registered address to the existing Brisbane office once the Cockatoo Equity Raising is complete.

As at 21 November 2013 (the last practicable date prior to the printing of this Bidder's Statement), Cockatoo had a market capitalisation of approximately A$46 million.

4.2. Cockatoo Recapitalisation

On 17 October 2013, in conjunction with the announcement of the Offer, Cockatoo announced an equity and debt financing solution to repay the A$95 million KEBA Loan and provide funding for the Baralaba Expansion. The proposed financing solution comprised the following:

- **Cockatoo Equity Raising**: a A$153 million equity raising, comprising three inter-conditional placements to SKN, Noble and institutional investors;
- **Cockatoo SPP**: a share purchase plan to enable eligible Cockatoo Shareholders to subscribe for up to A$15,000 worth of new Cockatoo Shares each (capped at A$35 million); and
- **Cockatoo Project Finance Facilities**: a A$255 million senior secured project finance package for the Baralaba Expansion fully underwritten by ANZ.

Cockatoo will also consider a mezzanine financing facility, which may be sought prior to drawdown of the Cockatoo Project Finance Facilities to fund the project to a P50 contingency level.

The announcement released to ASX in relation to the Cockatoo Recapitalisation and the Offer can be found as Attachment 1 to this Bidder's Statement.

A summary of the above components of the Cockatoo Recapitalisation is contained in part 2 of Section 3, with summaries of the relevant agreements Cockatoo has entered into which give effect to the Cockatoo Recapitalisation contained in Schedule B of this Bidder's Statement.

4.3. Cockatoo Directors

Brief profiles of the Cockatoo Directors as at the date of this Bidder's Statement are included below, however it is important to note that following the completion of the Cockatoo Equity Raising, Cockatoo intends to restructure its Board to reflect the changes in the key stakeholders of Cockatoo while also maintaining a balanced set of skills. Details around Cockatoo's intended Board restructure can be found in Section 10.5.

Brief profiles of the Cockatoo Directors as at the date of this Bidder's Statement are as follows:

Mark Hamish Lochtenberg

Executive Chairman

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 25 years.

Mr Lochtenberg was the co‑head of Glencore International AG's worldwide coal division following his heading up of the coal trading desk of Glencore's Australian coal trading operations. During that time, he was actively involved in purchasing, managing and aggregating the coal project portfolio which became Xstrata Coal.

Prior to this, Mr Lochtenberg had established a coal 'swaps' market for Bain Refco (Deutsche Bank) after having served as coal marketing manager for Peko Wallsend Limited.

Mr Lochtenberg is a director of Australian Transport and Energy Corridor Limited ("**ATEC**") and an alternate director of Surat Basin Rail Pty Ltd.

Andrew Canfield Lawson

Managing Director

Mr Lawson has 14 years of experience in the coal sector as a member of Glencore International's coal division, based variously in Australia, Singapore and the USA, during which time he was actively involved in acquisitions, investment, operations and marketing.

Mr Lawson has a Masters of Science in Management from Stanford Graduate School of Business, California, USA and also has a Bachelor of Laws and a Bachelor of Economics from Sydney University.

Peter James Nightingale

Executive Director and Chief Financial Officer

Mr Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA.

As a director or Company Secretary Mr Nightingale has, for more than 25 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Bolnisi Gold NL, Callabonna Uranium Limited, Mogul Mining N.L., Pangea Resources Limited, Perseverance Corporation Limited, Timberline Minerals Inc., Valdora Minerals N.L. and Sumatra Copper & Gold plc. Mr Nightingale is currently a director of Augur Resources Ltd and Planet Gas Limited and unlisted public company Nickel Mines Limited.

John Gillis Broinowski AM

Independent, Non-Executive Director

Mr Broinowski is a Fellow of the Institute of Company Directors and formerly a director of the NSW Division of the Australian Institute of Company Directors. He is currently Managing Director of Vielun Pty Limited, Chairman of VLP Products Pty Limited and Chancellor Portfolio Services Pty Limited, Chairman of The Thalidomide Foundation, member of the Brain and Mind Research Foundation Advisory Board and a former director of the Stanford Australia Foundation. Mr Broinowski is also a former President and director of the Foundation for National Parks & Wildlife and former President and Director of the NSW Chamber of Commerce & Industry (Australian Business Limited, Chamber of Manufactures of NSW).

Mr Broinowski has had in excess of 25 year's experience in the resources industry and is a former director of Peko Wallsend Operations Limited, Newcastle Wallsend Coal Co. Limited, Robe River Limited and former executive Chairman of Simsmetal Limited.

Paul Gregory Chappell

Independent, Non-Executive Director

Mr Chappell has had many years experience in the coal industry and in trading international commodities. He has particularly focused on solid fuels and has extensive experience in Asian, Latin American and European coal markets.

Mr Chappell is a graduate of the University of Newcastle, completing a Bachelor of Commerce in 1982, is a Fellow of the Australian Society of Certified Practising Accountants and a member of the Australian Institute of Company Directors. He began his career working in a financial capacity for a coal service company in Australia but soon progressed to trading by taking up the post of Country Manager, Brazil, for three years for an international company trading raw materials.

He joined SSM Coal B.V., now Oxbow Carbon & Minerals LLC, in 1991 and spent 11 years with the company in Sydney. In 2002, he transferred to the company's head office in The Netherlands and was Director Commercial Operations Asia. He retained this role and relocated to Australia in October 2007. Since 2009 he has been the principal of Sydney based consulting firm Peragis Pty Limited where he specialises in the coal industry, international commodity marketing and international business development.

Lindsay Ross Flint

Independent, Non-Executive Director

Mr Flint is a graduate of the University of Queensland, completing a Bachelor of Engineering (Chemical) in 1967 and a PhD in 1971. He began his career in engineering research in the field of mineral processing and subsequently joined the coal industry with technical and then marketing roles.

For more than 20 years, he carried various portfolios of responsibilities in Shell's international coal business working in Australia and the UK. These provided a broad exposure to coal sourcing and transportation from Australia, South Africa, China, Canada and the Americas and to markets in Asia, Europe, the Middle East and Latin America. As General Manager Marketing, he was responsible for Shell Coal's global sales and distribution until Shell divested its coal interests to Anglo American in 2000. He continued with Anglo Coal Australia as General Manager Marketing for the following 2 years and has since maintained an active coal industry involvement as a contractor.

Hyunsoo (Hans) Kim

Non-Executive Director

Mr Kim graduated from Seoul National University with a bachelor's degree in economics in 1991 and then earned an MBA degree from Duke University.

In 1994, Mr Kim joined SK Energy Co. Ltd., the largest energy and petrochemical company in Korea. He had initially worked for the Corporate Planning Division, where he participated in the activities such as strategic planning and corporate restructuring for the entire SK Group. Mr. Kim was then assigned to the Office of the Board of Directors of SK Energy in 2004 and contributed to the significant improvement in corporate governance of the company.

Mr Kim joined Coal & Mineral Resources Division in early 2008 and is currently the Managing Director of SK Networks Resources Australia Pty Ltd., a subsidiary of SK Networks Co. Ltd. During the restructuring of the resources business within the SK Group in early 2011, SK Networks acquired SK Energy's Coal & Mineral Resources Division. Mr Kim is also currently a director of Callabonna Resources Ltd.

Kenneth Scott Andrew Thompson

Non-Executive Director

Mr Thompson is a Director of Harum Energy Australia Pty Limited and has over 20 years of coal industry experience. Prior to joining the Tanito Coal Group in 2003, he worked with various international mining organisations including Anglo American and PT Adaro Indonesia.

Mr Thompson holds a B.Eng (Hons) in Mining Engineering from Camborne School of Mines and an MBA from the University of Cape Town.

Robert Ainslie Yeates

Independent, Non-Executive Director

Mr Yeates is a graduate of the University of NSW, completing a Bachelor of Engineering (Honours 1) in 1971 and a PhD in 1977 and then an MBA in 1986 from Newcastle University. He began his career with Peko Wallsend working in a variety of roles including mining engineering, project management, general mine management and marketing.

He became General Manager Marketing for Oakbridge Pty Limited in 1989 following a merger with the Peko Wallsend coal businesses and went on to become Managing Director of Oakbridge, which was the largest coal mining company in NSW at that time, operating one open cut and five underground coal mines.

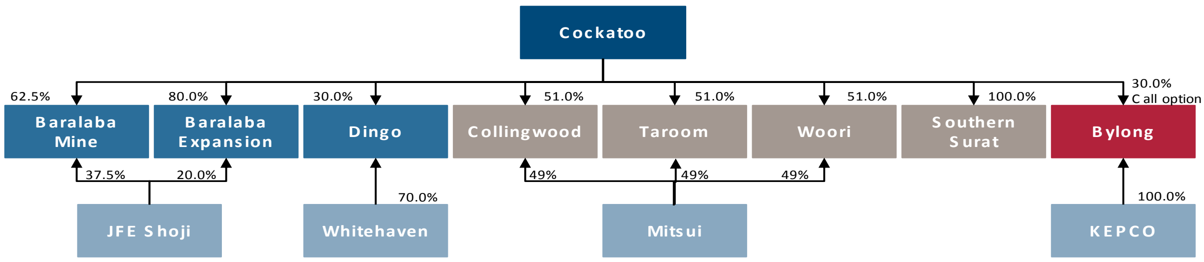
Mr Yeates has gained operating, business development and infrastructure experience as a director of Port Waratah Coal Services (Newcastle Port), Port Kembla Coal Terminal, Great Northern Mining Corporation NL and Cyprus Australia Coal and for the past 16 years has been principal of his own mine management consultancy, providing a wide range of technical, management and strategic planning services to the mining industry. He is also currently CEO of Newcastle Coal Infrastructure Group, which has developed and is operating coal export facilities in Newcastle.

4.4. Structure and ownership of Cockatoo

4.4.1. Structure

Cockatoo has a number of subsidiaries through which it conducts its operations. A simplified operating structure of Cockatoo, as at the date of this Bidder's Statement, is set out in the diagram below.

Cockatoo operating structure



4.4.2. Ownership

As at 21 November 2013 (the last practicable date prior to the printing of this Bidder's Statement), Cockatoo has a geographically diverse shareholder base, with only one substantial shareholder, being SKN with a shareholding of 6.3%. Following completion of the Cockatoo Equity Raising (excluding any Cockatoo Shares issued pursuant to the Cockatoo SPP), Cockatoo will have three substantial shareholders:

- SKN (25.8%);
- Noble (21.2%); and
- Harum (12.0%)[10].

Further details on Cockatoo's substantial shareholders as at 21 November 2013 (the last practicable date prior to the printing of this Bidder's Statement), and following completion of the Cockatoo Equity Raising, can be found in Section 5.2.

4.5. Principal activities of Cockatoo

Cockatoo holds an attractive coal portfolio throughout the Bowen and Surat Basins in Queensland comprising one producing ULV PCI mine at Baralaba, one near term, low capital, low cost brownfield ULV PCI expansion (the Baralaba Expansion) and a substantial suite of development and exploration assets. Cockatoo currently has attributable JORC Resources of approximately 1.7 billion tonnes and recoverable Reserves of 266 million tonnes.

Cockatoo's key focus is on successfully expanding production from the Baralaba Complex from 750ktpa to 3.5Mtpa over the next few years and maintaining key assets in the broader portfolio which provide significant future option value.

[10] Harum currently hold a Relevant Interest in 4.7% of Cockatoo Shares on issue.

4.5.1. Asset locations

Baralaba Mine (62.5%) / Expansion (80.0%)

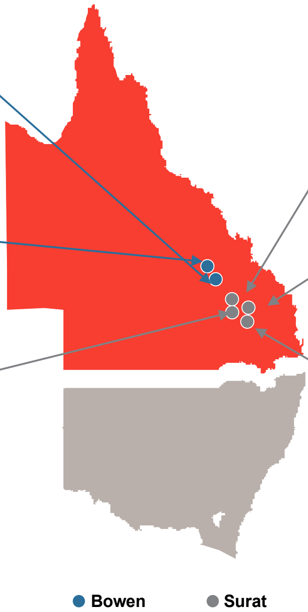
Status: Producing / Development (BFS)
Coal type: ULV PCI
Mine type: Open Cut
Reserves / Resources: 81Mt / 346Mt
Current production: ~750Ktpa
Expected production: 3.5Mtpa
JV partner: JFE Shoji

Dingo (30.0%)

Status: Exploration
Coal type: PCI / thermal
Mine type: Open Cut
JV partner: Whitehaven

Woori (51.0%)

Status: Pre-feasibility
Coal type: Export thermal
Mine type: Open Cut
Reserves / Resources: 68Mt / 84Mt
Expected production: 2.9Mtpa
JV partner: Mitsui



Taroom (51.0%)

Status: Pre-feasibility
Coal type: Export thermal
Mine type: Open Cut
Reserves / Resources: 202Mt / 433Mt
Expected production: 8.0Mtpa
JV partner: Mitsui

Collingwood (51.0%)

Status: Pre-feasibility
Coal type: Export thermal
Mine type: Open Cut
Reserves / Resources: 125Mt / 229Mt
Expected production: 4.2Mtpa
JV partner: Mitsui

Southern Surat (100.0%)[11]

Status: Exploration
Coal type: Export thermal
Mine type: Open Cut
Resources: 1,014Mt

Note: All figures on a 100% project basis; Reserves are shown on a recoverable basis.

4.5.2. Baralaba Mine

The Baralaba Mine is an open-pit ULV PCI operation, managed by Cockatoo and operated by contractors providing blasting, mining and haulage services. Coal is extracted from multiple seams in the well-known Rangal Coal Measures. All product coal is trucked to the Moura rail load-out facility and railed to the RG Tanna Terminal at the port of Gladstone for export.

Since acquiring Peabody Energy's 62.5% stake in December 2008, Cockatoo has successfully doubled production and significantly reduced operating costs. In the year ended 30 June 2013, the Baralaba Mine produced 707,381 tonnes, which followed a record in calendar year 2012 in which 762,848 tonnes were produced. In the 2013 calendar year to date, Baralaba has operated at an average cash cost of less than A$103 per tonne (excluding royalties), despite adverse weather conditions in the March quarter. A planned shift from contractor to owner-operator mining in late 2013 is expected to further reduce operating costs.

Coal sales from the Baralaba Mine are expected to cease in late 2014. Existing stockpiles of approximately 283,000 tonnes[12] and a lower average strip ratio as the mine nears the end of its life is expected to result in strong cashflows during the 2014 calendar year.

[11] Includes Bottle Tree, Bushranger, Davies Road, Kingaroy, Krugers and Tin Hut Creek.
[12] As at 31 October 2013.

4.5.3. Baralaba Expansion

Overview

The Baralaba Expansion is Cockatoo's key asset and the focus of the Cockatoo Equity Raising. Cockatoo plans to commence construction in the fourth quarter of 2013 and produce first coal in mid 2014 in order to supplement declining production from the Baralaba Mine. Cockatoo plans to reach steady state production of 3.5Mtpa by late 2016, in line with the WICET Stage 1 timetable.

On 27 September 2012, Cockatoo announced the outcomes of the BFS for its 80% owned Baralaba Expansion, confirming the attractive economics of its simple, low capital, low cost, open-cut brownfield development. The study confirmed that the project is expected to increase production at Baralaba from 750ktpa to 3.5Mtpa of saleable ULV PCI coal and have a project life in excess of 20 years.

An optimised Supplementary BFS was completed in April 2013, which focused on a "North only" strategy, reducing upfront capex by over A$100m to A$311m (100% basis) and reduced life of mine operating costs by approximately A$9/FOBt to approximately A$96/FOBt (excluding royalties).

Cockatoo has continued to make improvements at the Baralaba Expansion since the Supplementary BFS was released, and to date has managed to reduce the initial development capital expenditure requirement by approximately A$25 million to A$286 million (excluding contingency, 2013 dollars).

Key statistics

Asset overview

JORC Resources[13]	North: 154Mt / South: 192Mt
JORC Recoverable Reserves[13]	North: 36 Mt / South: 45Mt
Mining method	Single pit, open-cut, truck & shovel
Mine life	20+ years
LOM ROM strip ratio	9.7:1
Product	Ultra Low-Vol PCI (100%)
Expected first coal production	Mid 2014
Expected steady state production	Late 2016
ROM coal production	~3.9Mtpa
LOM product yield	~90%
Saleable coal production	3.5Mtpa
Development capital expenditure[14]	~A$311M on a 100% basis (excl. contingency, 2013 dollars)
Start-up Working Capital[15]	~A$82M on a 100% basis (excl. contingency, 2013 dollars)
Average LOM operating cash costs (FOB)[16]	~A$96.04/t (excl. royalties)

Source: Baralaba Expansion Supplementary BFS, Cockatoo optimisation work.

[13] Baralaba North figures include Baralaba Mine, Baralaba North and Lochinvar.
[14] 2013 dollars, excluding contingency. Cockatoo has continued to reduce the development capex required since the release of the Supplementary BFS in April 2013, with up front reductions of ~A$25 million identified to date (primarily through deferral of the power line relocation).
[15] Based on industry coal forecasts, as at April 2013.
[16] Based on steady state operating costs, assuming mining equipment is purchased in year 4 of operations; excludes marketing fees payable to SKN and Noble.

Rail infrastructure

The Baralaba Complex is situated close to the existing Moura rail line that connects the Bowen Basin to the Port of Gladstone. Product coal will be transported to a Train Loadout Facility on the Moura Line via road. The Wiggins Island Rail Project ensures below rail access to the Port of Gladstone and Cockatoo has entered into an above rail contract with Aurizon for 3.5Mtpa.

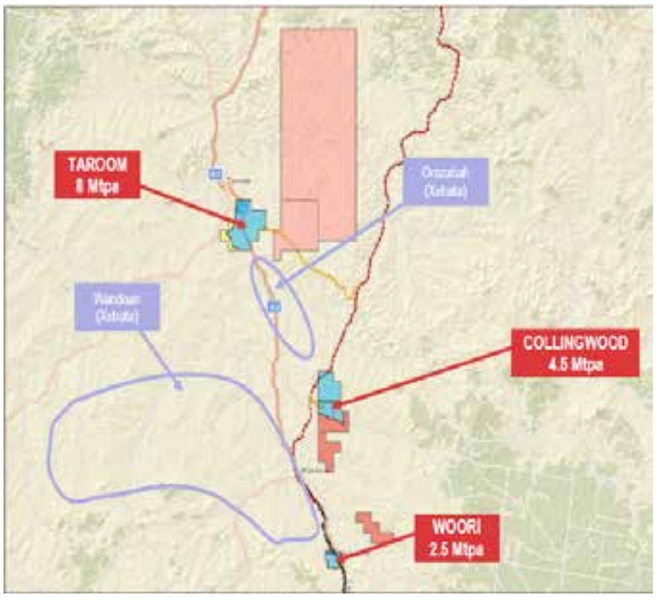
Port infrastructure

Targeted production from the Baralaba Expansion of 3.5Mtpa will be exported through both the RG Tanna Terminal and WICET Stage 1 at the Port of Gladstone.

Cockatoo currently has a 0.5Mtpa allocation at RG Tanna, where it exports its share of production from the existing Baralaba Mine. In addition, Cockatoo is a participant in the WICET Stage 1 development, holding a 3.0Mtpa allocation, which is on track for commissioning in 2015. The Baralaba Expansion is on track to meet the WICET Stage 1 timetable.

4.5.4. North Surat Joint Venture (**"NSJV"**)

In addition to the Baralaba Expansion, Cockatoo has a large tenement holding in the Surat Basin, with an attractive portfolio of exploration assets, the most advanced of which are the Collingwood, Taroom and Woori projects (collectively the NSJV). Cockatoo holds a 51% interest in the NSJV (with JV partner Mitsui holding the other 49%), and completed prefeasibility studies on the Collingwood and Taroom projects in February 2012. While the NSJV, and Cockatoo's broader Surat portfolio, remains an important part of long term expansion plans, over the last 12 months Cockatoo has minimised cash outflows through significant reductions in spending at the Surat projects until coal markets improve. The NSJV assets contain approximately 396Mt of recoverable Reserves and 747Mt of Resources (on a 100% basis).



4.5.5. Other assets

Cockatoo has a number of exploration assets located in the Surat Basin, south of the NSJV projects. Cockatoo's Surat exploration portfolio includes Bottle Tree, Bushranger, Davies Road, Kingaroy, Krugers and Tin Hut Creek (all 100% owned).

Tin Hut Creek is planned as an open cut thermal operation and has current JORC Resources of approximately 344Mt. Bottle Tree, Davies Road, Kingaroy and Krugers are also planned as open cut thermal operations and have combined JORC Resources of approximately 670Mt.

4.6. Reserves and Resources

Cockatoo currently has a large ULV PCI and export thermal inventory totalling 2,106Mt of Resources (100% basis, 1,665Mt on a Cockatoo equity basis), 477Mt of Recoverable Reserves (100% basis, 266Mt on a Cockatoo equity basis) and 371Mt of Marketable Reserves (100% basis, 209Mt on a Cockatoo equity basis).

Statement of Resources

Project	Cockatoo Equity (%)	JV Partner	Coal Type	JORC resource Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Cockatoo Equity (Mt)
Baralaba Projects								
Baralaba Mine	62.5%[17]	JFE Shoji	PCI / Thermal	12.8	10.6	12	36	22
Baralaba North	80%	JFE Shoji	PCI	16.9	21.2	16	54	43
Baralaba South	80%	JFE Shoji	PCI	35.5	17.2	139	192	154
Lochinvar	80%	JFE Shoji	PCI / Thermal	–	4.0	60	64	51
Baralaba Total				65.2	53.0	227	346	270
Surat Project								
Woori	51%	Mitsui	Thermal	84.3	–	–	84	43
Taroom	51%	Mitsui	Thermal	158.1	149.3	126	433	221
Collingwood	51%	Mitsui	Thermal	79.7	80.3	69	229	117
Tin Hut	100%	–	Thermal	–	206.6	137	344	344
Other Surat[18]	100%	–	Thermal	35.5	224.2	411	670	670
Surat Total				**357.6**	**660.4**	**743**	**1,761**	**1,395**
Total				**422.8**	**713.4**	**970**	**2,107**	**1,665**

Statement of Reserves

Project	Cockatoo Equity (%)	JV Partner	Coal type	JORC reserves – Reserves Proved (Mt)	Probable (Mt)	Total (Mt)	Cockatoo Equity (Mt)	Marketable reserves Proved (Mt)	Probable (Mt)	Total (Mt)	Cockatoo Equity (Mt)
Bowen Basin Projects											
Baralaba Mine	62.5%	JFE Shoji	PCI / Thermal	1.0	0.3	1.3	0.8	0.8	0.2	1.0	0.6
Baralaba Mine	62.5%	JFE Shoji	PCI / Thermal	3.3	0.5	3.7	2.3	3.1	0.3	3.4	2.1
Baralaba North	80%	JFE Shoji	PCI	15.7	15.6	31.3	25.0	14.6	14.0	28.6	22.9
Baralaba South	80%	JFE Shoji	PCI	–	45.0	45.0	36.0	–	37.0	37.0	29.6
Bowen Total				**20.0**	**61.4**	**81.4**	**64.2**	**18.5**	**51.5**	**70.0**	**55.2**
Surat Projects											
Woori	51%	Mitsui	Opencut / Thermal	67.8	–	67.8	34.6	40.6	–	40.6	20.7
Taroom	51%	Mitsui	Opencut / Thermal	124.0	78.5	202.5	103.3	99.9	61.7	161.7	82.5
Collingwood	51%	Mitsui	Opencut / Thermal	69.4	55.8	125.2	63.9	54.4	44.1	98.5	50.2
Surat Total		**–**		**261.2**	**134.3**	**395.5**	**201.7**	**194.9**	**105.8**	**300.8**	**153.4**
Total				**281.2**	**195.7**	**476.8**	**265.9**	**213.4**	**157.3**	**370.8**	**208.6**

[17] Cashflow distribution based on intercompany loans. Cockatoo receives approximately 82% of positive cashflow from the Baralaba Mine.
[18] Other Surat includes Bottle Tree, Krugers, Davies Road, Bushranger and Kingaroy.

Competent Persons Statement

See Section 13.15 for Cockatoo's Competent Persons Statement.

4.7. Financial information on Cockatoo

4.7.1. Basis of presentation of historical financial information

The historical information below relates to Cockatoo on a stand alone basis and accordingly does not reflect any impact of the Offer. It is a summary only and the full financial accounts for the financial periods described below, which include the notes to the accounts, can be found in Cockatoo's annual reports for those periods.

The financial statements of Cockatoo for the financial year ended 30 June 2013 were audited by KPMG, in accordance with Australian Accounting Standards, and lodged with ASIC on 30 September 2013. The audit opinion relating to the financial statements was unqualified.

If you would like to receive a copy of the audited financial statements of Cockatoo for the financial year ended 30 June 2013, please contact the Shareholder Information Line (which has been established by Blackwood) on 1300 356 497 (toll free) from within Australia or +61 3 9415 4067 (not toll free) from outside Australia and you will be sent a copy free of charge.

4.7.2. Historical financial information

Balance sheet

The summarised historical balance sheets of Cockatoo set out below have been extracted from the audited financial statements of Cockatoo for the year ended 30 June 2013, being the last audited financial statements prior to the date of this Bidder's Statement. Section 10.7.2 includes Cockatoo's pro-forma balance sheet based on the balance sheet as at 30 June 2013 adjusted for the Cockatoo Equity Raising, the Blackwood acquisition, as well as the Hume Sale, which was completed on 14 August 2013.

A$ as at 30 June	2012	2013
Current assets		
Cash and cash equivalents	109,366,922	12,688,886
Trade and other receivables	17,794,150	5,333,874
Inventories	12,500,482	20,407,948
Assets held for sale	–	18,000,000
Other	2,295,286	1,948,920
Total current assets	**141,956,840**	**58,379,628**
Non-current assets		
Investments	11,050,002	5,600,002
Investments in equity accounted investments	28,977,786	–
Exploration and evaluation expenditure	196,123,216	233,153,212
Property, plant and equipment	50,322,830	63,387,729
Intangible assets	265,550	246,398
Other	65,047,341	51,669,218
Total non-current assets	**351,786,725**	**354,056,559**
Total assets	**493,743,565**	**412,436,187**
Current liabilities		
Trade and other payables	20,423,514	16,775,397
Borrowings	152,308,316	100,423,227
Employee benefits	661,272	653,364
Total current liabilities	**173,393,102**	**117,851,988**
Non-current liabilities		
Borrowings	27,895,936	39,566,086
Employee benefits	54,161	96,192
Deferred tax liability	5,523,000	37,000
Provisions	2,865,078	2,952,192
Total non-current liabilities	**36,338,175**	**42,651,470**
Total liabilities	**209,731,277**	**160,503,458**
Net assets	**284,012,288**	**251,932,729**
Equity		
Share capital	338,889,880	339,007,453
Option premium reserve	4,460,342	9,603,242
Fair value reserve	5,304,000	104,000
Accumulated losses	(55,726,338)	(83,744,759)
Total equity attributable to the equity holders	**292,927,884**	**264,969,936**
Non-controlling interest	(8,915,596.0)	(13,037,207.0)
Total equity	**284,012,288**	**251,932,729**

4. Information on Cockatoo (CONT.)

Income statement

The summarised income statements of Cockatoo shown below have been extracted from Cockatoo's audited financial statements for the year ended 30 June 2013.

A$ for year ended 30 June	FY2012	FY2013
Coal sales revenue	83,821,604	66,109,877
Cost of Sales	(70,480,945)	(63,498,121)
Gross profit / (loss)	**13,340,659**	**2,611,756**
Other income	8,249,101	9,403,485
Gain on sale of tenements	28,576,865	–
Gain on sale of assets	–	10,167
Administration and consultants' expenses	(12,144,495)	(15,707,791)
Impairment losses	(97,975)	(12,820,724)
Share based renumeration	(445,977)	(341,709)
Travel expenses	(417,165)	(368,378)
Legal fees	(1,912,041)	(572,006)
Flood reparation	(1,086,828)	–
Other expenses	(953,713)	(1,178,263)
Results from operating activities	**33,108,431**	**(18,963,463)**
Finance income	3,616,814	4,231,518
Finance expense	(14,604,083)	(23,298,790)
Net finance income / (cost)	**(10,987,269)**	**(19,067,272)**
Share of profit / (loss) in equity accounted investees	(49,286)	19,959
Profit / (loss) before income tax	**22,071,876**	**(38,010,776)**
Income tax expense	(5,523,000)	5,486,000
Profit / (loss) before income tax	**16,548,876**	**(32,524,776)**
Attributable to:		
Equity holders of the Company	16,161,840	(28,403,165)
Non-controlling interest	387,036	(4,121,611)
Profit / (loss) for the year	**16,548,876**	**(32,524,776)**
Other comprehensive income for the year		
Net changes in the fair value of available-for-sale financial assets	2,502,025	(5,200,000)
Net changes in the fair value of available-for-sale financial assets transferred to the profit and loss	97,975	–
Total comprehensive income / (loss) for the year	**19,148,876**	**(37,724,776)**
Attributable to:		
Equity holders of the Company	18,761,840	(33,603,165)
Non-controlling interest	387,036	(4,121,611)
Total comprehensive income / (loss) for the year	**19,148,876**	**(37,724,776)**

Management commentary on historical results

Despite record sales from the Baralaba Mine of 707,381 tonnes for the year ended 30 June 2013, revenue was negatively impacted by weaker US$ seaborne coal prices and continued strength in the A$/US$ exchange rate. The negative impact of the weak A$ coal price environment was offset to an extent by operational improvements that lead to lower costs at the Baralaba Mine, resulting in a gross profit still being recorded for the year ended 30 June 2013.

Net profit for the year ended 30 June 2013 was also negatively impacted by higher financing expenses associated with extending the maturity of the KEBA Loan and associated SKN guarantee three times during the financial year.

Quarterly report for the period ended 30 September 2013

On 31 October 2013 Cockatoo released to ASX its Quarterly Activities Report and Quarterly Cashflow Report for the period ended 30 September 2013. A copy of these reports appears as Attachment 3 to this Bidder's Statement.

In summary, the reports noted that:

- the Baralaba Expansion was declared a 'Prescribed Project' by the Queensland Government;
- Cockatoo was granted Mining Leases for 1.0Mtpa at Baralaba North;
- Cockatoo completed the sale of its 30% interest in the Hume Project;
- Cockatoo extended the KEBA Loan and associated SKN guarantee to 27 December 2013;
- Cockatoo announced the Cockatoo Recapitalisation and intention to make a takeover offer for Blackwood;
- the Baralaba Mine produced 198,897 tonnes of ROM coal during the quarter; and
- Cockatoo had cash on hand of A$5.7 million as at 30 September 2013.

4.8. Where to find further information on the Cockatoo Group

The Cockatoo Group maintains a website (www.cockatoocoal.com.au) from which its reports and many of its other publications can be downloaded in their entirety and which is linked to websites maintained by some of the Cockatoo Group's operations and other sites of general interest.

In addition, information on the Cockatoo Group can be found on ASX's website at www.asx.com.au (under the ASX code: COK).

5. Information on Cockatoo securities

5.1. Cockatoo's issued securities

5.1.1. Current securities on issue

As at 21 November 2013 (the last practicable date prior to the printing of this Bidder's Statement) Cockatoo has the following securities on issue:

- 886,294,158 Cockatoo Shares; and
- 225,833,333 Cockatoo Options of the following tranches.

Exercise price	Expiry date	Number of Cockatoo Options	Vested
A$0.1250	15 October 2014	150,000,000	Yes
A$0.6400	31 December 2013	20,833,333	Yes
A$0.0593	15 April 2015	50,000,000	Yes
A$0.7000	30 September 2015	3,333,334	Yes
A$0.7000	30 September 2015	1,666,666	No

5.1.2. Securities on issue after Cockatoo Equity Raising and the Offer

If approved by Cockatoo Shareholders at the Extraordinary General Meeting on 12 December 2013, the Cockatoo Equity Raising will result in 3,199,364,579 new Cockatoo Shares being issued, leaving Cockatoo with the following securities on issue:

- 4,085,658,737 Cockatoo Shares; and
- 225,833,333 Cockatoo Options in the tranches described above.

The above assumes that no Cockatoo Shares are issued under the Offer and that no Cockatoo Options are exercised before that time, and does not include any Cockatoo Shares issued under the Cockatoo SPP.

5.2. Substantial holders

As at 21 November 2013 (the last practicable date prior to printing of this Bidder's Statement), the substantial holders of Cockatoo are:

Name	Number of Cockatoo Shares held	% held of Cockatoo Shares
SK Networks, Co., Ltd	55,410,765	6.25%

The table below represents the expected substantial holders in Cockatoo following completion of the Cockatoo Equity Raising:

Substantial holder	Number of Cockatoo Shares held	% held of Cockatoo Shares
SK Networks, Co., Ltd	1,055,410,765	25.83%
Noble Group Limited	866,031,245	21.20%
Harum Energy Australia Limited	491,465,372	12.03%[19]

The above table assumes that the issue of Cockatoo Shares under the Offer occurs after the issue of Cockatoo Shares under the Cockatoo Equity Raising, and that no Cockatoo Options are exercised before that time, but does not include any Cockatoo Shares issued under the Cockatoo SPP.

[19] Harum's intention is to own, and expects to be diluted down to, approximately 10.0% following completion of the Offer and the Cockatoo SPP.

5.3. Cockatoo Option holders

The table below set outs the identities of the holders of Cockatoo Options as at at 21 November 2013 (the last practicable date prior to the printing of this Bidder's Statement).

Name	31 December 2013	15 October 2014	15 April 2015	30 September 2015
Andrew Lawson	-	-	-	5,000,000
Macquarie Bank Limited	20,833,333	-	-	-
SK Networks, Co., Ltd	-	150,000,000	50,000,000	-

5.4. Recent trading prices of Cockatoo Shares

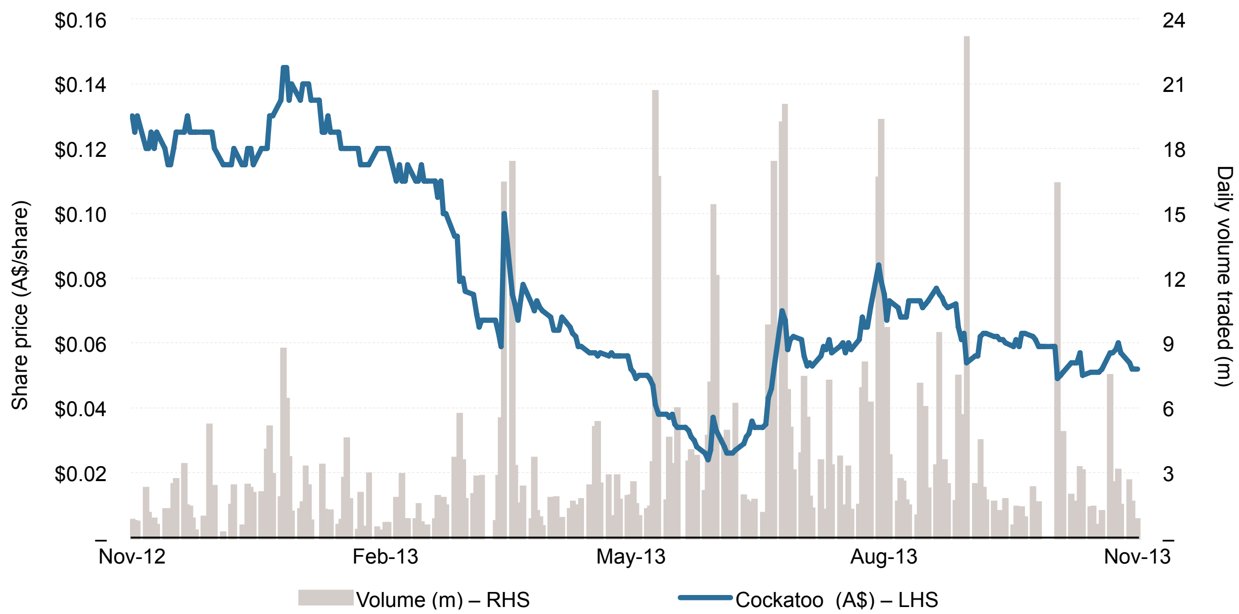
The last recorded sale price of Cockatoo Shares on ASX on 21 November 2013 (the last practicable date prior to printing of this Bidder's Statement) was A$0.052.

The last recorded sale price of Cockatoo Shares on ASX on 16 October 2013 (being the last day of trading before Cockatoo announced the Offer) was A$0.059.

In the four months before 21 November 2013 (the last practicable date prior to the printing of this Bidder's Statement):

- The highest recorded trading price of a Cockatoo Share on ASX was A$0.093 on 20 August 2012.
- The lowest recorded trading price of a Cockatoo Share on was A$0.045 on 23 October 2013.

Cockatoo share price performance – last 12 months



Source: IRESS.

5.5. Dividend History

Cockatoo has never declared a dividend.

5.6. Summary of the rights attaching to Cockatoo Shares

The following is a broad summary of the rights and liabilities, which attach to all Cockatoo Shares, as set out in the Cockatoo constitution and the Corporations Act. It is a summary only and is not intended to be an exhaustive or definitive summary of the rights and obligations of Cockatoo Shareholders.

5.6.1. General meetings and notices

Cockatoo Shareholders' rights to attend and vote at shareholder meetings are mostly prescribed by the Corporations Act. Each Cockatoo Shareholder is entitled to receive notice of, attend and (except in certain circumstances) vote at general meetings of Cockatoo and to receive all notices, accounts and other documents required to be sent to Cockatoo Shareholders under the Cockatoo constitution, the Corporations Act and ASX Listing Rules.

Cockatoo may serve notice on a Cockatoo Shareholder by, among other methods:

- serving it on the Cockatoo Shareholder personally;
- sending it by post, courier, facsimile or electronic notification to the person at the person's address shown in the Cockatoo Register or the address supplied by the person to Cockatoo for sending notices to the Cockatoo Shareholder; and
- in limited circumstances, advertising in one or more newspapers published daily (except on weekends) throughout Australia as determined by the Cockatoo Directors.

5.6.2. Voting rights

Subject to the Cockatoo constitution and to any rights or restrictions attaching to any classes of Cockatoo Shares, each Cockatoo Shareholder:

- may vote at a meeting of Cockatoo Shareholders;
- who is entitled to attend and vote at a general meeting of Cockatoo Shareholders may do so in person or by proxy, by attorney or, where the Cockatoo Shareholder is a body corporate, by an individual acting as the body corporate's representative; and
- has one vote on a show of hands, one vote per Cockatoo Share they hold on a poll.

A resolution put to the vote of a meeting is decided on a show of hands unless a poll is demanded by at least 5 Cockatoo Shareholders entitled to vote on the resolution, members with a least 5% of the votes that may be cast on the resolution on a poll or the chairperson.

5.6.3. Dividend rights

Cockatoo Directors may from time to time declare or determine that an interim or final dividend is payable. The Cockatoo Directors may fix the amount, the time for and method of payment of any dividend.

All Cockatoo Shares have an equal right to receive dividends, subject to any special rights or restrictions attached to the Cockatoo Shares. Each partly-paid Cockatoo Share is entitled to a fraction of the dividend declared or paid on a fully-paid Cockatoo Share, equivalent to the proportion which the amount paid on the Cockatoo Share bears to the total amounts paid and payable on the Cockatoo Share.

5.6.4. Winding-up

If Cockatoo is wound up, the liquidator may, with the sanction of a special resolution of Cockatoo Shareholders, divide among Cockatoo Shareholders in kind all or any of Cockatoo's assets and, for that purpose, determine how he or she will carry out the division of assets between different classes of Cockatoo Shareholders, but may not require a Cockatoo Shareholder accept any Cockatoo Shares or other securities in respect of which there is any liability. The liquidator may also, with the sanction of a special resolution of Cockatoo Shareholders, vest all or any of Cockatoo's assets in a trustee on trusts determined by the liquidator for the benefit of the contributories.

5.6.5. Transfer of Shares

Cockatoo Shares may be transferred by written instrument in any usual or common form as well as in any manner required or permitted by any one or more of the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules. The Directors may refuse to register a transfer of Shares in circumstances permitted by the ASX Listing Rules or the ASX Settlement Operating Rules. The Directors must refuse to register a transfer of Cockatoo Shares where required to do so by the ASX Listing Rules or the ASX Settlement Operating Rules.

5.6.6. Issue of further Equity Trustees Shares

Subject to the Cockatoo constitution, the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, the Cockatoo Directors may issue and allot Cockatoo Shares and options over unissued Cockatoo Shares to any person on terms, including the issue price, determined by the Cockatoo Directors. The Cockatoo Directors' power to issue and allot Cockatoo Shares extends to issuing and allotting Cockatoo Shares with preferred, deferred or special rights, privileges or conditions, including in relation to dividends, voting, return of share capital or otherwise, as the Cockatoo Directors may determine.

5.6.7. Variation of rights

Under the Corporations Act, rights, privileges and restrictions attaching to Cockatoo Shares or to any other class of shares which may be issued in the future, can only be varied by a special resolution passed at a general meeting of Cockatoo and the holders of each relevant class of shares or with the written consent of Cockatoo Shareholders with at least 75% of votes in the relevant class.

5.6.8. Number of directors

Cockatoo Shareholders in a general meeting may appoint any person as a Director. The Cockatoo constitution provides that the Board may be comprised of not less than 3 and not more than 10 Directors.

5.6.9. Amending the Constitution

The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the members of the company (i.e. passed by at least 75% of the votes cast by members entitled to vote on the resolution).

5.7. Cockatoo employee incentive plans

Cockatoo has a share option program that entitles key management personnel, senior employees and consultants to be granted Cockatoo Options. Under that plan, if the employment or office of the optionholder is terminated, any Cockatoo Options which have not reached their vesting date will lapse and any Cockatoo Options which have reached their vesting date may be exercised within two months from the date of termination of employment. Vesting conditions under the plan relate solely to service periods.

Cockatoo also operates a share bonus award plan under which Cockatoo Shares are issued to employees, including as remuneration.

5.8. SKN and Noble anti-dilution rights

5.8.1. Existing anti-dilution rights held by SKN

In connection with the grant of 150,000,000 Cockatoo Options to SKN in December 2012, and in recognition of the strategic importance of SKN's relationship with Cockatoo, an anti-dilution right was granted to give SKN the right but not the obligation to maintain its proportionate interest in Cockatoo in respect of dilutive equity raisings undertaken by Cockatoo (if any) until the expiry date of those Cockatoo Options held by SKN on 15 October 2014.

Those anti-dilution rights are subject of an existing waiver of ASX Listing Rule 6.18 granted by ASX.

5.8.2. New anti-dilution rights to be granted to Noble and SKN

In connection with the Noble Placement, and subject to completion of the Noble Placement, Cockatoo has granted Noble certain rights to subscribe for such number of shares offered by Cockatoo in any future issue of securities as would allow Noble to maintain its percentage shareholding.

SKN will be granted equivalent rights, and such rights will apply in addition to SKN's existing anti-dilution rights that were granted by Cockatoo in December 2012 (in respect of which ASX granted a waiver of ASX Listing Rule 6.18) and an additional anti-dilution right granted by Cockatoo in June 2013 (which is on largely the same terms as the December 2012) in connection with the agreement to issue SKN 50 million Cockatoo Options (which were issued to SKN on 18 October 2013).

The grant of these new rights to both Noble and SKN are subject to ASX granting a waiver of ASX Listing Rule 6.18, which Cockatoo has applied for.

See section 1.5 of Schedule B for further information.

6. Information on Blackwood

The information on Blackwood and the Blackwood Group in this Bidder's Statement should not be considered comprehensive.

Blackwood Shareholders should refer to the Target's Statement for further information about Blackwood.

Information about the Merged Group is set out in Section 10.

6.1. Overview of Blackwood

Blackwood is an ASX listed public company that is focused on coal exploration throughout the Bowen, Galilee, Surat and Clarence–Moreton Basins in Queensland. Blackwood Shares are listed on ASX under the code BWD.

Blackwood currently holds 63 granted EPCs which cover an area of approximately 4,650km^2 across the Bowen, Galilee, Surat and Clarence-Moreton basins. Blackwood has defined 17 projects for development and has deemed six of them as priority projects, with the remaining 11 as pipeline projects.

Blackwood announced maiden Inferred JORC Resources at its South Pentland (322Mt) and Taroom (51.8Mt) projects on 12 September 2013.

6.2. Blackwood Directors

As at the date of this Bidder's Statement, the Blackwood Directors are:

- Mr Barry Bolitho (Non-Executive Chairman)
- Mr Andrew Simpson (Non-Executive Director)
- Mr William Randall (Non-Executive Director)
- Mr Rex Littlewood (Non-Executive Director)

6.3. Financial information on Blackwood

6.3.1. Basis of presentation of historical financial information

The historical financial information referred to below relates to Blackwood on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is a summary only and the full financial accounts for Blackwood for the financial periods described below, which include the notes to the accounts, can be found in Blackwood's 2013 Annual Report, which Blackwood released to ASX on 28 October 2013.

6.3.2. Historical financial information on Blackwood

Balance sheet

Section 3.6 of the Target's Statement contains a summarised historical balance sheet of Blackwood as at 30 June 2013 which has been extracted from the audited consolidated balance sheet of Blackwood as at 30 June 2013, being the date of the last audited balance sheet prior to the date of this Bidder's Statement.

Income statement

Section 3.6 of the Target's Statement contains a condensed income statement of Blackwood for the 12 month period ended 30 June 2013 which is stated to have been extracted from the audited consolidated income statement of Blackwood as at 30 June 2013, being the last audited financial period prior to the date of this Bidder's Statement.

6. Information on Blackwood (CONT.)

6.3.3. Publicly available information

Blackwood is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Blackwood is obliged to comply with the continuous disclosure requirements of ASX and the Corporations Act.

The ASX website (www.asx.com.au) and Blackwood's website (www.bwdcorp.com.au) list announcements issued by Blackwood.

In addition, Blackwood is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Blackwood can be obtained from, or inspected at, an ASIC office.

7. Information on Blackwood securities

7.1. Blackwood's issued securities

According to publicly available information, and information provided by Blackwood to Cockatoo, as at 21 November 2013 (the last practicable date prior to printing of this Bidder's Statement), Blackwood's issued securities consisted of:

- 185,050,269 Blackwood Shares; and
- 7,225,000 Blackwood Performance Rights of the following tranches:

Exercise price	Expiry date	Number of Blackwood performance rights	Vested
Nil	1 August 2018	2,000,000	Yes
Nil	25 June 2019	500,000	Yes
Nil	25 June 2019	500,000	No
Nil	8 August 2018	1,000,000	Yes
Nil	1 September 2018	800,000	Yes
Nil	1 July 2018	650,000	Yes
Nil	12 October 2018	400,000	Yes
Nil	3 October 2018	250,000	Yes
Nil	17 October 2018	250,000	Yes
Nil	22 August 2018	250,000	Yes
Nil	1 November 2018	250,000	Yes
Nil	1 July 2018	150,000	Yes
Nil	11 October 2018	125,000	Yes
Nil	7 September 2018	100,000	Yes

7.2. Blackwood Performance Rights

According to information provided by Blackwood to Cockatoo and documents provided by Blackwood to ASX, as at 21 November 2013 (the last practicable date prior to printing of this Bidder's Statement), Blackwood had the following employee incentive plans in operation.

7.2.1. Long Term Incentive Plan

Blackwood has two long term incentive plans (**"LTIP"**), which are equity-based incentives designed to provide executives and other nominated senior management personnel with the incentive to deliver long-term value growth for Blackwood Shareholders. Senior management nominated by the Blackwood Board are eligible to participate in the LTIP. LTIP awards can be in the form of options (under the Employee Share Option Plan approved by Blackwood Shareholders on 14 December 2011) or performance rights (under the Performance Rights Plan approved by Blackwood Shareholders on 29 October 2010). Each option or performance right entitles the holder to one ordinary fully paid share in Blackwood. A performance right or option will vest and (if applicable) become exercisable to the extent that the applicable performance conditions and service conditions specified at the time of grant are satisfied. The Blackwood Board exercised its discretion under the LTIP to establish the terms on which it offers performance rights and options under the LTIP, including the performance and service conditions and waiver of any terms or conditions.

The outstanding Blackwood Performance Rights that have been granted under the LTIP are set out in the table in Section 7.1 above.

Under the Bid Implementation Agreement, the Blackwood Board will, as soon as reasonably practicable after the Offer becomes unconditional, exercise its discretion under the terms of the LTIP and:

- make a determination that all unvested Blackwood Performance Rights will vest and become exercisable; and
- will release all Blackwood Shares issued and to be issued in respect of those vested Blackwood Performance Rights from any restrictions or holding locks,

but only for the purpose of enabling the holders of Blackwood Performance Rights or Blackwood Shares to accept the Offer. Blackwood Shares issued in respect of those vested Blackwood Performance Rights can be accepted into the Offer. Cockatoo has applied to ASIC for relief from the relevant Corporations Act provisions to enable the Offer to extend to all Blackwood Shares issued before the end of the Offer Period as a result of the vesting of Blackwood Performance Rights that are on issue as at the Record Date.

No options have been issued under the LTIP.

7.3. Cockatoo interests in Blackwood securities

As at the date of this Bidder's Statement, Cockatoo had no Relevant Interest in any Blackwood Shares.

As at the date of this Bidder's Statement, Cockatoo had no interest in any Blackwood Performance Rights.

As at the Offer Date, Cockatoo had nil voting power in Blackwood.

7.4. Cockatoo dealings in Blackwood Shares

During the period beginning 4 months before, and ending on the day immediately before, the date of this Bidder's Statement, neither Cockatoo nor any Associate of Cockatoo has provided, or agreed to provide, consideration for a Blackwood Share.

7.5. Substantial shareholders

As at 21 November 2013 (the last practicable date prior to printing), the substantial shareholders of Blackwood are:

Name	Number of fully paid ordinary shares held	% held of issued ordinary capital
Noble	94,689,760	51.17%

8. Sources of consideration

The Offer Consideration will be satisfied wholly by the issue of Cockatoo Shares.

Subject to the fulfilment or waiver of the Conditions to the Offer, there is no restriction on the ability of Cockatoo to issue the maximum number of Cockatoo Shares which it may be required to issue under the Offer.

Based on the number of Blackwood Shares and Blackwood Performance Rights on issue, as at 21 November 2013 (the last practicable date prior to printing of this Bidder's Statement), as set out in Section 7.1:

- the maximum number of Cockatoo Shares that would be required to be issued under the Offer if every Blackwood Shareholder accepted the Offer is 370,100,538 Cockatoo Shares; and
- if and when the Blackwood Board exercise their discretion to vest the 7,225,000 Blackwood Performance Rights (which is expected to occur as soon as reasonably practicable after the Offer becomes unconditional) and all the holders of Blackwood Shares issued in respect of those vested Blackwood Performance Rights accept the Offer, an additional 14,450,000 Cockatoo Shares would be issued under the Offer (assuming ASIC relief is granted to permit, or ASIC confirms that relief is not required for, the Offer to extend to all Blackwood Shares issued before the end of the Offer Period as a result of the vesting of Blackwood Performance Rights that are on issue as at the Record Date).

If the above number of Cockatoo Shares are issued, the total number of Cockatoo Shares that would be issued under the Offer would be 384,550,538.

In that case, the number of Cockatoo Shares expected to be on issue, following completion of the Offer, is 4,470,209,275.

9. Rationale for the Offer and intentions in respect of Blackwood

9.1. Rationale for the Offer

Cockatoo believes that the proposed acquisition of Blackwood will deliver strategic and financial benefits to shareholders of both companies. These include:

- **Immediate cashflow and near term development:** the Merged Group will give Blackwood Shareholders exposure to existing cashflows from the producing Baralaba Mine, as well as expected near term cashflows from the low capital, low cost brownfield Baralaba Expansion;
- **Strong growth pipeline:** the Offer will create an enlarged coal producer with an attractive suite of exploration assets that is well positioned to deliver on its growth plans;
- **Potential synergies:** the Merged Group expects to realise material operational and blending synergies in the mid to long term, particularly from the complementary Cockatoo and Blackwood tenements in the Bowen and Surat Basins; and
- **Enhanced funding capacity:** the transaction provides Blackwood Shareholders with the opportunity to become part of the Merged Group which will have a strong balance sheet, following the completion of the Cockatoo Recapitalisation, and expected cashflows from the Baralaba Mine and Baralaba Expansion to assisting in funding the development of the longer term exploration portfolio.

9.2. Introduction in relation to intention

Sections 9.2 to 9.6 include statements of Cockatoo's intentions in relation to:

- the continuation of the businesses of Blackwood;
- any major changes to be made to the businesses of Blackwood, including any redeployment of the fixed assets of Blackwood; and
- the future employment of the present employees of Blackwood.

The statements of intention contained in this Section 9 are based on information concerning Blackwood and its businesses that is known to Cockatoo as at the date of this Bidder's Statement, either from publicly available information or the limited due diligence review by Cockatoo of certain non-public information provided by Blackwood.

Final decisions regarding the matters set out below will only be made by Cockatoo in the light of all such material information, facts and circumstances at the relevant time.

Accordingly, it is important to recognise that the statements set out in this Section 9 are statements of current intentions only, which may change as new information becomes available or circumstances change.

Further, the statements of intention contained in this Section 9 are subject to:

- the law (including the Corporations Act) and the ASX Listing Rules, including in particular in relation to 'related party' transactions and conflicts of interest;
- the legal obligations of the Blackwood Directors and Officers, including to act for proper purposes and in the best interests of Blackwood Shareholders; and
- the rights of holders of Blackwood Shares that may be subject to compulsory acquisition.

9.3. Intentions upon acquisition of 90% or more of Blackwood Shares

This Section sets out Cockatoo's current intentions if it (and its Associates) acquires 90% or more of all Blackwood Shares and is entitled to proceed to compulsory acquisition of the outstanding Blackwood Shares.

Compulsory acquisition

If it becomes entitled to do so under the Corporations Act, Cockatoo intends to proceed with compulsory acquisition of the outstanding Blackwood Shares in accordance with the provisions of Part 6A.1 of the Corporations Act.

Corporate matters

Cockatoo will replace all members of the Blackwood Board, any of its subsidiaries and of any company in respect of which Blackwood has nominee directors with its own nominees. In this regard, Cockatoo will have the right under the Bid Implementation Agreement to require the resignation of all Blackwood Directors, other than Cockatoo's nominees, upon Cockatoo acquiring a Relevant Interest in excess of 90% of Blackwood Shares and the Offer being declared free from all Conditions.

Replacement Blackwood Board members have not yet been identified by Cockatoo and their identity will depend on the circumstances at the relevant time, including the composition of the Cockatoo Board following its restructure (as further described in Section 10.5). However, it is expected that the majority of the replacement Blackwood Board members will be members of the Cockatoo management team.

Cockatoo will procure that Blackwood applies to be removed from the official list of the ASX at the appropriate time.

Strategic review

Cockatoo intends to undertake a review of Blackwood’s corporate structure, governance, assets, businesses, personnel and operations with a view to identifying potential areas where Blackwood’s business can be enhanced.

While Cockatoo does not have any specific intentions in relation to this review or its outcomes, its current expectation is that the review will focus on assessing and prioritising Blackwood's exploration targets and developing an exploration plan that takes into account Cockatoo's own exploration activities. Cockatoo will also seek to identify opportunities to consolidate duplicated functions, where economicly advantageous to do so.

The assessment and prioritisation of Blackwood's exploration targets would likely seek to focus on the Merged Group's complementary tenement holdings in the Bowen and Surat Basin, and its metallurgical coal assets. In particular, Blackwood’s Dingo project together with Cockatoo’s Baralaba Complex (including the Dingo and Lochinvar tenements), as well as Blackwood’s Taroom project together with Cockatoo’s Collingwood and Taroom projects, have been identified as potential targets for prioritisation.

Cockatoo considers that some of Blackwood's thermal coal exploration assets are the most likely to be surplus to the Merged Group's longer-term exploration requirements, and some of them may be considered for divestment in the short to medium term, for development through farm-in or joint venture arrangements, or for later-stage development under the Merged Group's exploration plans. However, it should be noted that, given the early stage of the majority of the Merged Group’s assets and the limited information available to Cockatoo at this time, no decision has been made as to such matters.

Employees

With Cockatoo being a coal producer, developer and explorer with metallurgical and thermal coal projects in the Bowen and Surat basins in Queensland, and Blackwood being a Queensland focussed coal exploration company, there is likely to be some overlap in terms of job functions between the two companies. In particular, it is possible that certain corporate and shared services functions will become redundant, resulting in job losses. The incidence, extent and timing of such job losses cannot be predicted in advance.

Where possible, Cockatoo will seek to minimise job losses through redeployment of the relevant employees elsewhere in the Merged Group. If redundancies do occur, the relevant employees will receive benefits in accordance with their contractual and other legal entitlements.

9.4. Intentions upon acquisition of less than 90%, but more than 50%, of Blackwood Shares

This Section 9.4 sets out Cockatoo's current intentions if Blackwood were to be a part-owned controlled entity (i.e. where Cockatoo (and its Associates) acquires less than 90%, but more than 50% of all Blackwood Shares). Cockatoo and its Associates could acquire between 50% and 52.1% of Blackwood Shares however to do so it would need to waive the 52.1% minimum acceptance condition. It is not the present intention of Cockatoo to waive the 52.1% minimum acceptance condition.

To the extent possible, through its nominees on the Blackwood Board, Cockatoo will seek to implement the intentions detailed in Section 9.3 where they are consistent with Blackwood being a controlled entity of (but not wholly owned by) Cockatoo and are considered to be in the best interests of Cockatoo. The Blackwood Board will consider the best interests of Blackwood Shareholders.

Corporate matters

Cockatoo intends to seek the appointment of nominees of Cockatoo to the Blackwood Board in such a proportion that at least equates to Cockatoo's proportionate shareholding interest in Blackwood. In this regard, Cockatoo will have the right under the Bid Implementation Agreement to appoint its nominees as a majority of the board of Blackwood once Cockatoo acquires a Relevant Interest in excess of 50% of Blackwood's Shares and the Offer is freed from all Conditions (other than the Statutory Condition contained in Section 14.7.3).

As noted in Section 9.3, replacement Blackwood board members have not yet been identified by Cockatoo and their identity will depend on the circumstances at the relevant time.

If there is limited spread of Blackwood Shareholders, or limited volume of trading in Blackwood Shares, following completion of the Offer, Cockatoo may seek to procure the removal of Blackwood from the official list of ASX. Further, ASX may itself remove Blackwood from the official list of ASX, with any such decision by ASX depending upon factors such as the spread of Blackwood Shareholders at that time, the level of liquidity in Blackwood Shares and the listing requirements of ASX.

Dividend policy

The payment of dividends by Blackwood will be at the discretion of the Blackwood Board.

Blackwood Shareholders should be aware that Blackwood has never paid a dividend, it is possible that Blackwood may not declare a dividend in the future and, if any cash flow is produced by Blackwood in the future (which cannot be guaranteed), Blackwood may opt to reinvest cash into the company.

Further acquisition of Blackwood Shares

Cockatoo may, at some later time, acquire further Blackwood Shares in a manner permitted by the Corporations Act.

Compulsory acquisition at a later time

If Cockatoo becomes entitled at some later time to exercise any compulsory acquisition rights under the Corporations Act, it may exercise those rights.

9.5. Intentions upon acquisition of less than 50% of Blackwood Shares

Cockatoo and its Associates could acquire less than 50% of Blackwood Shares, if the 52.1% minimum acceptance Condition was waived by Cockatoo. It is not the present intention of Cockatoo to waive the 52.1% minimum acceptance Condition.

However, if Cockatoo waives the 52.1% minimum acceptance Condition and it and its Associates acquire less than 50% or more of the Blackwood Shares, subject to the following, Cockatoo does not expect to be in a position to give effect to all the intentions referred to in Sections 9.3 and 9.4. If Cockatoo were to acquire less than 50% of Blackwood:

- Cockatoo intends to seek the appointment of nominees of Cockatoo to the Blackwood Board in such a proportion as at least equates to Cockatoo's proportionate shareholding interest in Blackwood; and
- Cockatoo intends to seek to influence the ongoing management of Blackwood and its assets, businesses, operations and personnel with a view to maximising returns for Cockatoo and its security holders.

9.6. Other intentions

Other than as set out in this Section 9, it is the present intention of Cockatoo:

- to continue the business of Blackwood in substantially the same manner as it is conducted at the date of this Bidder's Statement;
- not to make any major changes to the business of Blackwood as it is conducted at the date of this Bidder's Statement; and
- not to redeploy any of the fixed assets of Blackwood.

10. Effect of the Offer on Cockatoo and profile of the Merged Group

10.1. Introduction

The profile of the Merged Group will vary depending on the outcome of the Offer. This Section assumes that Cockatoo acquires 100% of Blackwood Shares. If Cockatoo is unable to move to compulsory acquisition of Blackwood, some of the benefits that would otherwise accrue to the Merged Group if Blackwood were to become a wholly owned subsidiary of Cockatoo may not be realised.

10.2. Overview

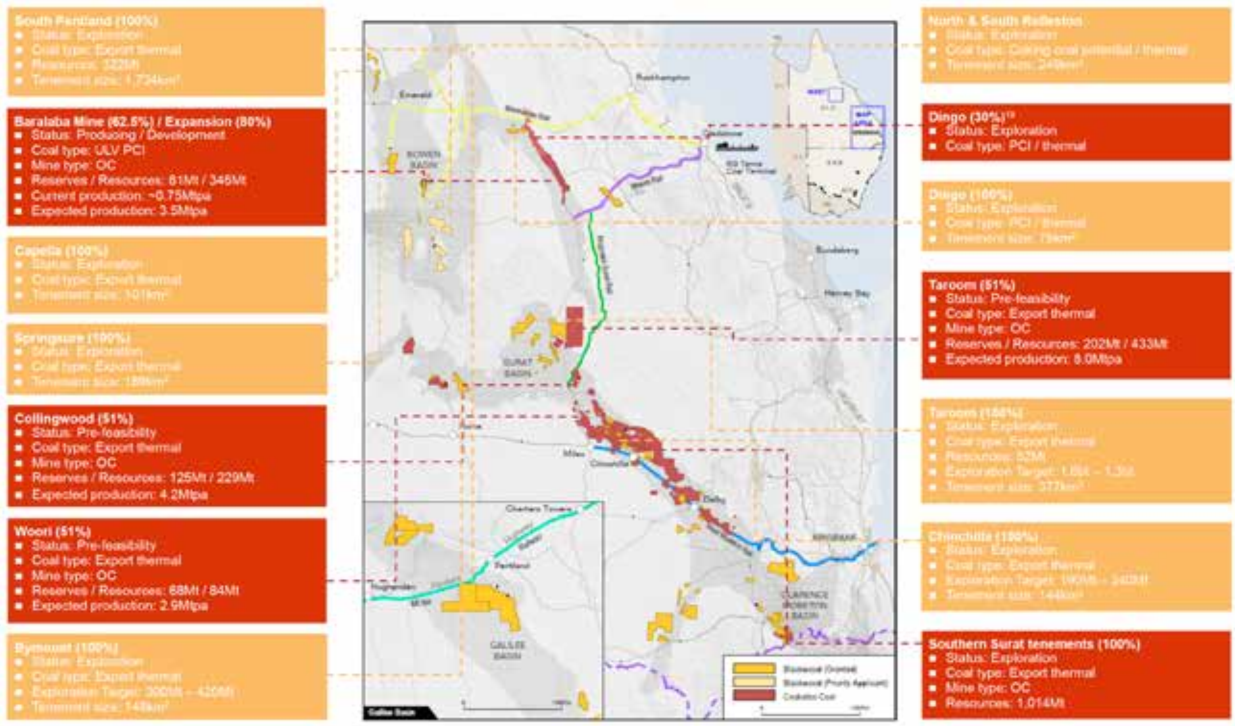
The Merged Group will own and operate a diversified portfolio of complementary assets consisting of:

- a producing ULV PCI mine (Baralaba);
- a near term, low capital, low cost brownfield ULV PCI expansion project (the Baralaba Expansion)
- an enlarged exploration portfolio across Queensland, providing the Merged Group with an attractive longer term growth pipeline expected to focus on metallurgical coal and complementary tenement holdings in the Bowen and Surat Basins.

The diversified portfolio, which will include a mix of producing, development and exploration assets, positions the Merged Group to deliver substantial future growth to the Merged Group's shareholders based on a focus on metallurgical coal and complementary tenement holdings in the Bowen and Surat Basins. Development of the Baralaba Expansion, which is expected to deliver first coal in mid 2014 and ramp up to full target production of 3.5Mtpa by late 2016, will be the key focus of the Merged Group in the near term (see Section 4.5.3 for further information on the Baralaba Expansion).

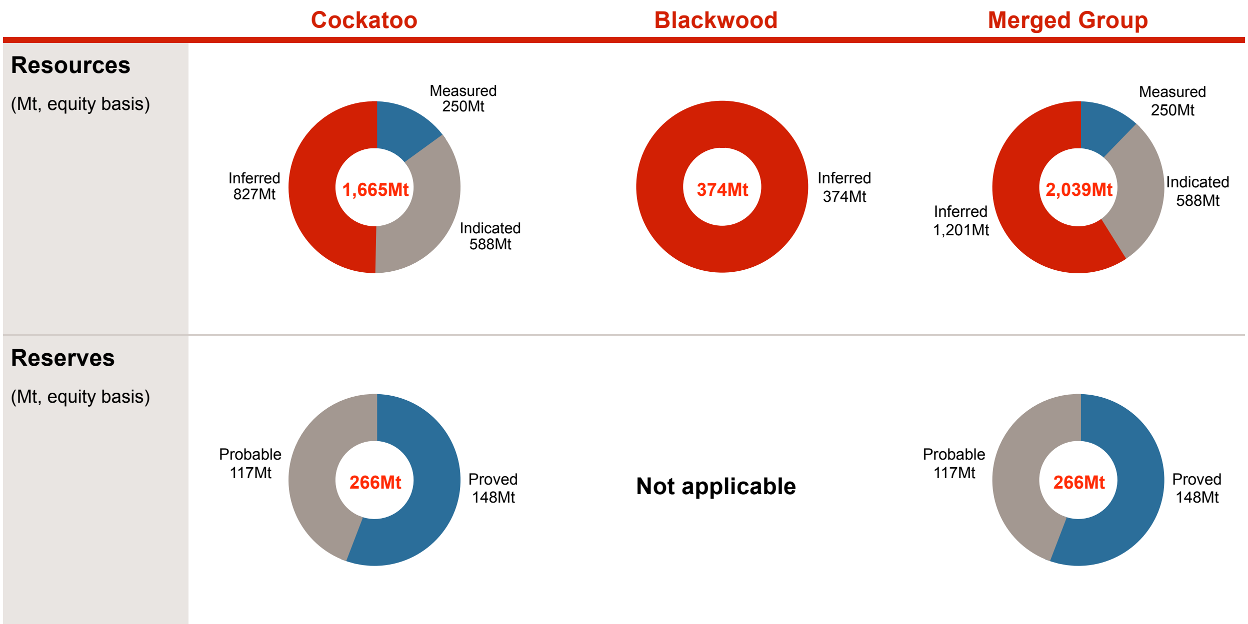
Cashflows from the Baralaba Expansion will underpin additional mid to long term growth from the Merged Group's expanded exploration portfolio, located across the Bowen, Surat, Galilee and Clarence–Moreton Basins in Queensland. As noted in Section 9.3, it is most likely that the Merged Group development activities will focus on the complementary tenement holdings in the Bowen and Surat Basins, and in particular, on the metallurgical coal assets.

Merged Group key projects



Note: Reserves are recoverable Reserves; all figures are on a 100% of project basis.

The Merged Group's enlarged asset portfolio immediately after the Offer will contain attributable Reserves of 266 million tonnes and Resources of 2,039 million tonnes.



[20] Boardwalk Dingo, an entity owned by Whitehaven Coal, currently has a 70% participating interest in the Dingo project.

10.3. Synergies

Cockatoo has identified a number of potential synergies that may be derived from the acquisition of Blackwood however, given the early stage of the majority of the Merged Group's assets, it is considered that it would be misleading to attempt to quantify the potential value of these synergies at this stage.

10.3.1. Adjacent tenement holdings

The Merged Group is expected to realise operational and blending synergies over the medium to longer term from a number of complementary tenement holdings in the Bowen and Surat Basins. In particular, the proximity of Blackwood's Dingo project to Cockatoo's Baralaba Complex (including the Dingo and Lochinvar tenements), as well as the proximity of Blackwood's Taroom project to Cockatoo's Collingwood and Taroom projects, present a number of possible opportunities for future value creation through:

- reducing capital expenditure requirements and operating costs;
- extending mine lives and increasing production rates; and
- optimising yields, product quality and earnings margins through coal blending.

10.3.2. Enlarged Surat Basin tenement holdings

Both Cockatoo and Blackwood have large tenement holdings in the prospective Surat Basin. While the timing of infrastructure developments required to unlock the Surat Basin is currently uncertain, Cockatoo sees significant future value in its, and Blackwood's, Surat assets. The Merged Group's enlarged Surat Basin tenement holdings will provide leverage in future negotiations regarding infrastructure solutions to unlock what Cockatoo expects to be a globally important coal basin for the seaborne thermal coal market.

10.3.3. Other potential synergies

The Cockatoo Directors believe that other potential synergies that the Merged Group may benefit from as a result of the acquisition include:

- benefits from becoming a larger group, including better access to funding and greater liquidity; and
- consolidation of duplicated functions, such as head office administration.

10.4. Potential divestments of tenement holdings

Both Cockatoo and Blackwood have large tenement holdings, the majority of which are at an early stage of development. Cockatoo's proposed assessment and prioritisation of Blackwood's exploration targets and the development of an exploration plan for the Merged Group that takes into account Cockatoo's own exploration activities may identify tenement holdings that are surplus to the Merged Group's requirements. If such assets are sold, or developed under farm-out or joint venture arrangements, the Merged Group may realise benefits. Given that no decision has been made in respect of such matters, it is considered that it would be misleading to attempt to quantify the potential value of such benefits at this stage.

10.5. Directors

As part of the Cockatoo Recapitalisation, Cockatoo intends to restructure the Cockatoo Board to reflect the changes in the key stakeholders of Cockatoo while also maintaining a balanced set of skills. In order to adequately reflect the significant investment in Cockatoo by SKN, Noble and Harum as part of the Cockatoo Equity Raising, each will be permitted to nominate one Director to the Board.

The new Cockatoo Board will comprise seven individuals:

- an independent Chairman to be appointed;
- Managing Director, Andrew Lawson;
- three non-executive directors separately nominated by each of SKN, Noble and Harum; and
- two independent non-executive directors to be appointed.

The identity of the new independent Chairman, three non-executive directors and two independent non-executive directors to be appointed are expected to be confirmed by Cockatoo by [•]. Cockatoo will announce the details of the persons to be appointed through Cockatoo's ASX announcements and on Cockatoo's website at www.cockatoocoal.com.au.

These Cockatoo Board changes will take affect following completion of the Cockatoo Equity Raising, and it is proposed that there will be no further changes to the Cockatoo Board if the Offer is successful.

10.6. Interests of the substantial holders in the Merged Group

Based on the following assumptions:

- Cockatoo completes the Cockatoo Equity Raising (excluding any shares issued under the Cockatoo SPP);
- no Cockatoo Options are exercised;
- Cockatoo acquires 100% of the Blackwood Shares under the Offer (including those issued as a result of the Blackwood Board exercising its discretion to vest the 7,225,000 Blackwood Performance Rights); and
- Offer consideration of 2 Cockatoo Shares for every Blackwood Share,

and based on the substantial holder information for Cockatoo set out in Section 5.2 and the substantial holder information for Blackwood set out in Section 7.5, the holdings of the substantial holders in the Merged Group are expected to be as follows:

Substantial holder	Number of shares in the Merged Group	% of issued capital of Merged Group
SK Networks, Co., Ltd	1,055,410,765	23.61%
Noble Group Limited	1,055,410,765	23.61%
Harum Energy Australia Limited	491,465,372	10.99%[21]

10.7. Pro forma consolidated financial statements for the Merged Group

10.7.1. Introduction

This Section of the Bidder's Statement contains the pro forma historical balance sheet for the Merged Group, reflecting the combined businesses of Cockatoo and Blackwood. The pro forma historical information is presented to provide Blackwood Shareholders with an indication of the Merged Group's assets and liabilities if the acquisition had occurred as at 30 June 2013. The pro forma historical information is presented assuming that Cockatoo acquires 100% of Blackwood Shares (including Blackwood Shares issued as a result of the Blackwood Board exercising its discretion to vest the 7,225,000 Blackwood Performance Rights).

As the Offer is conditional on completion of the Cockatoo Equity Raising, Cockatoo's financial position as at 30 June 2013 is also shown pro forma for completion of the Cockatoo Equity Raising as well as for completion of the Hume Sale, which was completed on 14 August 2013.

[21] Harum's intention is to own, and expects to be diluted down to, approximately 10.0% following completion of the Offer and the Cockatoo SPP.

10. Effect of the Offer on Cockatoo and profile of the Merged Group (CONT.)

10.7.2. Pro forma consolidated statement of financial position

A$	COK Audited 30-Jun-13	Sale of Hume Coal (a)	Pro-forma pre equity raising	Pro-forma for equity raising and KEBA repayment (b) & (c)	Pro-forma post equity raising	BWD Audited 30-Jun-13	Pro-forma adjustments (d)	Merged Group at 100%	Pro-forma adjustments at 50.1%	Merged Group at 50.1%
Current assets										
Cash and cash equivalents	12,688,886	4,740,000	17,428,886	52,593,123	70,022,009	12,389,956	(8,248,835)	74,163,130	(8,248,835)	74,163,130
Trade and other receivables	5,333,874	-	5,333,874	–	5,333,874	279,965	–	5,613,839	–	5,613,839
Inventories	20,407,948	-	20,407,948	-	20,407,948	–	–	20,407,948	–	20,407,948
Assets held for sale	18,000,000	(18,000,000)	–	–	–	–	–	–	–	–
Other	1,948,920	–	1,948,920	–	1,948,920	57,427	–	2,006,347	–	2,006,347
Total current assets	**58,379,628**	**(13,260,000)**	**45,119,628**	**52,593,123**	**97,712,751**	**12,727,348**	**(8,248,835)**	**102,191,264**	**(8,248,835)**	**102,191,264**
Non-current assets										
Investments	5,600,002	-	5,600,002	–	5,600,002	–	–	5,600,002	–	5,600,002
Exploration & evaluation expenditure	233,153,212	-	233,153,212	–	233,153,212	16,132,267	(270,245)	249,015,234	(270,245)	249,015,234
Property, plant & equipment	63,387,729	-	63,387,729	–	63,387,729	92,698	–	63,480,427	–	63,480,427
Intangible assets	246,398	-	246,398	–	246,398	34,605	–	281,003	–	281,003
Other	51,669,218	-	51,669,218	–	51,669,218	–	–	51,669,218	–	51,669,218
Total non-current assets	**354,056,559**	**–**	**354,056,559**	**–**	**354,056,559**	**16,259,570**	**(270,245)**	**370,045,884**	**(270,245)**	**370,045,884**
Total assets	**412,436,187**	**(13,260,000)**	**399,176,187**	**52,593,123**	**451,769,310**	**28,986,918**	**(8,519,080)**	**472,237,148**	**(8,519,080)**	**472,237,148**
Current liabilities										
Trade and other payables	16,775,397	–	16,775,397	–	16,775,397	1,767,838	–	18,543,235	–	18,543,235
Borrowings	100,423,227	(5,000,000)	95,423,227	(95,000,000)	423,227	7,748,835	(7,748,835)	423,227	(7,748,835)	423,227
Employee benefits	653,364	-	653,364	-	653,364	–	–	653,364	–	653,364
Total current liabilities	**117,851,988**	**(5,000,000)**	**112,851,988**	**(95,000,000)**	**17,851,988**	**9,516,673**	**(7,748,835)**	**19,619,826**	**(7,748,835)**	**19,619,826**
Non-current liabilities										
Borrowings	39,566,086	-	39,566,086	–	39,566,086	–	–	39,566,086	–	39,566,086
Employee benefits	96,192	-	96,192	–	96,192	–	–	96,192	–	96,192
Deferred tax liability	37,000	-	37,000	–	37,000	–	–	37,000	–	37,000
Provisions	2,952,192	-	2,952,192	–	2,952,192	–	–	2,952,192	–	2,952,192
Total non-current liabilities	**42,651,470**	**-**	**42,651,470**	**–**	**42,651,470**	**–**	**–**	**42,651,470**	**–**	**42,651,470**
Total liabilities	**160,503,458**	**(5,000,000)**	**155,503,458**	**(95,000,000)**	**60,503,458**	**9,516,673**	**(7,748,835)**	**62,271,296**	**(7,748,835)**	**62,271,296**
Net assets	**251,932,729**	**(8,260,000)**	**243,672,729**	**147,593,123**	**391,265,852**	**19,470,245**	**(770,245)**	**409,965,852**	**(770,245)**	**409,965,852**
Equity										
Issued capital	339,007,453	(8,260,000)	330,747,453	147,593,123	478,340,576	46,622,005	(27,422,005)	497,540,576	(37,002,805)	487,959,776
Share based payments reserve	9,603,242	–	9,603,242	–	9,603,242	3,005,214	(3,005,214)	9,603,242	(3,005,214)	9,603,242
Fair value reserve	104,000	–	104,000	–	104,000	–	–	104,000	–	104,000
Retained losses	(83,744,759)	–	(83,744,759)	–	(83,744,759)	(30,156,974)	29,656,974	(84,244,759)	29,656,974	(84,244,759)
Total parent entity interest	**264,969,936**	**(8,260,000)**	**256,709,936**	**147,593,123**	**404,303,059**	**19,470,245**	**(770,245)**	**423,003,059**	**(10,351,045)**	**413,422,259**
Minority interests	(13,037,207)	–	(13,037,207)	–	(13,037,207)	–	–	(13,037,207)	9,580,800	(3,456,407)
Total equity	**251,932,729**	**(8,260,000)**	**243,672,729**	**147,593,123**	**391,265,852**	**19,470,245**	**(770,245)**	**409,965,852**	**(770,245)**	**409,965,852**

10.7.3. Basis of preparation of pro forma 30 June 2013 balance sheet

The consolidated pro-forma statement of financial position (“**Pro-forma Statement of Financial Position**”) has been based on the statement of financial position extracted from the audited consolidated Annual Financial Report of Cockatoo and its Controlled Entities (together, the “**Group**”) as at 30 June 2013, adjusted for the pro forma transactions and/or adjustments described below.

The Pro-forma Statement of Financial Position has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (“**AASBs**”) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (“**AASB**”) and the significant accounting policies set out in note 3 of Cockatoo’s 2013 Annual Financial Report.

The Pro-forma Statement of Financial Position and accompanying notes is presented in an abbreviated form and does not include all of the disclosures, statements or comparatives required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Basis of measurement

The Pro-forma Statement of Financial Position has been prepared on the historical cost basis, except for derivative financial instruments and available for sale financial assets which are measured at fair value.

Functional and presentation currency

The Pro-forma Statement of Financial Position is presented in Australian dollars, which is the functional currency.

Use of estimates and judgments

The preparation of the pro-forma Statement of Financial Position requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below under exploration and evaluation expenditure and acquisition of controlled entities.

Pro-forma Statement of Financial Position adjustments

The Pro-forma Statement of Financial Position is based on the audited balance sheets of Cockatoo and Blackwood as at 30 June 2013, adjusted to reflect the following transactions assumed to have occurred at 30 June 2013:

a) **Completion of sale of 30% interest in Hume Coal Pty Limited**

The following adjustments are made in connection with the completion of the sale of Cockatoo's interest in Hume Coal Pty Limited as announced to the ASX on 14 August 2013. Consideration received from the sale included A$9.74 million in cash and the cancellation of 134,807,307 shares in Cockatoo held by POSCO Australia Pty Limited (the acquirer).

b) **Proposed share issue**

The following adjustments are made in connection with a proposed share issue to present the Pro-forma Statement of Financial Position as if the transactions detailed below had occurred as at 30 June 2013:

- the issue of a number of fully paid ordinary shares to raise gross proceeds of A$153.3 million under the Cockatoo Equity Raising. The proceeds reflected on the balance sheet are net of certain transaction costs noted below; and
- the payment of transaction costs associated with the above issue of fully paid ordinary shares amounting to A$5.7 million which is recognised against issued capital.

c) **Repayment of KEBA Loan**

The following adjustment is made in connection with one component of the proposed use of funds following the Cockatoo Equity Raising detailed at (a). The funds raised from the Cockatoo Equity Raising will be used to repay the outstanding loan from KEBA.

d) Acquisition of Blackwood Corporation Limited

The following adjustments are made in connection with the Offer. There are a number of Conditions that need to be satisfied (or waived) prior to Cockatoo successfully acquiring Blackwood. The Pro-Forma Statement of Financial Position adjustments assume the acquisition of Blackwood is completed with all Conditions having been satisfied (or waived) and the acquisition occurs at the values stated:

- Cockatoo acquires 100% or 50.1%[22] of Blackwood Shares under the Offer;
- consideration for the acquisition is in the form of Cockatoo Shares which have an assumed value of A$0.05 per Cockatoo Share. Blackwood Shareholders will receive 2 Cockatoo Shares for each Blackwood Share held. The actual consideration value will be dependent on the Cockatoo Share price on the acquisition date. The acquisition has been accounted for as a business combination under AASB 3 Business Combinations, with the assets and liabilities acquired based on the audited balance sheet of Blackwood as at 30 June 2013 and based on a provisional purchase price allocation performed by Cockatoo;
- the payment of transaction costs associated with the above acquisition amounting to A$0.5 million which is recognised against accumulated losses; and
- the loan facility agreement provided by Noble to Blackwood states that Noble can demand repayment of the loan on a change of control transaction. The pro-forma adjustments assume that the Noble Facility is repaid.

10.7.4. Pro forma historical income statement

A pro forma Merged Group consolidated income statement has not been prepared as the presentation of this information without adjusting for the impacts of the acquisition would not present meaningful information and may be misleading. Determination of the actual deemed purchase consideration and the allocation of any excess consideration over book values to individual assets, and the subsequent depreciation and amortisation that will impact the Merged Group, will be based on future events which are uncertain and require a detailed analysis of the fair value of individual assets and liabilities to be undertaken. The Merged Group has 12 months from the date of acquisition to determine fair values and the allocation of the purchase price.

10.8. Forecast financial information for the Merged Group

Cockatoo has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information for the Merged Group. The Cockatoo Directors have concluded that, as at the date of this Bidder's Statement, and given the development stage of the Merged Group's asset portfolio, it would be misleading to provide forecast financial information, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of the Merged Group in any period will be influenced by various factors that are outside the control of the Cockatoo Directors and that cannot, at this time, be predicted with a high level of confidence. In particular, the financial performance of the Merged Group will be materially affected by:

- prevailing contract prices that will be settled for thermal and metallurgical coal;
- prevailing exchange rates, especially the A$/US$ exchange rate, which are subject to material change from time to time;
- the timing and level of production, particularly at the Baralaba Expansion;
- costs related to exploration, development and operating activities;
- the timing and capacity of planned port and rail developments; and
- the ability of the Merged Group to realise potential synergies referred to in Section 10.3.

[22] On a fully diluted basis taking into account 7,225,000 performance rights over ordinary shares in Blackwood Corporation Limited.

11. Risk factors

11.1. Introduction

If the Offer becomes unconditional, Blackwood Shareholders who accept the Offer will become Cockatoo Shareholders, and Cockatoo will acquire an interest in Blackwood. In that event, Blackwood Shareholders will continue to be indirectly exposed to the risks associated with having an interest in Blackwood's assets and general economic, share market and industry risks. There are also additional risks relating to the Offer and the Merged Group, to which Blackwood Shareholders will be exposed through their holding of Cockatoo Shares.

11.2. General risks

11.2.1. Economic conditions

Cockatoo's funding position, financial performance and ability to execute its development strategy is impacted by a variety of general global economic, political, social and business conditions. In addition to coal prices and currency fluctuations (see below), factors that have the potential to impact Cockatoo's business include inflation, interest rates and other general economic factors. Deterioration in any of these conditions could have an adverse impact on Cockatoo's financial position and / or financial performance.

11.2.2. Share market conditions

Blackwood Shareholders should be aware that there are risks associated with an investment in financial products on a stock exchange. Share price movements could affect the value of the Offer Consideration and the value of any investment in Cockatoo.

The value of Cockatoo Shares can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies, investor perceptions, movements in interest rates and stock markets, prices of Cockatoo's products, variations in the operating costs and development and sustaining capital expenditure which Cockatoo will require in the future.

11.2.3. Liquidity

There can be no guarantee that there will continue to be an active market for Cockatoo Shares or that the price of Cockatoo Shares will increase. There may be relatively few buyers or sellers of Cockatoo Shares on ASX at any given time. This may affect the volatility of the market price of Cockatoo Shares. It may also affect the prevailing market price at which Cockatoo Shareholders are able to sell their Cockatoo Shares.

11.2.4. General mining sector risk

As with any enterprise conducting business in the mining sector, there are risks outside the control of Cockatoo that will affect Cockatoo's business. These risks include those associated with:

- abnormal stoppages in coal production or delivery due to factors such as industrial disruption, infrastructure access, environmental hazards, major equipment failure or accident;
- unforeseen adverse geological, mining conditions or technical difficulties and/or changes to predicted coal quality;
- the state of supply and demand for coal in Australian and overseas markets and the effect on coal prices;
- risk relating to changes in government regulations (including those relating to environmental taxes, industrial relations, mine developments, restrictions on operations (such as those relating to noise, dust or water) and climate change) and government imposts such as royalties, transportation charges and taxes;
- risks to land titles and mining titles;

- native title claims;
- claims made by persons living in close proximity to mining projects; and
- contract default by mining contractors or major customers.

11.2.5. Adverse changes to government policy and legislation

Changes in government policy may have an adverse impact on Cockatoo's operational performance as well as actual or potential profitability. Changes which may have an adverse impact on Cockatoo include (but are not limited to):

- changes in taxation laws (for example implementation of the Mineral Resources Rent Tax and Carbon Tax);
- changes in the state royalty applicable to coal companies in the Australian states in which Cockatoo operates;
- introduction of increased environmental legislation, including increased fines and penalties for non-compliance, increased bonding requirements, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees;
- introduction of increased safety legislation that may result in a heightened degree of responsibility for companies, their directors and employees; and
- changes in legislation that may impact Cockatoo's ability to obtain the necessary approvals and permits to develop its portfolio.

11.3. Specific risks relating to Cockatoo

11.3.1. Exploration and development risks

The majority of Cockatoo's projects are still at an exploration / evaluation stage. Coal exploration and mine development generally involves a high degree of risk and is subject to a range of hazards and uncertainty that may impact on ultimate project viability.

Cockatoo's Ore Reserves and Mineral Resources are based on estimates and assumptions and hence subject to uncertainty. Resource estimates are stated in compliance with the JORC Code however are expressions of judgement based on knowledge, experience and industry practice. These estimates were appropriate when made, but may change significantly when new information becomes available. For example, further exploration may result in changes to the estimated size and quality of coal Reserves and the estimated costs of recovering coal from the exploration projects, affecting the viability of those projects.

There can be no assurance that Cockatoo's proposed exploration and evaluation program will successfully convert Resources into Reserves or that Reserves will be commercially exploited.

11.3.2. Mining and development risk

Mining and development operations can be hampered by force majeure circumstances, environmental considerations and cost overruns for unforeseen events. In respect of its business activities, Cockatoo has made estimates of capital expenditures, operating costs and working capital requirements based on current circumstances, and its current understanding of those matters. There is a risk that actual circumstances may differ from Cockatoo's estimates and current understanding, with adverse consequences.

11.3.3. Infrastructure risks

Cockatoo is committed to take-or-pay obligations for both port and rail associated with the Baralaba Expansion. An inability to deliver the Baralaba Expansion on time or at the planned production rate may have material adverse effects on Cockatoo.

Commercialisation of a significant portion of Cockatoo's Resources will require the development of, and Cockatoo's access to, new infrastructure including, but not limited to, the Surat Basin Railway and expansion of the Wiggins Island Coal Export Terminal. Neither the Surat Basin Railway nor the Wiggins Island Coal Export Terminal Expansion projects have reached financial close, meaning that at this stage there can be no assurance that either project will be completed. In the event that these projects proceed to development, there can be no assurance that Cockatoo will obtain sufficient volume allocations necessary to support the development of its project suite.

Further, there can be no assurance that access to rail and port facilities could be obtained on commercially or economically viable terms.

11.3.4. Joint venture and third party risks

Cockatoo does not own 100% of all projects in which it is involved. Through Cockatoo's participation in joint ventures and its use of contractors and other third parties for exploration, mining and other services, it is reliant on a number of third parties for the success of its current operations and for the development of its exploration projects.

Failure to agree on a plan or any plan to develop a jointly owned asset, or a refusal or inability of any joint owner on an asset to contribute its share of funding of the cost of the development of a jointly owned asset could cause problems for Cockatoo.

Problems caused by third parties may arise which have the potential to impact on the timing, performance and operations of Cockatoo. Any failure by counterparties to perform their obligations may have a material adverse effect on Cockatoo and there can be no assurance that Cockatoo would be successful in attempting to enforce any of its contractual rights through legal action.

A condition precedent to drawdown of the Cockatoo Project Finance Facilities is that JFE commits to continue to proceed with the Baralaba Expansion by 30 June 2014. In the event that JFE do not commit to continue with the project, Cockatoo will need to agree a plan satisfactory to ANZ in order to drawdown the Facilities. If an agreement cannot be reached there is a risk that Cockatoo will be unable to drawdown on the Cockatoo Project Finance Facilities. A summary of the Cockatoo Project Finance Facilities is provided in section 5 of Schedule B of this Bidder's Statement.

11.3.5. Environmental approvals risks

Cockatoo will require certain licences and approvals to develop its project suite. Not all such approvals and licences are currently in place. Failure to obtain, or delays in obtaining, such approvals and licences may adversely affect Cockatoo.

Cockatoo only currently has an approval for a 1.0Mtpa mining lease at the Baralaba Expansion project, and still need to receive the 3.5Mtpa mining lease approval to drawdown on the Cockatoo Project Finance Facilities and complete development of the Baralaba Expansion project. Problems or delays in securing the 3.5Mtpa mining lease approval may materially impact the performance and operations of Cockatoo.

11.3.6. Access to future funding

Cockatoo may require additional funding to fully fund the Baralaba Expansion. An inability to raise additional funds may delay the project, restrict the drawdown of the Cockatoo Project Finance Facilities and adversely affect Cockatoo.

The majority of Cockatoo's projects are early stage and will require additional drilling, evaluation and feasibility study work prior to development. Should Cockatoo proceed to develop its projects it is likely that significant capital expenditure will be required. This process will require substantial additional funding. There can be no assurance that such funding will be available on acceptable terms, or at all.

11.3.7. Ability to draw on the Cockatoo Project Finance Facilities

Cockatoo have a number of conditions precedent that must be achieved before Cockatoo can draw on the Cockatoo Project Finance Facilities.

The material conditions include finalising finance and project documents, granting of the 3.5Mtpa mining lease, securing off-take agreements for 75% of production, securing sufficient financing to fund development, repayment of the KEBA Loan and JFE committing to continue with the project. The finance and project documents also contain conditions of a more general nature, including conditions relating to market based and project / sponsor based material adverse changes not occurring prior to draw-down. There can be no assumption that all the conditions will be met.

In addition, as is customary for project finance facilities, drawdown of the Cockatoo Project Finance Facilities requires Cockatoo to provide equity financing sufficient to fund development of the Baralaba Expansion (in conjunction with the Cockatoo Project Finance Facilities). Part of this equity financing is expected to come from cashflows from the Baralaba Mine as well as cash that is currently restricted. There is a risk that the size or timing of these cashflows will differ from Cockatoo budgeting which could result in additional equity financing being required in order to draw on the Cockatoo Project Finance Facilities.

The agreement by ANZ to provide the Cockatoo Project Finance Facilities is reflected in a binding term sheet, rather than fully documented facilities. This term sheet includes conditions which the borrower must satisfy, the non-satisfaction of which will affect the ability of Cockatoo to obtain the Cockatoo Project Finance Facilities. Any failure to enter into the Cockatoo Project Finance Facilities (including because of a failure to reach final agreement in respect of definitive documentation) or entry into the Facilities on terms less favourable to Cockatoo than those set out in the term sheet could have a material adverse effect on Cockatoo.

11.3.8. Ability to secure mezzanine financing

Cockatoo may require mezzanine financing to fully fund the Baralaba Expansion, and there can be no guarantee that Cockatoo will be able to secure mezzanine financing on reasonable terms. Failure to enter into a mezzanine facility on reasonable terms may have a material adverse effect on Cockatoo and its ability to fund the Baralaba Expansion.

An inability to secure mezzanine financing may delay the project, restrict the drawdown of the project Cockatoo Project Finance Facilities and adversely affect Cockatoo.

11.3.9. Effect of control

The concentration of Cockatoo ownership with major strategic shareholders (being SKN, Noble and Harum) upon the completion of the Cockatoo Equity Raising will likely limit other Cockatoo Shareholders' ability to influence corporate matters. If Cockatoo successfully acquires 100% of all Blackwood securities, SKN, Noble and Harum will, in aggregate, own approximately 58% of Cockatoo Shares outstanding after the Cockatoo Equity Raising. As a result, these Cockatoo Shareholders, if they were to act together, will have significant influence over all matters that require approval by Cockatoo Shareholders, including the election of directors and approval of significant corporate transactions. Corporate action might be taken even if other Cockatoo Shareholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control that other Cockatoo Shareholders may view as beneficial.

11.3.10. Coal prices and currency fluctuations

Cockatoo's revenues are largely dependent on the prices it receives for coal. Fluctuations in coal prices could have an adverse impact on Cockatoo's financial performance and future prospects. The prices Cockatoo may receive for its coal in the future depend on numerous factors beyond its control including, but not limited to demand for coal, competition, transport facilities and government regulations.

Cockatoo's coal sales are generally denominated in US dollars. Although steps may be taken to manage currency risk via hedging of a proportion of the US dollars expected to be received under export contracts, adverse movements in the Australian dollar against the US dollar can have an adverse impact on Cockatoo. Cockatoo currently has no currency hedging in place.

11.3.11. Environmental guarantees

Cockatoo is still in discussions with the Queensland Government about the quantum of the environmental guarantees required for the Baralaba Expansion. There can be no assurance that Cockatoo's expected environmental guarantee estimate will be correct and that Cockatoo will have sufficient facilities in place to cover the obligations.

11.3.12. Landholder and resource tenure

Cockatoo's land and resource tenure may be disputed by various parties such as community action groups resulting in disruption and/or impediment in the operation or development of a resource. Any new mine development or expansion of existing operations will require landholder, native title and cultural heritage issues to be addressed, which can have significant timing and cost implications.

11.3.13. Claims, liability and litigation

The risk of litigation is a general risk of Cockatoo's business. Cockatoo may incur costs in making payments to settle any such claims or complying with any court order which may not be adequately covered by insurance, or at all. Such payment may have an adverse impact on Cockatoo's profitability and financial position, and may impact Cockatoo's ability to execute its development plans in part or in full.

11.3.14. Personnel

Cockatoo requires access to appropriately skilled and qualified individuals and there can be no assurances that personnel with the appropriate skills will be available. Cockatoo is subject to the risk of industrial action and work stoppages by employees and contractors who provide services which are necessary for the continued operation of the businesses of Cockatoo.

11.3.15. Management

Cockatoo is dependent upon a number of key management personnel and executives to manage the day-to-day requirements of its businesses. The loss of the services of one or more of such key management personnel could have an adverse effect on Cockatoo.

The success of Cockatoo relies on being able to recruit skilled staff. Not being able to access skilled staff may impact the implementation of the business plan and the ability of Cockatoo to achieve production targets within budgetary constraints.

11.3.16. Insurance

Cockatoo and Blackwood currently each maintain insurance coverage as determined appropriate by their respective boards and management, but no assurance can be given that Cockatoo will continue to be able to obtain such insurance coverage.

11.4. Risks relating to the Offer and the Merged Group

11.4.1. Issue of shares as consideration

Blackwood Shareholders are being offered consideration under the Offer that consists of a specified number of Cockatoo Shares, rather than a number of Cockatoo Shares with a specified market value. As a result, the value of the consideration will fluctuate with movements in the market value of Cockatoo Shares.

Further, a significant number of Cockatoo Shares will be issued under the Cockatoo Equity Raising and the Offer. Some Cockatoo Shareholders may not intend to continue to hold their Cockatoo Shares and may wish to sell them on ASX. There is a risk that if a significant number of Cockatoo Shareholders seek to sell Cockatoo Shares, this may adversely impact the price of Cockatoo Shares.

11.4.2. Integration risks

There are risks that the integration of the Blackwood and Cockatoo businesses may take longer than expected and that anticipated benefits of the integration may be less than expected. These risks include possible differences in management culture, inability to achieve synergy benefits and cost savings, and the potential loss of key personnel.

11.4.3. Accounting

Cockatoo will be required to perform a fair value assessment of all of Blackwood's assets and liabilities if the Offer is successful. This assessment may result in increased depreciation and amortisation charges. There is a risk that these charges may be substantially greater than those that would exist in Cockatoo and Blackwood as separate businesses. This may reduce the future earnings of the Merged Group.

11.4.4. Acquisition of less than 90%

There is a risk that Cockatoo will not acquire 90% of Blackwood Shares and will therefore be unable to compulsorily acquire the remaining Blackwood Shares that would deliver Cockatoo 100% ownership of Blackwood. Depending on the level of acceptances received under the Offer, Cockatoo would seek to delist Blackwood from ASX, however, there can be no guarantee that ASX would agree to delist Blackwood where Cockatoo acquires less than 90%. While Cockatoo would consolidate Blackwood into its corporate group upon obtaining control, Cockatoo shareholders should note that Cockatoo would need to ensure that Blackwood's ASX listing is maintained which would include incurring expense to ensure that Blackwood complies with the numerous legal compliance obligations required of a listed entity.

12. Tax considerations

12.1. Introduction

The following is a general description of the Australian income tax, capital gains tax and stamp duty consequences for Blackwood Shareholders that accept the Offer and are residents in Australia for tax purposes.

Blackwood Shareholders should seek independent professional advice in relation to their own particular circumstances.

Non-resident Blackwood Shareholders accepting the Offer should also obtain advice which takes into account the tax consequences under the laws of their country of residence, as well as under Australian law.

The following description is based upon the Australian taxation laws and administrative practice of the ATO in effect at the date of this Bidder’s Statement. The summary is general in nature and is not intended to be advice or an authoritative or complete statement of the laws applicable to the particular circumstances of every Blackwood Shareholder, and should not be relied upon as such. In particular, the description does not apply to Blackwood Shareholders who acquired their Blackwood Shares pursuant to an employee share or option plan.

12.2. Australian resident shareholders

Blackwood Shareholders who accept the Offer will dispose of their Blackwood Shares by way of transfer to Cockatoo in exchange for Cockatoo Shares (with two Cockatoo Shares received for every one Blackwood Share). The taxation consequences of such a disposal will depend upon a number of factors, including:

- whether the Blackwood Shareholder holds the shares on capital account, revenue account or as trading stock (including where the tax laws 'deem' the Blackwood Shareholder to hold Blackwood Shares on capital or revenue account); and
- whether scrip for scrip roll-over is available.

12.2.1. Blackwood Shares held on capital account

(a) Capital gains tax (“CGT”) and the CGT discount

The change in the ownership of the Blackwood Shares as a result of acceptance of the Offer will constitute a capital gains tax event for Blackwood Shareholders for Australian capital gains tax purposes.

Blackwood Shareholders who are Australian residents may make a capital gain or capital loss on the transfer of Blackwood Shares acquired after 19 September 1985.

A Blackwood Shareholders:

- will make a capital gain if the market value of the Cockatoo Shares received from the disposal of the Blackwood Shares is more than the cost base of those Blackwood Shares; and
- will make a capital loss if the market value of the Cockatoo Shares received from the disposal of the Blackwood Shares is less than the reduced cost base of those Blackwood Shares.

If the Blackwood Shares were held on capital account and were held for more than 12 months before sale, the Blackwood Shareholder may qualify for the CGT discount concession in relation to the 'net' capital gain (that is, after deducting available current year and carry forward capital losses):

- where the Blackwood Shareholder is an individual, or an entity acting in the capacity as a trustee, the CGT discount is 50% of the 'net' capital gain; and
- where the Blackwood Shareholder is a complying superannuation fund, the CGT discount is 33.33%.

The CGT discount is not available to Blackwood Shareholders or trust beneficiaries who are companies, or who are treated as such for tax purposes.

(b) Scrip for scrip rollover

Blackwood Shareholders who hold their Blackwood Shares on capital account and would otherwise make a capital gain from the disposal of their Blackwood Shares under the Offer to Cockatoo may be eligible to elect for scrip for scrip rollover if the following conditions are satisfied:

- Cockatoo acquires the Blackwood Shares in consequence of a single 'arrangement';
- Cockatoo becomes the owner of at least 80% of Blackwood Shares; and
- the arrangement must be or be part of a takeover bid that is not carried out in contravention of paragraphs 612(a) to (g) of the *Corporations Act 2001*.

The consequences of the rollover will be that any capital gain for a Blackwood shareholder will be disregarded and the cost base of a Blackwood Shareholder's replacement interest in Cockatoo will be calculated by reference to a reasonable apportionment of the cost base of the Blackwood Shareholder's original Blackwood Shares.

Where Blackwood Shareholders do not elect or are not eligible to elect to apply scrip for scrip rollover, the shareholders will be subject to the general capital gains tax consequences discussed in Section 12.2.1(a).

You will be advised if the 80% threshold is satisfied.

Scrip for scrip rollover is not available if a Blackwood Shareholder would realise a capital loss on acceptance of the Offer.

12.2.2. Blackwood Shares held on revenue account

Blackwood Shareholders who hold their Blackwood Shares on revenue account (including Blackwood Shareholders that acquired their Blackwood Shares for the main purpose of reselling them at a profit or are 'deemed' for tax purposes to hold the Blackwood Shares on revenue account), will be taxed on revenue account on any gain or loss realized on the change in the ownership of the Blackwood Shares. Any CGT gain is reduced accordingly, to eliminate any potential 'double-tax'. The revenue gain or loss will be calculated as the difference between the value of the consideration, being the market value of the Cockatoo Shares received on disposal, and the cost of acquiring the Blackwood Shares.

In these circumstances scrip for scrip rollover relief will not be available.

12.2.3. Blackwood Shares held as trading stock

Blackwood Shareholders who are engaged in the business of share trading by regularly buying and selling shares with a view to making profits in the ordinary course of carrying on a business of share trading may be considered to hold their Blackwood Shares as trading stock.

Australian resident Blackwood Shareholders who hold their Blackwood Shares as trading stock will include the market value of the Cockatoo Shares received from accepting the Offer in their ordinary income. Any CGT gain is reduced accordingly, to eliminate any potential 'double-tax'.

In these circumstances, scrip for scrip rollover relief will not be available.

12.3. Non resident shareholders

Blackwood Shareholders who are not residents in Australia for income tax purposes and who hold Blackwood Shares on capital account will not be subject to Australian capital gains tax on the disposal of Blackwood Shares unless:

- both of the following tests are satisfied:
  - the 'non-portfolio interest' test (that is, the Blackwood Shareholder, together with its Associates, holds a 10% or greater interest in Blackwood Shares at the time of disposal, or held such an interest throughout a 12 month period that began no earlier than 24 months before the time of disposal);
  - the 'principal asset' test (that is, the sum of the market values of Blackwood's assets that are 'taxable Australian real property' exceeds the sum of the market values of its assets that are not 'taxable Australian real property'); or
- the Blackwood Shareholder owned the Blackwood Shares through a permanent establishment in Australia.

Non-resident shareholders who would otherwise be subject to CGT and who hold their Blackwood Shares on capital account may also be eligible to claim scrip for scrip rollover relief as outlined in Section 12.2.1(b) above.

Recent changes to Australia's tax laws have removed any CGT discount concession for non-resident taxpayers after 8 May 2012. Non-resident taxpayers may be eligible for the CGT discount (referred to above) on increments in value up to 8 May 2012.

Blackwood Shareholders who are not resident in Australia for income tax purposes and who hold Blackwood Shares on revenue account or as trading stock may be assessed in Australia on any gain or profit on the disposal of the Blackwood Shares. The taxation consequences will depend however upon the provisions of any double tax agreement or treaty between the country of residence of the Blackwood Shareholder and Australia.

You should seek specific advice on the application of these rules to your particular circumstances.

12.4. Australian tax consequences of owning Cockatoo Shares

12.4.1. Dividends from Cockatoo

Any dividends and franking credits received by an Australian resident shareholder of Cockatoo by virtue of holding Cockatoo Shares should be included in the assessable income of the Cockatoo Shareholder. Where the Cockatoo Shareholder is an individual who is an Australian resident or a complying superannuation fund, and the shareholder has excess franking credits available for the income year, those excess franking credits may be refunded by the ATO to the Cockatoo Shareholders.

Cockatoo Shareholders who are companies are not entitled to receive a refund of excess franking credits, but may convert any excess franking credits into a loss that may be utilised in future years (subject to the loss utilisation rules).

Shareholders are generally required to have held their shares 'at risk' for 45 days in order to be eligible for the franking benefits outlined above.

Dividend withholding tax will apply to any 'unfranked' dividend received by a non-resident Cockatoo Shareholder (or other holders whose registered address is outside Australia, or who authorise or direct that their dividends be paid at a place outside Australia). The rate will be 30% unless varied by a relevant double tax agreement or treaty.

Tax File Number ("TFN") – ABN (Australian Business Number)

It is not compulsory for investors to provide Cockatoo with their Tax File Number. However, without the TFN or appropriate exemption information, Cockatoo will be required to withhold tax from dividends paid to the investor at the highest Australian marginal income tax rate (plus Medicare levy) until the TFN or exemption is quoted.

An ABN (Australian Business Number) may be used as an alternative to quoting a TFN where the investment in Cockatoo is in the course of carrying out an enterprise. Cockatoo is authorised under Australia's taxation laws to collect the TFN and ABN in conjunction with the investment in its Cockatoo Shares.

12.4.2. Disposal of Cockatoo Shares

The taxation consequences of a disposal of Cockatoo Shares will depend upon a number of factors, including the circumstances of the disposal, the residency of a shareholder and whether the shareholder holds the shares on capital account, revenue account or as trading stock.

More specifically, the taxation consequences of a disposal of Cockatoo Shares will be broadly in accordance with the principles outlined under Sections 12.2 and 12.3.

In determining whether the 12 month holding period requirement is satisfied for CGT discount purposes, the acquisition date for the Cockatoo Shares is 'grandfathered' and taken to be the date of acquisition of the Blackwood Shares.

12.5. Goods and services tax

Holders of Blackwood Shares should not be liable to GST in respect of a disposal of those Shares.

12.6. Stamp duty

No stamp duty should be payable by Blackwood Shareholders on disposal of Blackwood Shares and acquisition of Cockatoo Shares under the Offer.

13. Additional information

13.1. Bid Implementation Agreement

On the Announcement Date, Cockatoo entered into the Bid Implementation Agreement with Blackwood. A copy of the Bid Implementation Agreement was attached to Cockatoo's and Blackwood's respective ASX announcements on 17 October 2013. The key terms are summarised in Schedule A of this Bidder's Statement.

13.2. ASIC relief

ASIC relief from the Corporations Act may be required for Cockatoo to extend the Offer to Blackwood Shares that are issued during the period from the Record Date to the end of the Offer Period due to the conversion of, or exercise of rights attached to, Blackwood Performance Rights, that are on issue at the Record Date. Cockatoo has applied for this relief from ASIC and expects a decision on its application to be made at a time that would provide sufficient time for holders of Blackwood Shares issued upon the vesting of, conversion of, or exercise of rights attached to Blackwood Performance rights to accept the Offer.

13.3. Agreements with Blackwood Directors

There is no agreement between Cockatoo and a Blackwood Director or another Officer of Blackwood in connection with or conditional on the outcome of the Offer.

13.4. No inducing benefits given, offered or agreed during previous four months

During the four months before the Offer Date, neither Cockatoo nor any of its Associates gave, offered to give or agreed to give a benefit to another person that induced, or was likely to induce, the other person or an associate to:

- accept the Offer; or
- dispose of Blackwood Shares,

that was not offered to all holders of securities in the bid class.

On 17 October 2013, Cockatoo entered into agreements to effect the Noble Placement and the grant of certain marketing rights to Noble. The terms of those agreements are summarised in sections 1 and 2 of Schedule B of this Bidder's Statement. It is important to note the following in relation to those agreements.

No link to acceptance or disposal by Noble

The Noble Subscription Deed was not entered into, and the marketing rights were not granted to Noble, in exchange for, or conditional on, Noble's acceptance of the Offer.

The Noble Subscription Deed was entered into to give effect to the Noble Placement, which was the outcome of an 18 month process under which Cockatoo and its advisers considered a number of strategic, operational and funding options to address Cockatoo's main objectives of finding a funding solution to repay the A$95m KEBA Loan and fund the Baralaba Expansion.

The marketing rights were granted to Noble in order to secure Noble's agreement to undertake the Noble Placement. Noble commonly requires the grant of such marketing rights in conjunction with equity subscriptions it makes as part of Noble's business model. Noble is a market leading trader of bulk commodities, and the marketing rights ensure access to high quality end market users for product coal produced by Cockatoo and its related bodies corporate, including Baralaba Expansion product coal.

Benefits are independent of Noble's shareholding in Blackwood

As the marketing rights granted to Noble are consistent with Noble's business model, and the terms of the Noble Subscription Deed are part of the Cockatoo Recapitalisation, each are independent of Noble's shareholding in Blackwood.

Both the Noble Placement and the marketing rights granted to Noble are not conditional on a successful outcome of the Offer. Even if the Offer is unsuccessful (for example, because Noble does not accept the Offer and the 52.1% minimum acceptance condition is not satisfied), completion of the Noble Placement and the Cockatoo Equity Raising can still take place and the marketing rights agreement can still become effective.

Benefits are in return for valuable consideration and at arm's length

The benefits provided to Noble under the Noble Placement, and the grant of the marketing rights, are in return for valuable consideration to be paid by Noble, being the subscription price under the Noble Placement. That subscription price was at a premium to the price to be paid by other investors who are participating in the institutional placement component of Cockatoo's Equity Raising.

Cockatoo's Directors also consider that those benefits were agreed when the parties were dealing at arm's length. They were negotiated with Noble at a time when Noble did not have any direct or indirect interest in Cockatoo and when Noble and Cockatoo did not have any commercial relationships.

13.5. Potential for waiver of Conditions

The Offer is subject to the Conditions set out in Section 14.7.1. Under the terms of the Offer and the Corporations Act, any or all of those Conditions may be waived by Cockatoo.

If an event occurs which results (or would result) in the non-fulfilment of a Condition, Cockatoo might not make a decision as to whether it will either rely on that non-fulfilment, or instead waive the Condition, until the date for giving notice as to the status of the Conditions of the Offer under section 630(3) of the Corporations Act. If Cockatoo decides that it will waive a Condition, it will announce that decision to ASX in accordance with section 650F of the Corporations Act.

If any of the Conditions are not fulfilled, and Cockatoo decides to rely on the non-fulfilment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant Blackwood Shares will be returned to the holder.

13.6. Status and effect of other Conditions

As at the date of this Bidder's Statement, Cockatoo is not aware of any events or circumstances which would result in the non-fulfilment of any of the Conditions in Section 14.7.1.

13.7. Foreign Shareholders

Restrictions in certain foreign countries make it impractical or unlawful for Cockatoo to offer Blackwood Shareholders shares in Cockatoo.

If you are a Foreign Shareholder and you accept the Offer, you will not receive any Cockatoo Shares. Instead, you will receive in respect of your Blackwood Shares a cash amount calculated in accordance with Section 14.2.7(c) of this Bidder's Statement.

The Offer is not registered in any jurisdiction outside Australia. It is your sole responsibility to satisfy yourself that you are permitted by any law of a country other than Australia applicable to you to accept this Offer and to comply with any other necessary formality and to obtain any necessary governmental or other consents.

13.8. Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

13.9. Due diligence on Blackwood

Prior to the announcement by Cockatoo and Blackwood that a Bid Implementation Agreement had been entered into, Cockatoo carried out a limited 'due diligence' review of the business and affairs of Blackwood and its subsidiaries. During the course of the due diligence, representatives of Cockatoo inspected certain records and management accounts of Blackwood.

The information obtained by Cockatoo during this due diligence review is either in the public domain, is disclosed in this Bidder's Statement or is not material to the making of a decision by a Blackwood Shareholder whether or not to accept the Offer.

13.10. Blackwood's material disclosures to ASX

Blackwood is a disclosing entity for the purposes of the Corporations Act and therefore is subject to regular reporting and disclosure obligations.

13.11. Cockatoo is a disclosing entity

Cockatoo is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to Cockatoo (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the office of ASIC.

Cockatoo will provide a copy of each of the following documents, free of charge, to any person on requires between the date of issue of this Bidder's Statement and the date the Offer closes:

- the annual financial report most recently lodged by Cockatoo with ASIC; and
- any documents used to notify ASX of information relating to Cockatoo during that period in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of these announcements can be obtained from Cockatoo's website at www.cockatoocoal.com.au.

13.12. Consent to early despatch

Blackwood has consented to Cockatoo sending this Bidder's Statement to Blackwood Shareholders earlier than would otherwise be permitted under the Corporations Act, being as early as the same date on which Cockatoo sends a copy of the Bidder's Statement to Blackwood in accordance with item 3 of section 633(1) of the Corporations Act.

13.13. Consents

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or on the company announcement platform of ASX by Blackwood and others. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of these documents, please contact the Shareholder Information Line (established by Blackwood) on 1300 356 497 (callers within Australia) or +61 3 9415 4067 (callers outside Australia) and you will be sent copies free of charge. Information may also be obtained from Blackwood's website at www.bwdcorp.com.au.

The following persons have given, and have not at the date of this Bidder's Statement withdrawn, their written consent to being named in this Bidder's Statement:

- Credit Suisse – in relation to being named as financial adviser to Cockatoo;
- Minter Ellison – in relation to being named as legal adviser to Cockatoo;
- Computershare – in relation to being named as the share registry to Cockatoo; and
- Oliver Holm – in relation to being named as Cockatoo's competent person.

Neither of these persons, firms or companies has caused or authorised the issue of this Bidder's Statement or has in any way been involved in the making of the Offer. The Offer is made by Cockatoo. Each of these persons, firms and companies, to the maximum extent permissible by the law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement.

As permitted by ASIC Class Order 07/429, this Bidder's Statement contains share price trading data sourced from IRESS without its consent. As permitted by ASIC Class Order 13/523, this Bidder's Statement may include or be accompanied by, without consent, certain statements which fairly represent a statement by an official person from a public official document or a published book, journal or comparable publication.

13.14. Date for determining holders of securities

For the purposes of section 633(2) of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) for each Offer is the Record Date.

13.15. Competent Person Statement

The information in this Bidder's Statement that relates to Cockatoo's Exploration Results, Mineral Resources and Ore Reserves is based on information:

- extracted from the reports entitled:
  - "Bowen Basin Projects Resource and Reserve Updated" released to ASX on 5 April 2013; and
  - "Surat Basin Projects Drilling and Resource Update" released to ASX on 16 January 2013,

  which are available to view at Cockatoo's website www.cockatoo.com.au and on Cockatoo's company announcement platform at www.asx.com.au. Cockatoo confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of the estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. Cockatoo confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement; and
- compiled by Dr Oliver Holm, geologist, who is a Member of the Australasian Institute of Mining and Metallurgy. Oliver Holm is a full-time employee of Cockatoo who has sufficient experience which is 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Oliver Holm has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

13.16. Disclosure of interests of certain persons

Other than as set out in this Bidder's Statement, no:

- Cockatoo Director;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- promoter of Cockatoo; or
- underwriter to the issue or sale or a financial services licensee involved in the issue or sale,

(together, than **Interested Person**) holds at the date of this Bidder's Statement or held at any time during the 2 years prior to the date of this Bidder's Statement:

- an interest in the formation or promotion of Cockatoo; or
- property acquired or proposed to be acquired by Cockatoo in connection with Cockatoo's formation or promotion or the offer of Cockatoo Shares under the Offer.

13.17. Disclosure of fees and benefits received by certain persons

Other than as set out in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- to any Cockatoo Director, or proposed Cockatoo Director, to induce them to become, or to qualify as, a Cockatoo Director; or
- for services provided by an Interested Person in connection with the formation or promotion of Cockatoo or offer of Cockatoo Shares under the Offer.

The fees paid in connection with the preparation and distribution of this Bidder's Statement and for services provided in connection with the Offer (on the basis that the Offer is successful), including legal, accounting, taxation and financial advisers total approximately A$0.5 million.

13.18. Director interests in Cockatoo Shares and Blackwood Shares

As at 21 November 2013, the last practicable date prior to the printing of this Bidder's Statement, the beneficial interests of each Cockatoo Director in Cockatoo securities were as follows:

Director	Shares held	Options held
Mark Lochtenberg	40,109,094	Nil
Andrew Lawson	4,145,504	5,000,000 (exercise price of A$0.70 per option)
Peter Nightingale	14,550,910	Nil
Hyunsoo (Hans) Kim	Nil	Nil
J. Gillis Broinowski	2,413,636	Nil
Lindsay R. Flint	863,636	Nil
Paul G. Chappell	1,222,636	Nil
Robert A. Yeates	1,180,303	Nil
Scott Thompson	Nil	Nil

Blackwood Shareholders should note that:

- Executive Chairman, Mark Lochtenberg, proposes to acquire 28,333,333 Shares under the institutional placement component of the Cockatoo Equity Raising;
- Managing Director, Andrew Lawson, proposes to acquire 67,000,000 Shares under the institutional placement component of the Cockatoo Equity Raising;
- Director, Hyunsoo (Hans) Kim, proposes to acquire 500,000 Shares under the institutional placement component of the Cockatoo Equity Raising;
- Director, Gillis Broinowski, proposes to acquire 3,000,000 Shares under the institutional placement component of the Cockatoo Equity Raising; and
- Director, Paul Chappell, proposes to acquire 1,300,000 Shares under the institutional placement component of the Cockatoo Equity Raising.

As at 21 November 2013 (the last practicable date prior to the printing of this Bidder's Statement), no Directors have an interest in Blackwood Shares.

Further, some or all of the Cockatoo Directors who are eligible to participate in the Cockatoo SPP may apply for, and be issued with, up to A$15,000 worth of Cockatoo Shares (being a maximum of 333,333 Cockatoo Shares) under the Cockatoo SPP.

13.19. Cockatoo Recapitalisation agreements

In order to give effect to the Cockatoo Recapitalisation, Cockatoo has entered into the following material agreements:

- subscription deeds with each of SKN, Noble and Harum;
- marketing rights agreements with each of Noble and SKN;
- termination of the existing CCMC marketing arrangements with SKN;
- a commitment deed and term sheet for the Project Finance Facilities with ANZ; and
- an offer management agreement with Credit Suisse (Australia) Pty Limited.

The key terms of each of these agreements are summarised in Schedule B of this Bidder's Statement.

13.20. Information

Except for the information contained in this Bidder's Statement and in Blackwood's releases to ASX prior to the date of this Bidder's Statement, there is no information known to Cockatoo which:

- is material in the making of a decision by a holder of Blackwood Shares whether to accept the Offer; and
- has not been previously disclosed to the holders of Blackwood Shares.

14. Terms and conditions of the Offer

14.1. Offer

14.1.1. The Offer

Cockatoo offers to acquire all of your Blackwood Shares and all the Rights attaching to them on the terms set out in this Offer. Subject to ASIC granting any necessary relief from the Corporations Act (or ASIC confirming that no such relief is required), this Offer extends to Blackwood Shares that are issued during the period from the Record Date to the end of the Offer Period due to the vesting of, conversion of, or exercise of rights attached to Blackwood Performance Rights that are on issue at the Record Date.

14.1.2. Persons to whom the Offer is made

Cockatoo is making an offer in the form of this Offer to:

(a) each holder of Blackwood Shares registered in Blackwood's register of members at 9.00am Sydney, Australia time on the Record Date; and

(b) subject to ASIC granting any necessary relief from the Corporations Act (or ASIC confirming that no such relief is required), each holder of Blackwood Shares during the Offer Period that were issued:

    (i) after the Record Date; and

    (ii) as a result of the vesting of, conversion of, or exercise of rights attached to, Blackwood Performance Rights that are registered in Blackwood's register of Performance Rights Holders,

at 7.00pm Sydney, Australia time on the Record Date.

Accordingly, an Offer and copies of this Bidder's Statement will be sent to holders of Blackwood Shares on the Record Date.

14.1.3. Offer Date

This Offer is dated [•], being the date on which the first of the Offers is sent to the persons referred to in Section 14.1.2.

14.1.4. Offer Period

The Offers will remain open for the period:

(a) starting on the Offer Date; and

(b) ending at 7.00pm Sydney, Australia time on [•],

unless this period is extended in accordance with the Corporations Act or the Offers are withdrawn in accordance with the Corporations Act.

14. Terms and conditions of the Offer (CONT.)

14.1.5. Extension of the Offer Period

(a) Cockatoo may, in its sole discretion, extend the Offer Period in accordance with the Corporations Act.

(b) If, within the last seven days of the Offer Period:

  (i) the Offer is varied to improve the consideration offered; or

  (ii) Cockatoo's voting power in Blackwood increases to in excess of 50%,

the Offer Period will be automatically extended so that it ends 14 days after the relevant event.

14.1.6. Conditions

Each Offer is subject to the Conditions in Section 14.7.1.

14.1.7. If you have sold any of your Blackwood Shares

If you have sold some or all of your Blackwood Shares when this Offer is made to you, or you sell some or all of your Blackwood Shares during the Offer Period, please refer to Section 14.4.1.

14.1.8. If you are a trustee or nominee

If you are a trustee or nominee of some or all of your Blackwood Shares, please refer to Section 14.4.2.

14.2. Consideration

14.2.1. Price payable

The amount offered for each of your Blackwood Shares is two (2) Cockatoo Shares.

14.2.2. Foreign Shareholders

If you are a Foreign Shareholder then, despite any other provision of this Offer, you will not receive Cockatoo Shares as consideration for your Blackwood Shares under this Offer. Instead, if you accept this Offer, you will be paid a cash amount determined in accordance with Section 14.2.7.

14.2.3. Equal ranking

The Cockatoo Shares issued under the Offer will be fully paid shares issued by Cockatoo and will rank equally with existing Cockatoo Shares from the date of issue.

14.2.4. Date of issue

(a) If the Acceptance Form does not require you to give another document for your acceptance, Cockatoo will issue to you the Cockatoo Shares as consideration for your Blackwood Shares by the end of whichever of the following periods ends earlier:

  (i) if this Offer is unconditional when you accept this Offer, within one month after the date this Offer is accepted by you;

  (ii) if this Offer is subject to a defeating Condition when you accept this Offer, within one month after the date the takeover contract resulting from your acceptance of this Offer becomes unconditional; and

  (iii) 21 days after the end of the Offer Period if the takeover contract resulting from your acceptance of this Offer becomes unconditional.

(b) If the Acceptance Form requires another document to be given for your acceptance (such as a power of attorney):

(i) if the document is given with your acceptance, Cockatoo will issue the Cockatoo Shares to you in accordance with Section 14.2.4(a);

(ii) if the document is given after your acceptance and before the end of the Offer Period and the Offer is subject to a defeating Condition at the time Cockatoo is given the document, Cockatoo will issue to you the Cockatoo Shares as consideration for your Blackwood Shares by the end of whichever of the following periods ends earlier:

(A) one month after the date the takeover contract resulting from your acceptance of this Offer becomes unconditional; or

(B) 21 days after the end of the Offer Period if the takeover contract resulting from your acceptance of this Offer becomes unconditional;

(iii) if the document is given after your acceptance and before the end of the Offer Period and this Offer is unconditional at the time Cockatoo is given the document, Cockatoo will issue to you the Cockatoo Shares as consideration for your Blackwood Shares by the end of whichever of the following periods ends earlier:

(A) one month after the date that document is given; or

(B) 21 days after the end of the Offer Period if the takeover contract resulting from your acceptance of this Offer becomes unconditional;

(iv) if the document is given after your acceptance and after the end of the Offer Period and at the time Cockatoo is given the document the takeover contract is unconditional, Cockatoo will issue to you the Cockatoo Shares as consideration for your Blackwood Shares within 21 days after the date Cockatoo is given the document; or

(v) if the document is given after your acceptance and after the end of the Offer Period and at the time Cockatoo is given the document the takeover contract is subject to a Condition that relates only to the happening of a 'Prescribed Occurrence' (as described in Section 14.7.1(a)), Cockatoo will issue to you the Cockatoo Shares as consideration for your Blackwood Shares within 21 days after the date this Offer becomes unconditional.

14.2.5. Delivery of Consideration

The obligation of Cockatoo to allot and issue Cockatoo Shares to you under this Offer will be satisfied by Cockatoo:

(a) entering your name on the register of members of Cockatoo; and

(b) if your name is entered on the Issuer Sponsored Subregister of Cockatoo, no later than five business days after such entry, dispatching or procuring the dispatch to you, by pre-paid post to your address as shown in the latest copy of the register of Blackwood members provided by Blackwood to Cockatoo before dispatch, a holding statement in accordance with the ASX Listing Rules. If your Blackwood Shares are held in joint names and those names are entered on the Issuer Sponsored Subregister of Cockatoo, the holding statement will be issued in the name of, and dispatched to, the holder whose name appears first in Blackwood's register of members.

14.2.6. Contract avoided

Cockatoo may avoid a contract between Cockatoo and you if Cockatoo has not been given a document required in the Acceptance Form within one month after the end of the Offer Period.

14.2.7. Foreign Shareholders

If you are a Foreign Shareholder (or if Cockatoo believes that you are a Foreign Shareholder) and you accept this Offer, you will not be entitled to receive Cockatoo Shares as consideration for your Blackwood Shares. Instead, you agree that:

(a) Cockatoo will arrange for the issue to a nominee (the ***Foreign Holder Nominee***), approved by ASIC, of the Cockatoo Shares to which you and all other Foreign Shareholders would have been entitled but for this Section 14.2.7 and the equivalent section in each other offer under this Offer;

(b) Cockatoo will cause those Cockatoo Shares to be offered for sale by the Foreign Holder Nominee on ASX or another relevant financial market licensed under section 795B of the Corporations Act through which retail clients may trade in securities as soon as practicable and otherwise in such manner, at such price and on such terms as are determined by the Foreign Holder Nominee;

(c) Cockatoo will cause the amount ascertained in accordance with the formula below to be paid to you:

$$net\ proceeds\ of\ sale \times \frac{\boldsymbol{your\ Shares}}{\boldsymbol{total\ Shares}}$$

where:

net proceeds of sale is the total amount (if any) remaining after deducting the expenses of sale and any costs of appointing the nominee from the total proceeds of sale of the Cockatoo Shares issued to the Foreign Holder Nominee under this Section 14.2.7 and the equivalent provision in each other offer under this Offer; and

your Shares is the number of Cockatoo Shares that would, but for this Section 14.2.7, have been issued to you under the Offer; and

total Shares is the total number of Cockatoo Shares issued to the Foreign Holder Nominee under this Section 14.2.7 and the equivalent provision in each other offer under this Offer;

(d) payment of the amount calculated in accordance with Section 14.2.7(c) will be made by cheque drawn in Australian currency in your favour that is sent to you, at your risk, by ordinary mail (or, in the case of Blackwood Shareholders with addresses outside Australia, by airmail) to your address shown on the latest copy of the register provided by Blackwood to Cockatoo, and that under no circumstances will any interest be paid on or in relation to that amount, regardless of any delay in the remittance of the amount to you; and

(e) you irrevocably appoint Cockatoo as your agent to receive any notice, including a Financial Services Guide, if any, and any update of any such notice or document, that the Foreign Holder Nominee or its broker may provide under the Corporations Act and you acknowledge and agree that any such notice or document will be made available by Cockatoo on Cockatoo's website (www.cockatoocoal.com.au).

Neither Cockatoo nor the Foreign Holder Nominee makes any representation, warranty, undertaking or assurance as to the price that will be achieved for the sale of Cockatoo Shares described in this Section 14.2.7.

14.2.8. Certain overseas residents

If, at the time you accept this Offer, any authority or clearance of the Reserve Bank of Australia, the Australian Taxation Office or the Minister for Foreign Affairs is required for you to receive any consideration under this Offer, or you are resident in, or a resident of, a place to which, or you are a person to whom:

(a) the *Autonomous Sanctions Regulations 2011 (Cth);*

(b) the *Banking (Foreign Exchange) Regulations 1959 (Cth)*;

(c) the *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002 (Cth)*;

(d) the *Charter of the United Nations (Dealing With Assets) Regulations 2008 (Cth)*;

(e) the *Charter of the United Nations (Sanctions -- Democratic Republic of the Congo) Regulations 2008* (Cth)

(f) the *Charter of the United Nations (Sanctions -- Iran) Regulations 2008 (Cth)*;

(g) the *Charter of the United Nations (Sanctions -- Iraq) Regulations 2008 (Cth);*

(h) the *Charter of the United Nations (Sanctions -- Lebanon) Regulations 2008 (Cth);*

(i) the *Charter of the United Nations (Sanctions -- Liberia) Regulations 2008 (Cth)*;

(j) the *Charter of the United Nations (Sanctions--Al-Qaida) Regulations 2008 (Cth);*

(k) the *Charter of the United Nations (Sanctions--Cã´Te D'ivoire) Regulations 2008 (Cth)*;

(l) the Charter of the United Nations (Sanctions--Democratic People's Republic Of Korea) Regulations 2008 (Cth);

(m) the *Charter of the United Nations (Sanctions--Eritrea) Regulations 2010 (Cth)*;

(n) the *Charter of the United Nations (Sanctions--Libyan Arab Jamahiriya) Regulations 2011 (Cth)*;

(o) the *Charter of the United Nations (Sanctions--Somalia) Regulations 2008 (Cth)*;

(p) the *Charter of the United Nations (Sanctions--Sudan) Regulations 2008 (Cth)*; and

(q) any other law of Australia that would make it unlawful for Cockatoo to provide consideration for your Blackwood Shares,

applies, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive the consideration specified in this Offer unless and until all requisite authorities or clearances have been obtained by you in favour of Cockatoo.

14.3. How to accept

14.3.1. Full acceptance required

Subject to Section 14.4.2, you may only accept this Offer during the Offer Period for all your Blackwood Shares.

14.3.2. CHESS Holdings

If your Blackwood Shares are in a CHESS Holding and you are not a Participant, you may:

(a) instruct your Controlling Participant to initiate acceptance of this Offer for your Blackwood Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period; or

(b) authorise Cockatoo to instruct your Controlling Participant (usually your broker) on your behalf to initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules, by completing, signing and returning the accompanying Acceptance Form in accordance with the instructions on it. This will authorise Cockatoo to initiate a request to your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period. The Acceptance Form must be received at the address stated on it in sufficient time before the end of the Offer Period (7.00pm Sydney, Australia time on [•], unless the Offer Period is extended) to enable Cockatoo to instruct your Controlling Participant to effect acceptance of the Offer for your Blackwood Shares before the end of the Offer Period.

14.3.3. Participant

If your Blackwood Shares are in a CHESS Holding and you are a Participant, acceptance of this Offer may be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period (7.00pm Sydney, Australia time on [•], unless the Offer Period is extended).

14.3.4. Issuer Sponsored Holdings

If you hold Blackwood Shares in an Issuer Sponsored Holding, to accept this Offer you must:

(a) complete and sign the accompanying Acceptance Form in accordance with the instructions on it; and

(b) send it, and all other documents required by the instructions on the Acceptance Form, so that they are received before the end of the Offer Period (7.00pm Sydney, Australia time on [•], unless the Offer Period is extended) at the address stated on the Acceptance Form.

A reply paid return addressed envelope is enclosed for your use.

14.3.5. Cockatoo's discretion regarding incomplete or invalid acceptance

Cockatoo may, in its absolute discretion, determine that any Acceptance Form it receives is a valid acceptance, even if one or more of the requirements set out in the Acceptance Form has not been complied with or you have been sent (and you have therefore completed) the wrong Acceptance Form for the subregister on which your Blackwood Shares are held, but Cockatoo may, in its absolute discretion, decide not to pay you until:

(a) the irregularity has been resolved; and

(b) the share certificate (if any), or an acceptable indemnity, and any other document required to enable Cockatoo to be registered as the holder of your Blackwood Shares, have been given to Cockatoo.

14.3.6. Status of the Acceptance Form

The Acceptance Form that accompanies this Bidder's Statement forms part of this Offer, and the instructions on the Acceptance Form must be followed in using it to accept this Offer.

14.4. Application of this Offer

14.4.1. If another person is entitled to your Blackwood Shares

If, when this Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of your Blackwood Shares (**Transferred Shares**), then Cockatoo will be taken to have:

(a) made to the other person a corresponding offer for the Transferred Shares;

(b) made you a corresponding offer for your Blackwood Shares except the Transferred Shares; and

(c) withdrawn this Offer.

14.4.2. If you are a trustee or nominee

If at any time during the Offer Period you are a trustee for or nominee of two or more persons or your Blackwood Shares for some other reason consist of two or more separate and distinct parcels within the meaning of section 653B of the Corporations Act, then:

(a) a separate Offer will be taken to have been made to you in relation to each separate and distinct parcel of Blackwood Shares; and

(b) an acceptance by you of the Offer in respect of any separate and distinct parcel of Blackwood Shares will be ineffective unless:

   (i) you have given Cockatoo a notice, delivered in accordance with Section 14.4.3, stating that your Blackwood Shares consist of separate and distinct parcels; and

   (ii) your acceptance specifies the number of Blackwood Shares in each separate parcel to which the acceptance relates.

14.4.3. Notice of separate parcels

A notice in accordance with Section 14.4.2 must:

(a) if it relates to Blackwood Shares not in a CHESS Holding, be in writing; or

(b) if it relates to Blackwood Shares in a CHESS Holding, be in an electronic form calling in the distinct parcel indicator approved by the ASX Settlement Operating Rules for the purposes of Part 6.8 of the Corporations Act.

14.5. Effect of acceptance

By initiating acceptance of this Offer through CHESS in accordance with Sections 14.3.2 or 14.3.3, or signing and returning an Acceptance Form in accordance with Sections 14.3.2 or 14.3.4 you will have:

(a) unless Section 14.2.7 applies to you, irrevocably authorized Cockatoo to issue to you the Cockatoo Shares you are entitled to receive under the Offer and to enter (or cause the entry of) your name and address (as shown in the register of members of Blackwood last notified to Cockatoo by Blackwood) in the register of members of Cockatoo in respect of those Shares, and agree to be bound by the constitution of Cockatoo;

(b) accepted this Offer (and each variation of the Offer (if any) permitted under Part 6.6 of the Corporations Act) for all your Blackwood Shares;

(c) subject to the Conditions in Section 14.7 being fulfilled, agreed to transfer your Blackwood Shares to Cockatoo;

(d) represented and warranted to Cockatoo that:

  (i) your Blackwood Shares are at the time of acceptance, and will be on registration of the transfer of your Blackwood Shares to Cockatoo, fully paid up, and Cockatoo will acquire good title to them and full beneficial ownership of them free from all mortgages, charges, liens and other encumbrances and restrictions on transfer of any kind; and

  (ii) you have full power and capacity to sell and transfer those securities;

(e) irrevocably and unconditionally authorised Cockatoo (by its servants or agents) to complete or alter the Acceptance Form on your behalf (and irrevocably and unconditionally appoint Cockatoo, its directors, secretaries, officers, servants and agents as your attorney for that purpose) by:

  (i) inserting correct details of your Blackwood Shares;

  (ii) filling in any blanks remaining on the Acceptance Form;

  (iii) rectifying any error in or omission from the Acceptance Form; and

  (iv) completing and signing on your behalf (or as your attorney) any other instrument or transfer,

  as may be necessary to make the Acceptance Form an effective acceptance of this Offer or to enable the registration of the transfer of your Blackwood Shares to Cockatoo;

(f) if any of your Blackwood Shares are held in a CHESS Holding and you have signed an Acceptance Form for them, irrevocably authorised Cockatoo (by its servants or agents) to:

  (i) instruct your Controlling Participant to initiate acceptance of this Offer for those Blackwood Shares in accordance with the ASX Settlement Operating Rules; and

  (ii) give any other instructions in relation to those Blackwood Shares to your Controlling Participant on your behalf under the Sponsorship Agreement between you and the Controlling Participant as may be necessary to make the Acceptance Form an effective acceptance of this Offer or to enable the registration of the transfer of your Blackwood Shares to Cockatoo;

(g) irrevocably appointed Cockatoo and its directors, secretaries and officers jointly and each of them severally as your attorney, with effect from the date this Offer or any contract resulting from the acceptance of this Offer is declared free from all its conditions or those conditions are fulfilled, with power to exercise the powers and rights which you could lawfully exercise as the registered holder of your Blackwood Shares, including:

  (i) requesting Blackwood to register your Blackwood Shares in the name of Cockatoo;

  (ii) applying for a replacement certificate in respect of any share certificate that has been lost of destroyed;

  (iii) attending and voting at a meeting of Blackwood;

  (iv) demanding a poll for a vote taken at or proposing or seconding a resolution to be considered at a meeting of Blackwood;

  (v) requisitioning a meeting of Blackwood;

  (vi) signing any form, notice or instrument relating to your Blackwood Shares; and

  (vii) doing all things incidental and ancillary to any of Sections 14.5(g)(i) to (g)(vi),

  and you acknowledge and agree that the attorney may exercise those powers in the interests of Cockatoo as the intended registered holder of your Blackwood Shares;

(h) agreed not to attend or vote in person at any meeting of Blackwood, except as permitted by Cockatoo, or to exercise or purport to exercise any of the powers conferred on Cockatoo and its directors, secretaries and officers in Section 14.5(g);

(i) irrevocably authorised and directed Blackwood to pay or account to Cockatoo for all Rights if and when the contract resulting from your acceptance of the Offer becomes unconditional. Cockatoo will account to you for any Rights received by it if this Offer is withdrawn or the contract resulting from your acceptance of this Offer is rescinded under Section 14.7.4 or is rendered void under Section 14.7.7;

(j) except where Rights have been paid or accounted for under Section 14.5(i), irrevocably authorised Cockatoo to deduct from the consideration payable for your Blackwood Shares, the amount or value of all Rights under Sections 14.6.1 and 14.6.2;

(k) irrevocably authorised Cockatoo and its nominees to do all things necessary to transfer your Blackwood Shares to Cockatoo (including to cause the transmission of a message in accordance with Rule 14.17.1 of the ASX Settlement Operating Rules so as to transfer your Blackwood Shares which are in a CHESS Holding to the Takeover Transferee Holding) even if Cockatoo has not yet paid the consideration due to you;

(l) agreed to execute all documents, transfers and assurances as may be necessary or desirable to convey your Blackwood Shares and Rights to Cockatoo; and

(m) agreed to fully indemnify Cockatoo in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or your Security Reference Number or in consequence of the transfer of your Blackwood Shares to Cockatoo being registered by Blackwood without production of your Holder Identification Number or your Security Reference Number.

14.6. Dividends and other entitlements

14.6.1. Cash Rights

If any cash Rights are declared, paid, made, arise or accrue to you as the holder of your Blackwood Shares, Cockatoo may reduce the price specified in Section 14.2.1 by the amount of the Rights, unless the benefit of the Rights is passed to Cockatoo under Section 14.5(i).

14.6.2. Non-cash Rights

If any non-cash Rights are issued, made, arise or accrue to you as the holder of your Blackwood Shares, Cockatoo may reduce the price specified in Section 14.2.1 by the value (as reasonably determined by the chair of ASX or his nominee or, if such a determination is not made within two weeks of a request being made of them by Cockatoo, as reasonably determined by Cockatoo) of the non-cash Rights, unless the benefit of the Rights is passed on to Cockatoo under Section 14.5(i).

14.7. Conditions of the Offer

14.7.1. Conditions

(a) Prescribed Occurrences

Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following events (each a **Prescribed Occurrence**) occurs:

(i) Blackwood converts all or any Blackwood Shares into a larger or smaller number of Blackwood Shares or Shares (as applicable);

(ii) any member of the Blackwood Group resolves to reduce its capital in any way;

(iii) any member of the Blackwood Group:

(A) enters into a buy-back agreement; or

(B) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;

(iv) any member of the Blackwood Group issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option, excluding any issue of Blackwood Shares as a result of the vesting and exercise of Blackwood Performance Rights;

(v) any member of the Blackwood Group issues, or agrees to issue, convertible notes;

(vi) any member of the Blackwood Group declares any dividend or pays, makes or incurs any liability to pay or make any distribution in relation to a dividend, capital distribution, bonus or other share of its profits or assets;

(vii) any member of the Blackwood Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;

(viii) any member of the Blackwood Group grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;

(ix) any member of the Blackwood Group resolves to be wound up;

(x) a liquidator or provisional liquidator is appointed in relation to Blackwood or any Blackwood Subsidiary;

(xi) a court makes an order for the winding up of Blackwood or any Blackwood Subsidiary;

(xii) an administrator is appointed under section 436A, 436B or 436C of the Corporations Act in relation to any member of the Blackwood Group;

(xiii) any member of the Blackwood Group executes a deed of company arrangement; or

(xiv) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of any member of the Blackwood Group.

(b) 52.1% minimum acceptance

Before or at the end of the Offer Period, Cockatoo has a Relevant Interest of at least 52.1% of all Blackwood Shares.

(c) Noble subscription

Cockatoo receives the subscription monies payable on issue of Cockatoo Shares in accordance with the terms of the Noble Share Subscription Deed other than where Cockatoo has not received the subscription monies due to a Cockatoo Caused Subscription Termination.

(d) No Material Adverse Event

Between the Announcement Date and the end of the Offer Period no material adverse change occurs after 17 October 2013, being the date of the Bid Implementation Agreement (**BIA Date**), or of which Blackwood or Cockatoo (as the case may be) becomes aware after BIA Date, that individually or when aggregated with all such events has had, or is reasonably likely to have, a materially adverse effect on the assets, liabilities, financial condition, results of operations, profitability or prospects of a Cockatoo Group Company under their existing financing facilities, or the Blackwood Group (as a whole) (as the case may be), including any material default by a Blackwood Group Company under their existing financing facilities, other than:

(i) an event which relates to commodity prices, exchange rates or financial markets;

(ii) a general change in economic, political or business conditions;

(iii) a change in law or regulation or the practice or policy of any Government Agency;

(iv) an event which has been disclosed by Blackwood to ASX or Cockatoo in writing prior to the date of this agreement (including, for the avoidance of doubt, repayment of the Noble Loan in accordance with its terms);

(v) the occurrence of an event under clause 12.1(k) of the Noble Facility Agreement, or an event in respect of Blackwood which results from Cockatoo not complying with its obligation to offer Blackwood the New Blackwood Facility; or

(vi) an event which occurs with the written consent of Cockatoo.

(e) No material transactions or changes

Between the Announcement Date and the end of the Offer Period, no member of the Blackwood Group:

(i) enters into or announces an intention or proposal to enter into or offers to enter into;

(ii) discloses the existence of; or

(iii) incurs, becomes subject to, or brings forward the time for performance of (or is reasonably likely to incur, become subject to or bring forward the time for performance of),

an obligation or arrangement (other than pursuant to and in the proper discharge of a legally binding obligation entered into and fully disclosed in writing to Cockatoo or fully disclosed to the ASX prior to the Announcement Date) or a decision by it, whether conditional or otherwise:

(iv) to acquire an interest in property or other assets for an amount or having a market value in aggregate greater than $1 million;

(v) to dispose of an interest in any property or other assets for an amount, or in respect of which the book value (as recorded in Blackwood's balance sheet as at 30 June 2013) is, in aggregate, greater than $1 million;

(vi) to perform or acquire the benefit of any services or supplies of goods or services in relation to any asset, project or business or interest therein where the aggregate financial liability of the Blackwood Group in respect of those services exceeds or may exceed $1 million or the term of the arrangement exceeds and cannot be terminated within 12 months;

(vii) to enter into or terminate, or, in any material respect, amend or waive, any of the terms applicable to, or rights (including any rights of pre-emption or first or last refusal) under, a shareholders agreement, joint-venture, asset or profit sharing agreement, partnership or joint-selling agreement, merger of business or of corporate entities, or dual listed company structure; or

(viii) to make or incur capital expenditure that is $1 million or more in excess of the planned capital expenditure disclosed to Cockatoo prior to the Announcement Date (and whether for an individual item or on an aggregated basis),

without Cockatoo's prior written consent.

(f) No regulatory actions

Between the Announcement Date and the end of the Offer Period (each inclusive):

(i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;

(ii) no action or investigation is announced, commenced or threatened by any Government Agency; and

(iii) no application is made to any Government Agency (other than by Cockatoo or any of its Associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of, Chapter 6, 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer or the acquisition of Blackwood Shares under the Offer or the completion of any transaction contemplated by the Bidder's Statement, or seeks to require the divestiture by Cockatoo of any Blackwood Shares, or the divestiture of any material assets of Blackwood or the Cockatoo Group.

14.7.2. Declaration of Offer being free from conditions

(a) Cockatoo may, subject to the Corporations Act, declare this Offer and all other Offers and all contracts resulting from the acceptance of Offers free from the conditions (or any one or more or any part of them) in Section 14.7.1.

(b) Subject to compliance with sections 630 and 650F of the Corporations Act, a declaration made under this Section 14.7.2 must be made by Cockatoo by notice in writing to Blackwood:

(i) in the case of a Condition relating to the happening of a Prescribed Occurrence (other than Prescribed Occurrence (f)), not later than three Business Days after the end of the Offer Period; and

(ii) in any other case, not later than 7 days before the end of the Offer Period.

14.7.3. Official Quotation of Cockatoo Shares

(a) Cockatoo has been admitted to the official list of ASX and Cockatoo Shares of the same class as those to be issued as consideration under the Offer have been granted Official Quotation by ASX.

(b) An application will be made within 7 days after the start of the bid period to ASX for the granting of Official Quotation of the Cockatoo Shares to be issued in accordance with the Offer. However, Official Quotation is not granted automatically on application.

(c) In accordance with the Corporations Act, this Offer and any contract that results from your acceptance of it are subject to a condition that permission for the admission to Official Quotation by ASX of the Cockatoo Shares to be issued under the Offer being granted no later than 7 days after the end of the bid period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offer will be automatically void.

14.7.4. Breach of Conditions

Each of the Conditions in Section 14.7.1 is a condition subsequent and does not prevent a contract to sell your Blackwood Shares resulting from an acceptance of this Offer. However, if a Condition in Section 14.7.1 is breached or not fulfilled, Cockatoo may by notice in writing to you rescind that contract as if that contract had not been formed.

14.7.5. Benefit of Conditions

Subject to the Corporations Act:

(a) Cockatoo alone has the benefit of the Conditions in Section 14.7.1;

(b) a breach or non-fulfilment of any of those Conditions may be relied on only by Cockatoo; and

(c) Cockatoo may, at its sole discretion, waive the breach or non-fulfilment of all or any of those Conditions.

14.7.6. Status notice

The date for giving the notice referred to in section 630(1) of the Corporations Act relating to the status of the conditions in Section 14.7.1 is [•]. This date may be extended in accordance with section 630(2) of the Corporations Act if the Offer Period is extended.

14.7.7. Void contracts

If at the end of the Offer Period the Conditions in Section 14.7.1 have not been fulfilled and Cockatoo has not declared this Offer and all contracts resulting from the acceptance of Offers free from those Conditions, all contracts resulting from the acceptance of Offers and all Offers that have been accepted from whose acceptance binding contracts have not yet resulted will be automatically void.

In that event Cockatoo will, if you have accepted this Offer, return at your risk your Acceptance Form together with all documents forwarded by you with the Acceptance Form to your address shown in the Acceptance Form.

14.8. Withdrawal

Cockatoo may withdraw this Offer with the written consent of ASIC. That consent may be given subject to any conditions specified in the consent.

14.9. Variation

14.9.1. Cockatoo's entitlement

Cockatoo may at any time before the end of the Offer Period vary this Offer in accordance with the Corporations Act:

(a) by extending the Offer Period;

(b) by increasing the consideration payable under the Offer; and

(c) with the written consent of ASIC, and subject to any conditions specified by ASIC in that consent, in the manner that ASIC permits.

14. Terms and conditions of the Offer (CONT.)

14.9.2. Extension of Offer

If Cockatoo extends the Offer Period, you will receive notice of the extension, unless, at the date of the extension, you have already accepted this Offer and the Offer has become free from the Conditions in Section 14.7.1 or those Conditions have been fulfilled.

14.10. Costs

All costs and expenses of the preparation of this statement, and any stamp duty payable on the transfer of Blackwood Shares for which Offers are accepted, will be paid by Cockatoo.

14.11. Notices

14.11.1. Service on Blackwood

Cockatoo may give a notice to Blackwood under the Bid by leaving it at, or sending it by prepaid ordinary post to, the registered office of Blackwood.

14.11.2. Service on Cockatoo

You or Blackwood may give a notice to Cockatoo under the Bid by leaving it at, or sending it by prepaid ordinary post to, Cockatoo at the address set out in the Acceptance Form.

14.11.3. Service on you

Cockatoo may give a notice to you under the Offer by leaving it at, or sending it by prepaid ordinary post or by airmail (if your address is outside Australia), to your address given to Cockatoo by Blackwood under section 641 of the Corporations Act.

14.12. Governing law

This Offer and any contract resulting from your acceptance of it is governed by the laws in force in New South Wales.

15. Definitions and interpretation

15.1. Definitions

Term	Meaning
$** or **A$ or **AUD**	the currency of Australia, Australian dollars
AASB	Australian Accounting Standards Board
Acceptance Form	the transfer and acceptance form accompanying this Bidder's Statement
Announcement Date	17 October 2013, being the day on which the Offer was announced by Cockatoo and Blackwood to ASX
ASIC	Australian Securities and Investments Commission
Associate or **Associated**	has the meaning given in sections 12 and 16 of the Corporations Act
ASX	ASX Limited ACN 008 624 691 and the financial market that it operates as the context requires
ASX Listing Rules	the Listing Rules of ASX
ASX Settlement	ASX Settlement Pty Ltd ABN 49 008 504 532
ASX Settlement Operating Rules	The ASX Settlement Operating Rules, being the operating rules of the Settlement Facility (as defined in those rules) for the purposes of the Corporations Act
ATO	Australian Taxation Office
Aurizon	Aurizon Holdings Limited ACN 146 335 622
Australia and New Zealand Banking Group or **ANZ**	Australia and New Zealand Banking Group ACN 005 357 522
Australian Accounting Standards	the Approved Accounting Standards issued by the Australian Accounting Standards Board
Baralaba Coal	Baralaba Coal Pty Limited ACN 009 805 029
Baralaba Complex	Cockatoo's asset holdings around Baralaba in the Bowen Basin, including the Baralaba Mine and the Baralaba Expansion
Baralaba Expansion	the expansion of Cockatoo's existing mine at Baralaba, in the Bowen Basin, Queensland Australia
Baralaba Mine	Cockatoo's existing producing coal mine located in Baralaba, Queensland Australia
BFS	bankable feasibility study
Bid	the off market bid constituted by the Offers
Bidder's Statement	the information contained in Part 2 of this booklet, being Cockatoo's bidder's statement in respect of the Offer
Bid Implementation Agreement or **BIA**	the bid implementation agreement dated 17 October 2013 between Cockatoo and Blackwood, under which Cockatoo agreed to make the Offer
Blackwood	Blackwood Corporation Limited ACN 103 651 538
Blackwood Board	the board of Blackwood Directors
Blackwood Directors	each member of the Blackwood Board
Blackwood Group	Blackwood and each of its Subsidiaries (and **Blackwood Group Company** means any such company)
Blackwood Performance Rights	The 7,225,000 unlisted performance rights issued under the Blackwood performance rights plan, each of which, on exercise, entitles the holder to be issued one Blackwood Share
Blackwood Product Sales Heads of Agreement	the Blackwood product sales heads of agreement between Blackwood, Matilda Coal Pty Ltd ACN 131 923 692 and Noble Resources Pte Limited dated 10 September 2010
Blackwood Register	the register of members of Blackwood from time to time
Blackwood Share	a fully paid ordinary share in the capital of Blackwood
Blackwood Shareholders	each person who is registered as a holder of Blackwood Shares
Business Day	a day that is not a Saturday, Sunday, public holiday or bank holiday in Sydney, NSW
CCMC	Cockatoo Coal Marketing Company Pty Ltd ACN 135 488 381

15. Definitions and interpretation (CONT.)

Term	Meaning
CCMC Sale Deed	the share sale deed dated 17 October 2013 under which Cockatoo has agreed to purchase SK Australia's CCMC shares for A$3.4 million, which is payable in three instalments as detailed in section 4 of Schedule B of the Bidder's Statement
CGT	capital gains tax
CHESS	the clearing house electronic sub-register system of share transfers operated by ASX Settlement
Cockatiel	Cockatiel Coal Pty Limited ACN 096 909 634
Cockatoo	Cockatoo Coal Limited ACN 112 682 158
Cockatoo Board	the board of Cockatoo Directors
Cockatoo Caused Subscription Termination	termination by Noble of the Noble Subscription Deed solely for deliberate beach by Cockatoo of the Deed
Cockatoo Director	each member of the Cockatoo Board
Cockatoo Equity Raising	the three inter-conditional placements to raise A$153 million, which comprise part of the Cockatoo Recapitalisation, being: ■ the SKN Placement; ■ the Noble Placement; and ■ A$60 million placement to institutional and sophisticated investors, which is cornerstoned by Harum with a A$20 million investment.
Cockatoo Group	Cockatoo and each of its Subsidiaries (and **Cockatoo Group Company** means any such company)
Cockatoo Option	an option over an unissued Cockatoo Share
Cockatoo Project Finance Facilities	a A$255 million senior secured project finance facility for the Baralaba Expansion, which is fully underwritten by ANZ, and comprises part of the Cockatoo Recapitalisation consisting of: ■ A$180 million project finance facility; ■ A$20 million cost overrun facility; and ■ A$55 million Letter of Credit / Environmental Bonding Facility.
Cockatoo Recapitalisation	equity and debt financing solution, announced on 17 October 2013, under which Cockatoo will raise funds under the following: ■ Cockatoo Equity Raising; ■ Cockatoo SPP; and ■ Cockatoo Project Finance Facilities.
Cockatoo Register	the register of members of Cockatoo from time to time
Cockatoo Share	a fully paid ordinary share in Cockatoo
Cockatoo Shareholders	each person who is registered as a holder of Cockatoo Shares
Cockatoo SPP	the Cockatoo share purchase plan announced to ASX on 17 October 2013 and opened on 1 November 2013
Competent Person	has the same meaning as given in the JORC Code
Conditions	the conditions to the Offer, which are set out in Section 14.7.1
Controlling Participant	in relation to Your Shares, has the same meaning as in the ASX Settlement Operating Rules
Corporations Act	the *Corporations Act 2001* (Cth)
Corporations Regulations	the *Corporations Regulations 2001* (Cth)
Court	the Federal Court of Australia or such other Court of competent jurisdiction under the Corporations Act agreed in writing by Cockatoo and Blackwood
Credit Suisse	Credit Suisse (Australia) Limited
EL	exploration licence
EPC	exploration permit for coal
Exclusive Agency Agreement	the exclusive agency agreement dated 26 February 2009 between CCMC and Cockatoo
Exploration Results	a summary of the relevant exploration data collected as through the exploration (drilling, sampling, etc.) of an Exploration Target, as defined in the JORC Code

15. Definitions and interpretation (CONT.)

Term	Meaning
Exploration Target	a target area where there is insufficient data from historical and current exploration activities to identify a resource in compliance with the JORC Code, and is purely conceptual in nature
FATA	*Foreign Acquisitions and Takeovers Act 1975* (Cth)
FIRB	Foreign Investment Review Board
FOB	free on board
FOBt	free on board tonne
Foreign Shareholder	a Blackwood Shareholder whose address, as shown in the register of members of Blackwood, is in a jurisdiction other than Australia or its external territories or New Zealand, unless Cockatoo otherwise determines after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a Blackwood Shareholder in the relevant jurisdiction and to issue Cockatoo Shares to such a Blackwood Shareholder on acceptance of the Offer, and that it is not unlawful for such a Blackwood Shareholder to accept the Offer in such circumstances in the relevant jurisdiction
FY	financial year ending 30 June
Governmental Agency	any government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body (including a court), department, commission, authority, office, instrumentality, tribunal, agency, delegate, organisation or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange, including the ASX
Harum	Harum Energy Australia Limited, incorporated in the British Virgin Islands
Hume Sale	the sale of Cockatoo's 30% interest in the Hume project (held by Hume Coal Pty Limited) to POSCO Australia Pty Limited for cash consideration of A$9.74 million and the cancellation of POSCO Australia Pty Limited's 134.8 million Cockatoo Shares, which was completed on 14 August 2013
Issuer Sponsored Holding	a holding of Blackwood Shares on Blackwood's issuer sponsored sub-register
JFE Shoji or **JFE**	JFE Shoji Trade Corporation
JORC	Australasian Joint Ore Reserves Committee, which is sponsored by the Australian mining industry and its professional organisations
JORC Code	code prepared by JORC in 2004 which defines criteria for public reporting or ore and coal Resources and Reserves
JSBW	JS Baralaba Wonbindi Pty Ltd ACN 079 990 784
KEBA	KEB Australia Ltd ACN 003 095 181
KEBA Loan	the loan facility from KEBA to Cockatoo, under which A$95,000,000 is currently owing, with a maturity date of 27 December 2013
km	kilometre
km^2	square kilometres
kt	thousands of tonnes
ktpa	thousands of tonnes per annum
Marketable Reserves	saleable coal from Recoverable Reserves, as defined in the JORC Code
Maylion	Maylion Pty Limited ACN 148 876 331
Measured Resources	part of a coal deposit for which quality and quantity can be estimated with a high level of confidence, as defined in the JORC Code
Merged Group	the combined entity consisting of Cockatoo and Blackwood
Mineral Resources	the same meaning as Resources
Mining Lease or **ML**	a title that gives the holder the exclusive right to mine for minerals over a specific area of land
Mt	millions of tonnes
Mtpa	millions of tonnes per annum
New Blackwood Facility	the new facility to be provided by Cockatoo to Blackwood upon acquiring a Relevant Interest in excess of 50% of Blackwood in order to replace the Noble Facility Agreement
Noble or **Noble Group**	Noble Group Limited, incorporated in Bermuda and listed on the Singapore Stock Exchange, and its subsidiaries

15. Definitions and interpretation (CONT.)

Term	Meaning
Noble Facility Agreement	the facility provided by Noble to Blackwood in accordance with the facility agreement between Blackwood, as borrower, Matilda Coal Pty Ltd, as guarantor, and Noble, as lender, dated 31 July 2012
Noble Loan	amounts drawn under the Noble Facility Agreement
Noble Placement	the issue of 866,031,245 Cockatoo Shares to Maylion via a conditional placement at an issue price of A$0.050 per share
Noble Subscription Deed	the subscription deed entered into between Cockatoo, Maylion and Noble dated 17 October 2013 relating to the Noble Placement
NSJV	North Surat Joint Venture
Offer	the offer for Blackwood Shares under the terms and conditions contained in Section 14
Offer Consideration	consideration offered to Blackwood Shareholders under the Offer, being 2 Cockatoo Shares for each Blackwood Share they hold
Offer Period	the period during which the Offer will remain open for acceptance in accordance with Section 14.1.4.
Offer terms	the terms of the Offer set out in Section 14
Officer	in relation to any entities, any of its directors and officers
Official Quotation	official quotation on ASX
Ore Reserves	the same meaning as Reserves
P50 Contingency	a contingency which, when applied to the capital expenditure estimate of a project, gives a total capital expenditure (including contingency) with a 50% probability of being either underrun or overrun. In relation to the Baralaba Expansion Project, the P50 Contingency is equal to 9.6% of the capital expenditure estimate
PCI or **PCI coal**	pulverised coal injection
Performance Rights Holders	holders of Blackwood Performance Rights
Prescribed Project	is a mining project which is of significance, particularly economically and socially, to Queensland or a region of which the purpose of declaring a project a prescribed project is to overcome any unreasonable delays in obtaining project approvals
Probable Reserves	Measured and/or Indicated Resources which are not yet proven but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions, as defined in the JORC Code
Project Finance Facilities Commitment Letter	the mandate and commitment letter dated 17 October 2013 between Baralaba Coal, Wonbindi Coal and ANZ
Proposed Mezzanine Finance Facility	Cockatoo may seek proposals from potential investors to provide a mezzanine financing facility prior to the drawdown of the Project Finance Facilities. Any such mezzanine finance will only be sought to the extent necessary to fund the Baralaba Expansion to a P50 Contingency (when taken in addition to the money raised under the Cockatoo Equity Raising, the SPP and any asset sales in the short-term, and made available under the Cockatoo Project Finance Facilities)
Proved Reserves	Measured Resources of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions, as defined in the JORC Code
Record Date	7.00pm (Sydney, Australia time) on Wednesday, 20 November 2013
Recoverable Reserves	economically mineable part of a Measured or Indicated Resource of coal at the time of reporting, as defined in the JORC Code
Regulatory Approvals	■ any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority or exemption from, by or with a Governmental Agency; or ■ in relation to anything that would be fully or partly prohibited or restricted by law if a Governmental Agency intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action
Related Body Corporate	has the same meaning as given in the Corporations Act
Relevant Interest	has the same meanings as given by sections 608 and 609 of the Corporations Act

Term	Meaning
Resources	a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories, as defined in the JORC Code
Rights	all accretions and rights that accrue to or arise from Blackwood Shares after the date of this Bidder's Statement is lodged with ASIC, including all rights to receive dividends, to receive or subscribe for shares, notes, options or other securities and all other distributions or entitlements declared, paid, made or issued by Blackwood after that date
ROM	run of mine
Section	a section of this document
Securities Act	U.S. Securities Act of 1933
Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277
SK Australia	SK Networks Resources Australia Pty Limited ACN 003 964 225, a wholly owned subsidiary of SK Networks
SK Networks or **SKN**	SK Networks, Co., Ltd
SKN Placement	the issue of 1,000,000,000 Cockatoo Shares to SK Networks via a conditional placement at an issue price of A$0.050 per share
SKN Subscription Deed	the subscription deed entered into between Cockatoo and SKN dated 17 October 2013 relating to the SKN Placement
Strip Ratio	volume of overburden that must be moved for each metric tonne of ROM coal produced
Subsidiary	has the meaning given to the term in the Corporations Act
Superior Proposal	Superior Proposal means a competing proposal which: ■ is bona fide and in writing and in the determination of the party's respective board of directors (or in the case of Cockatoo its independent directors), acting in good faith after consultation with the party's respective legal and financial advisers, is capable of being valued and completed, taking into account all aspects of the competing proposal (including its terms and conditions and the identity of the person or persons making it); and ■ in the determination of the party's respective board of directors (or in the case of Cockatoo its independent directors), acting in good faith and in order to satisfy what the Blackwood Board considers to be its fiduciary or statutory duties after receiving specific written legal advice, would be likely to, if completed substantially in accordance with its terms, result in a transaction more favourable to either Blackwood Shareholders than the Offer
Supplementary BFS or **SBFS**	supplementary Bankable Feasibility Study
t	tonne(s)
Target's Statement	the information contained in Part 3 of this booklet, being Blackwood's target's statement in respect of the Offer
Third Party	a person other than Cockatoo and its Associates
ULV PCI or **ULV PCI coal**	ultra low-volatile pulverised coal injection
U.S. Person	has the meaning given to that term in Rule 902(k) of the Securities Act
US$ or **USD**	the currency of the United States of America, United States dollars
Voluntary Administration	an insolvency procedure where the directors of a financially troubled company or a secured creditor with a charge over most of the company's assets appoint an external administrator called a 'voluntary administrator'
Voting Power	has the meaning given to it in the Corporations Act
VWAP	volume weighted average price
WICET	■ Wiggins Island Coal Export Terminal Pty Ltd ACN 131 210 038 ■ a coal export terminal being constructed as at the date of this Bidder's Statement at Golding Point, to the west of the existing RG Tanna Coal Terminal in Gladstone Harbour
WIRP	Wiggins Island Rail Project
Wonbindi Coal	Wonbindi Coal Pty Limited ACN 114 668 941

15.2. Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise requires:

- words and phrases have the same meaning (if any) given to them in the Corporations Act;
- words importing a gender include any gender;
- words importing the singular include the plural and vice versa;
- other parts of speech and grammatical forms of a word or phrase defined in this Bidder's Statement have a corresponding meaning;
- an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to any thing (including, but not limited to, any right) includes a part of that thing but nothing in this section implies that performance of part of an obligation constitutes performance of the obligation;
- a reference to a section, attachment and schedule is a reference to a section of and an attachment and schedule to this Bidder's Statement as relevant;
- a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- an expression defined in, or given a meaning for the purpose of, the Corporations Act in a context similar to that in which the expression is used in this Bidder's Statement has the same meaning or definition;
- specifying anything in this Bidder's Statement after the words "including" or "for example" or similar expressions does not limit what else is included unless there is express wording to the contrary;
- headings and bold type are for convenience only and do not affect the interpretation of this Bidder's Statement;
- a reference to time is a reference to time in Sydney, Australia; and
- a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealthof Australia.

16. Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution passed by the Cockatoo Directors.

25 November 2013

Signed for and on behalf of

Cockatoo Coal Ltd

by

Mark Lochtenberg
Chairman

Schedule A – Summary of Bid Implementation Agreement terms

On the Announcement Date, Cockatoo entered into the Bid Implementation Agreement (**BIA**) with Blackwood. The key terms are summarised below:

a. Cockatoo agreed to announce the Offer to acquire all Blackwood Shares for consideration of 2 Shares for every Blackwood Share, subject to the Conditions set out in Section 14.7.1.

b. As permitted by the Corporations Act, the Offers may be varied, and any Condition may be waived.

c. If the Conditions in Section 14.7.1(b) (the minimum acceptance condition), Section 14.7.1 (c) (the Noble Subscription Condition) and the Blackwood Board has appointed the Cockatoo nominees to the Blackwood Board (see paragraph k below), then Cockatoo must immediately free the Offer from all of the outstanding Conditions.

d. Blackwood's prior written consent is required before Cockatoo may extend the Offer Period beyond a period of three months after the date the Offer first becomes open for acceptance.

e. Subject to the independent expert appointed by Blackwood concluding that the Offer is fair and reasonable to Blackwood Shareholders, the Blackwood Directors have agreed to unanimously recommend that Blackwood Shareholders accept the Offer in the absence of a superior proposal. Further, the Blackwood Directors have agreed not to change, withdraw, qualify or modify their recommendation unless:

   i. the Blackwood Board has determined that Cockatoo's or Blackwood's (as applicable) right of last offer (as described in paragraph n below) has been exhausted and that a competing proposal constitutes a superior proposal (in respect of Blackwood, or Cockatoo, as the case may be);

   ii. the Independent Expert fails to conclude that the Offer is fair and reasonable to Blackwood Shareholders (or, having given a report that, in the opinion of the Independent Expert, the Offer is fair and reasonable to Blackwood Shareholders, gives a report changing that opinion for any reason to conclude that the Offer is not fair and reasonable to Blackwood Shareholders);

   iii. the Cockatoo Equity Raising does not proceed other than solely due to a breach of the Noble Subscription Deed by Noble which results in the failure by Noble or any of its Related Bodies Corporate to complete the subscription for Shares under the Noble Subscription Deed (**Noble Controlled Event**); or

   iv. the Blackwood Board determines, in good faith and acting reasonably, after receiving specific written legal advice, that recommending or continuing to recommend the acceptance of the Offer would be likely to constitute a breach of fiduciary or statutory duty owed to Blackwood by the Blackwood Directors.

f. The Blackwood Directors have indicated their intention to accept the Offer in respect of any Blackwood Shares that they own or control except where one of the circumstances outlined in paragraphs (e.i) to (e.iv) above arise.

g. For the purposes of item 6 of section 633(1) of the Corporations Act, Blackwood has agreed that Cockatoo may dispatch this Bidder's Statement, Offer and accompanying documents to Blackwood Shareholders as early as the same date on which Cockatoo sends a copy of the Bidder's Statement to Blackwood in accordance with item 3 of section 633(1) of the Corporations Act (or such later date that Cockatoo chooses).

h. The Target's Statement must contain a prominent statement to the effect that the Blackwood Board unanimously recommends that Blackwood Shareholders accept the Offer and each Blackwood Director who holds Blackwood Shares intends to act in the manner described in paragraph (f), in the absence of a superior proposal and subject to the Independent Expert concluding that that Offer is fair and reasonable to Blackwood Shareholders and the Cockatoo Equity Raising proceedings (other than solely due to a Noble Controlled Event).

i. Blackwood has agreed that, as soon as reasonably practicable after the Offer is unconditional and Cockatoo has voting power of 50.1% or more in Blackwood, the Blackwood Board will make a determination that all unvested Blackwood Performance Rights will vest and become exercisable and will release all Blackwood Shares issued and to be issued in respect of those vested Blackwood Performance Rights from any restrictions or holding locks. The Blackwood Board will only make this determination for the purposes of enabling the holder of such Blackwood Performance Rights or Blackwood Shares to accept the Offer.

j. Both Cockatoo and Blackwood must use all reasonable endeavours to ensure that each Condition is satisfied as soon as practicable after the date of the Bid Implementation Agreement and must not do (or omit to do) anything which will, or is likely to, result in any of the Conditions being breached. Each party must also provide on a timely basis all reasonable assistance to the other and provide all information requested by the other in order to assist the other party to achieve the satisfaction of each of the Conditions.

k. Blackwood will appoint Cockatoo's nominees as directors of Blackwood so that they represent a majority of the Blackwood Board once Cockatoo acquires a relevant interest in excess of 50% of Blackwood's Shares and the Offer is then free from all Conditions (other than the Statutory Condition set out in Section 14.7.3). Upon Cockatoo acquiring a relevant interest in excess of 90% of Blackwood Shares and the Offer is then free from all Conditions (other than the Statutory Condition set out in Section 14.7.3), Blackwood will ensure that all Blackwood Directors, other than the Cockatoo nominees, resign (provided that a proper Blackwood Board is constituted at all times), unless Cockatoo requests otherwise.

l. Cockatoo has agreed to, as soon as reasonably practicable after the date that Cockatoo acquires a relevant interest in excess of 50% of Blackwood Shares, execute an agreement with Blackwood under which Cockatoo offers Blackwood a $4 million loan facility (**New Blackwood Facility**). The New Facility will be repayable in full 3 months after the date of first draw down and must be on the same terms as the current Noble facility agreement, other than the repayment period and amount.

m. Both Blackwood and Cockatoo are subject to customary no shop, no talk (subject to a fiduciary out), no due diligence (subject to a fiduciary out) obligations. Each party also has to notify the other of any third party approaches, although the provision of material details of that approach (including the terms and identity of the potential competing bidder) is subject to a fiduciary out. The fiduciary out relieves each party of its relevant obligations to disclose details of the competing proposal where the Cockatoo or Blackwood Directors (as the case may be) determine, in good faith, after receiving legal advice from its external advisers, that taking these actions would be reasonably likely to constitute a breach of the fiduciary or statutory obligations of 'notifying party's' directors.

n. If Blackwood or Cockatoo (as applicable) notifies the other of a competing proposal and of its intention to enter into an agreement, commitment, arrangement or understanding in respect of that competing proposal, the other party has a right, but not the obligation, at any time during the period of three Business Days following receipt of such notice, to make an offer to the notifying party that delivers a benefit to the notifying party's shareholders that is at least equal to that of the competing proposal. If the other party makes a revised offer, then the notifying party's directors must review the counter proposal in good faith. If the notifying party's directors determine that counter proposal would provide a benefit to the notifying party's shareholders that is at least equal to that of the competing proposal, then the notifying party and the other party must use reasonably endeavours to agree to amendments to the Bid Implementation Agreement that are reasonably necessary to reflect the counter proposal and to enter into an amended agreement to give effect to those amendments and to implement the counter proposal as soon as is reasonably practicable. The notifying party will not be required to take such action where the notifying party's board has determined in good faith, after receiving legal advice from its external advisers, that taking these actions would be reasonably likely to constitute a breach of the Notifying Party's board's fiduciary or statutory obligations.

o. Cockatoo and Blackwood have given a number of standard mutual warranties including as to capacity to enter into the Bid Implementation Agreement and have given a largely identical set of warranties, including warranties in relation to:

   i. the information provided by each party during the due diligence each party conducted on the other;

   ii. each party's respective compliance with continuous disclosure obligations under the Corporations Act and ASX Listing Rules;

   iii. each party not being in default under any document or agreement binding on it or its assets;

   iv. the rights, title and interest in and to each party's tenements;

   v. the securities on issue in respect of each party; and

   vi. each party obtaining all authorisation's and consents necessary in order to enable the SKN and Noble Placements to proceed.

   Certain warranties are qualified by each party's knowledge about particular matters and/or appropriate disclosures made by the other party.

   Cockatoo and Blackwood have agreed to indemnify the other as a result of any breach of warranty. However, any liability owed by either party to the other is capped at A$5 million.

p. The Bid Implementation Agreement may be terminated:

   i. by Cockatoo where a Noble Controlled Event occurs which causes the Cockatoo Equity Raising to not proceed;

   ii. by either party if the other party is in material breach of the Bid Implementation Agreement, notice of the breach (including details of the breach) has been given to the other party and that breach is not remedied by the other party within five Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate;

   iii. by either party if the other does (or omits to do) anything which does, will or is likely to, result in any of the Conditions being breached;

   iv. by Cockatoo if a majority of the Blackwood Directors do not recommend the Offer, make any public statements which contradicts their recommendation, withdraw, change or qualify their recommendation or fail to accept the Offer made in respect of any Blackwood Shares that they own or control (as set out in paragraph (f));

   v. by Cockatoo if the Target's Statement does not contain the statements as described in paragraph (h);

vi. by Blackwood if a material adverse change occurs in respect of the Cockatoo Group. A material adverse change means any event that individually or when aggregated with all such events has had, or is reasonably likely to have, a materially adverse effect on the assets, liabilities, financial condition, results of operations, profitability or prospects of the Cockatoo (as a whole), including any material default by a Cockatoo group company under their existing financing facilities, other than:

1. an event which relates to commodity prices, exchange rates or financial markets;

2. a general change in economic, political or business conditions;

3. a change in law or regulation or the practice or policy of any government agency;

4. except in respect of a breach of warranty giving rise to a material adverse change, an event which has been disclosed by Cockatoo to the ASX or subscriber in writing prior to the date of the subscription deed; or

5. an event which occurs with the written consent of subscriber;

vii. by Blackwood if the independent expert appointed by Blackwood concludes that the issue of Cockatoo Shares under the Noble Subscription Deed or the entry into and performance of the Noble Marketing Rights Agreement constitutes a net benefit to Noble for the purposes of Takeovers Panel Guidance Note 21 or, having given a report that, in the opinion of the independent expert, the issue of Cockatoo Shares under the Noble Subscription Deed or the entry into and performance of the Noble marketing rights agreement does not constitute a net benefit to Noble, the Independent Expert gives a report change that opinion for any reason;

viii. by Blackwood if the Cockatoo Board determines, after Blackwood's rights of last offer described in paragraph n have been exhausted, that a competing proposal in respect of Cockatoo constitutes a Superior Proposal; or

ix. by Blackwood if the Cockatoo Equity Raising is not completed in accordance with its terms, other than solely due to a Noble Controlled Event; and

q. There is no break fee payable under the Bid Implementation Agreement.

A copy of the Bid Implementation Agreement is attached to Cockatoo's and Blackwood's ASX announcement dated 17 October 2013, which forms Attachment 1 of this Bidder's Statement.

Schedule B – Summary of Cockatoo Recapitalisation agreements

The following is a summary of the material terms of each of the agreements which give effect to the Cockatoo Recapitalisation.

1. Subscription Deeds

On 17 October 2013, Cockatoo entered into two separate subscription deeds, one with SKN and one with Maylion, the subsidiary of Noble. Both the SKN Subscription Deed and Noble Subscription Deed are on materially the same terms and conditions, except as specifically set out below.

Also on 17 October 2013, Cockatoo entered into a subscription deed with Harum under which Harum agreed to cornerstone the Institutional Placement by committing to invest approximately A$20 million of Shares. The terms of the Harum Subscription Deed are broadly equivalent to the SKN and Noble Subscription Deeds, with the differences reflecting the more strategic and larger investments SKN and Noble are making in Cockatoo.

1.1 Subscription

SKN has agreed to subscribe for 1,000,000,000 Shares at an issue price of A$0.050 per Share in accordance with the terms and conditions of the SKN Subscription Deed.

Maylion has agreed to subscribe for 866,031,245 Shares at an issue price of A$0.050 per Share in accordance with the terms and conditions of the Noble Subscription Deed.

1.2 Conditions

Foreign Investment Condition

The SKN Placement and the Noble Placement will not proceed unless and until, under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*, the Treasurer of the Commonwealth of Australia consents to the SKN Subscription and Noble Subscription (as applicable) either unconditionally or otherwise on such conditions that are reasonably acceptable to SKN or Noble (as applicable).

Conditions Precedent

Completion of each of the SKN Subscription and Noble Subscription is conditional on the satisfaction or, where permitted, waiver of the following conditions precedent.

1.	**Independent Expert Recommendation**	The Independent Expert concluding in the Independent Expert's Report that, in its opinion, the subscription and related transactions are reasonable to Shareholders and the Independent Expert not having publicly changed, withdrawn or qualified this conclusion on or before the date of the Meeting.
2.	**Shareholder approvals**	Cockatoo obtaining Shareholders approval of the SKN Placements, Noble Placement and Institutional Placement in accordance with the Cockatoo constitution and the relevant Corporations Act and ASX Listing Rule requirements.
3.	**ASX confirmations re marketing rights agreements**	Cockatoo obtaining ASX written confirmation (either unconditionally or on conditions satisfactory to SKN or Noble) that approval for the purposes of Listing Rule 10.1 is not required now or in the future in respect of either the Noble Marketing Rights Agreement or the SKN Marketing Rights Agreement (as defined in each deed).
4.	**Official quotation**	The ASX has provided written confirmation that, subject to completion occurring, it will approve the official quotation of the subscription shares subject to any standard conditions required by the ASX (which do not include any escrow or restricted security conditions).

5.	**Material adverse change**	There having not occurred any 'material adverse change' in respect of Cockatoo. A 'material adverse change' means any event that individually or when aggregated with all such events has had, or is reasonably likely to have, a materially adverse effect on the assets, liabilities, financial condition, results of operations, profitability or prospects of the Cockatoo Group (as a whole), including any material default by a Cockatoo group company under their existing financing facilities, other than: (a) an event which relates to commodity prices, exchange rates or financial markets; (b) a general change in economic, political or business conditions; (c) a change in law or regulation or the practice or policy of any government agency; (d) except in respect of a breach of warranty giving rise to a material adverse change, an event which has been disclosed by Cockatoo to ASX or subscriber in writing prior to the date of the subscription deed; or (e) an event which occurs with the written consent of subscriber.
6.	**Offer Management Agreement**	The Offer Management Agreement having not been terminated.
7.	**Insolvency event or event of default**	There being no insolvency event with respect to Cockatoo or any of its material subsidiaries. No financier under any of the documents relating to the Project Finance Facilities or Cockatoo's existing debt facilities accelerating the relevant debt as a result of that financier declaring an 'event of default'.
8.	**Offer without disclosure document**	Cockatoo satisfying the requirements of section 708A(5) of the Corporations Act (sale offer of quoted securities – case 1) or 708A(11) of the Corporations Act (sale offer of quoted securities – case 2) so that recipients of placement shares may on-sell placements shares within 12 months of issue without issuing a disclosure document.
9.	**Reciprocal subscription arrangements**	In respect of the SKN Placement, the Noble and Harum Subscription Deeds having not been terminated. In respect of the Noble Placement, the SKN and Harum Subscription Deeds having not being terminated.
10.	**Regulatory actions**	There being no regulatory decisions, public announcements of commenced or threatened actions, or applications or submissions made to regulatory authorities, including those associated with the Takeover, that restrain, prohibit or impede the SKN or Noble Placements (or would if a preliminary or final decision, order or decree were issued restrain prohibit or impede), the performance of the Noble Marketing Rights or SKN Marketing Rights or the Blackwood Product Sales Agreement (as defined in each deed).
11.	**Project Finance Facilities Commitment Letter**	The Project Finance Facilities Commitment Letter having been executed by each of Cockatoo and ANZ and not been terminated.

If any of the above conditions precedent have not been satisfied, or any event occurs that prevents a condition precedent being satisfied, by 5.00pm on 27 December 2013 and that condition precedent has not been satisfied or waived, then Cockatoo or SKN may terminate the SKN Subscription Deed and Cockatoo or Maylion may terminate the Noble Subscription Deed. A similar termination right arises where any condition precedent, having been satisfied on or before 5.00pm on 27 December 2013, ceases to be satisfied before completion.

1.3 Completion

If conditions precedent 5-11 are satisfied at 8:00am on the date that is three business days after conditions precedent 1-4 have been satisfied or waived, completion under the SKN Subscription Deed and Noble Subscription Deed is due to occur at 10.00am on that day.

Cockatoo currently anticipates that, assuming Shareholders approve the Cockatoo Equity Raising, completion will take place on Tuesday, 17 December 2013.

1.4 Recommendation

The SKN and Noble Subscription Deeds provide that each Independent Director has advised Cockatoo that he will recommend that Shareholders vote in favour of the SKN and Noble Placements and the related transactions in the absence of a superior proposal and will not withdraw that recommendation unless:

- the Independent Director determines, in good faith and acting reasonably after receiving specific written legal advice, that recommending or continuing to recommend the approval of the resolution would be likely to constitute a breach of fiduciary or statutory duty by an Independent Director; or
- the Independent Expert's Report (or any update of it) concludes that the SKN and Noble Subscriptions and related transactions are "not reasonable" to Shareholders.

1.5 SKN and Noble top-up right

Under both the SKN Subscription Deed and the Noble Subscription Deed, if Cockatoo wishes to issue any Shares or securities which are convertible into Shares after completion (other than on conversion or exercise of existing Options) then, subject to Cockatoo obtaining any necessary ASX waivers, Cockatoo must also offer SKN and Maylion the right to subscribe for such number of Shares that would enable each to hold the same percentage of Shares as they did immediately following completion of the Cockatoo Equity Raising (which excludes Shares issued under the Takeover or SPP).

Any such offer to SKN or Maylion must be on the same terms of issue as provided to other potential offerees and allow SKN or Maylion (as applicable) to accept the whole or part of the number of Cockatoo Shares offered, be for consideration that is no less favourable to SKN or Maylion (as applicable) than the consideration paid by third parties and allow SKN or Maylion (as applicable) 5 days to accept. If SKN or Maylion (as applicable) rejects or does not accept in full the offer made to it, the shares may be offered to such other person as Cockatoo sees fit.

The 'top-up' right held by SKN will expire where the strategic relationship between Cockatoo and SKN changes in such a way that it effectively ceases or if, as a result of SKN rejecting an offer from Cockatoo to 'top-up' its interest in Cockatoo, its equity proportion falls below 5%. Likewise, the 'top-up' right held by Noble will expire where the strategic relationship between Cockatoo and Maylion changes in such a way that it effectively ceases or if, as a result of Maylion rejecting an offer from Cockatoo to 'top-up' its interest in Cockatoo, its equity proportion falls below 5%.

SKN's right will apply in addition to SKN's existing anti-dilution rights that were granted by Cockatoo in December 2012 and which are subject of an existing waiver of ASX Listing Rule 6.18 granted by ASX.

1.6 Board representation

It is a term of each of the SKN Subscription Deed, Noble Subscription Deed and Harum Subscription Deed that, at any time while any party or any of their respective related entities beneficially own not less than 9.99% (or 9.1% in certain circumstances) of all Shares on issue, that party has the right to appoint one Director, including by appointing another Director to replace any Director appointed by it who is removed or resigns from the Board at any such time. A reduction in SKN's or Noble's legal or beneficial holding below the level stated above will be disregarded for the purposes of determining whether SKN and Noble have a right to appoint a Director where Cockatoo makes an issue of Shares that is not pro-rata, unless SKN or Noble were offered but declined the opportunity to participate in that issue.

1.7 Warranties

Under the SKN Subscription Deed, Cockatoo and SKN have given a number of mutual warranties including as to capacity to enter into the SKN Subscription Deed. Similarly, under the Noble Subscription Deed, Cockatoo and Noble have given a number of mutual warranties including as to capacity to enter into the Noble Subscription Deed.

In addition, Cockatoo has given a largely identical set of warranties to SKN and Noble including as to:

- the information it has provided during each of SKN's and Noble's due diligence on Cockatoo;
- compliance with Cockatoo's continuous disclosure obligations under the Corporations Act and Listing Rules;
- Cockatoo and other members of the Cockatoo group not being in default under any document or agreement binding on it or its assets;
- Cockatoo's rights, title and interest in and to its tenements;
- the Cockatoo securities on issue; and
- Cockatoo obtaining all authorisations and consents necessary in order to enable the SKN and Noble Placements to proceed.

Certain Cockatoo warranties are qualified by SKN's or Noble's knowledge about particular matters and/or appropriate disclosures made by Cockatoo.

Cockatoo has agreed to indemnify each of SKN and Noble as a result of any breach of warranty. However, any liability owed by Cockatoo is capped to the total subscription price paid, being $50 million for SKN and $43 million for Noble.

1.8 SK Options

Issue of Options to SKN

On 17 October 2013, Cockatoo issued 50,000,000 Options to SKN in accordance with the terms of the Option Deed dated 27 June 2013 between Cockatoo and SKN (**Option Deed**).

The Options were issued on the following terms:

- **Exercise Price**: A$0.0593 in respect of each Option; and
- **Expiry Date**: 15 April 2015.

SKN undertaking to sell shares

SKN currently holds 200,000,000 Options, including the 50,000,000 Options described and 150,000,000 Options issued on 16 April 2013 on the following terms:

- **Exercise Price**: A$0.125 in respect of each Option; and
- **Expiry Date**: 15 October 2014.

Under the SKN Subscription Deed, SKN has undertaken that if it exercises any Option held by it, and at the time that SKN exercises that Option, Noble and its related entities hold in aggregate the same number of Shares that Noble and its related entities held in aggregate:

- if Noble is not issued any Shares under the Takeover or Noble is issued any Shares under the Takeover before completion – immediately following completion; or
- if Noble is issued any Shares under the Takeover after completion – immediately following the date of issue of those Shares,

then SKN will dispose of such number of Shares (**Sale Share**) that would result in it holding more than the number of all Shares that Noble and its related entities held in aggregate.

In selling any Sale Shares in accordance with this obligation, it is open to SKN to decide to:

- sell those Sale Shares at any time within 12 months from the date of issue of those Sale Shares; and
- seek the best available price for those Sale Shares.

Until that sale is complete, SKN must not exercise any right to vote attaching to any Sale Shares at any time before that Sale Share is sold.

2. Noble Marketing Rights

On 30 September 2013, Cockatoo and Noble entered into a sale and marketing agreement (**Noble Sale and Marketing Agreement**) under which Cockatoo has agreed to appoint Noble on a worldwide basis except Korea and Taiwan as the sole and exclusive sales and marketing agent for all coal produced by all Cockatoo Group members and to provide certain marketing services for all coal produced by all Cockatoo Group members. These marketing rights do not apply to coal from Blackwood's mines, coal that is subject to certain existing sales agreements and any third party coal blended with coal produced by Cockatoo Group members.

The Noble Sale and Marketing Agreement will come into effect on satisfaction of the following conditions:

- Noble is unconditionally obliged under the Noble Subscription Agreement to pay subscription monies; and
- the Offer Period has ended in accordance with its terms.

Under the Noble Sale and Marketing Agreement, Noble is entitled to a marketing fee of:

- 2.5% of the final invoiced sales price per tonne (and any other compensation (including any reimbursement, rebates or similar)) of coal sold; or
- 2.5% of the final invoiced sales price per tonne (and any other compensation (including any reimbursement, rebates or similar)) less any amount per tonne payable to third parties under certain existing marketing agreements for coal sold.

Other material terms of the Noble Sale and Marketing Agreement include:

- If a member of the Cockatoo Group is required to enter into long-term off-take arrangements for the purposes of obtaining financing, then Noble is granted a first and last right of refusal to acquire the coal proposed to be the subject of that off-take arrangement for sales anywhere in the world (except end users in Korea or Taiwan).
- Where a member of the Cockatoo Group ceases to own or control a mine (being any mines, tenements, tenures or licences owned solely or through a joint-venture by Cockatoo on the Completion Date), other than a Blackwood mine, and a decision to carry-out a bank feasibility study in respect of the mine has been made, the member of the Cockatoo Group must procure that the party who has obtained legal and beneficial ownership or direct or indirect control of the mine enters into a deed of covenant under which the assignee agrees in respect of the relevant mine to be bound by the terms and conditions of the Noble Sale and Marketing Agreement as if it were Cockatoo.

Where the Cockatoo Group ceases to own or control a Blackwood mine, the member of the Cockatoo Group must procure that the party who has obtained legal and beneficial ownership or direct or indirect control of the Blackwood mine enters into a deed of covenant under which the assignee agrees in respect of the relevant Blackwood mine to be bound by the terms and conditions of:

- the Blackwood Product Sales Heads of Agreement as if it were Blackwood, and
- the Noble Sale and Marketing Agreement applicable to that Blackwood mine as if it were Cockatoo.

In addition to the usual rights to terminate for breach or insolvency of a party:

- Noble may terminate the Noble Sale and Marketing Agreement if there is a change of control of Cockatoo; and
- Cockatoo may terminate the Noble Sale and Marketing Agreement if Noble (and its Related Bodies Corporate) cease to own a number of Cockatoo Shares equal to 0.095 times the number of Shares of Cockatoo following the issue of Cockatoo Shares under the Cockatoo Equity Raising (which must not be more than 886,294,158 plus the number of Shares issued under the Cockatoo Equity Raising (including shares issued to SKN and to Noble)) plus any Shares issued by Cockatoo to any person under the Takeover.

3. SKN Marketing Rights

On 17 October 2013, Cockatoo and SKN entered into a sale and marketing agreement (**SKN Sale and Marketing Agreement**) under which Cockatoo agreed to appoint SKN as the sole and exclusive sales and marketing agent of each Cockatoo Group member for Korea and Taiwan and to provide certain marketing services in those jurisdictions for all coal produced by all Cockatoo Group members.

The terms of the SKN Sale and Marketing Agreement are broadly the same as the Sale and Marketing Agreement in all material respects, including in relation to the marketing fee payable.

The SKN Sale and Marketing Agreement will come into effect on satisfaction of the following conditions:

- SKN is unconditionally obliged under the SKN Subscription Agreement to pay subscription monies; and
- the offer period for the Takeover has ended in accordance with its terms.

These marketing rights do not apply to coal from Blackwood's mines, coal that is subject to certain existing sales agreements and any third party coal blended with coal produced by Cockatoo Group members.

Under the SKN Sale and Marketing Agreement, SKN is entitled to a marketing fee of:

- 2.5% of the final invoiced sales price per tonne (and any other compensation (including any reimbursement, rebates or similar)) of coal sold in Korea or Taiwan; or
- 2.5% of the final invoiced sales price per tonne (and any other compensation (including any reimbursement, rebates or similar)) less any amount per tonne payable to third parties under certain existing marketing agreements for coal sold in Korea or Taiwan.

Other material terms of the SKN Sale and Marketing Agreement include:

- If a member of the Cockatoo Group is required to enter into long-term off-take arrangements for the purposes of obtaining financing, then SKN is granted a first and last right of refusal to acquire the coal proposed to be the subject of that off-take arrangement for sales in Korea or Taiwan;
- Where a member of the Cockatoo Group ceases to own or control a mine (being any mines, tenements, tenures or licences owned solely or through a joint-venture by Cockatoo on the Completion Date), other than a Blackwood mine, and a decision to carry-out a bank feasibility study in respect of the mine has been made, the member of the Cockatoo Group must procure that the party who has obtained legal and beneficial ownership or direct or indirect control of the mine enters into a deed of covenant under which the assignee agrees in respect of the relevant mine to be bound by the terms and conditions of the SKN Sale and Marketing Agreement as if it were Cockatoo; and
- Where the Blackwood Product Sales Heads of Agreement has been terminated and the Cockatoo Group ceases to own or control a Blackwood mine, the member of the Cockatoo Group must procure that the party who has obtained legal and beneficial ownership or direct or indirect control of the Blackwood mine enters into a deed of covenant under which the assignee agrees in respect of the relevant Blackwood mine to be bound by the terms and conditions of the SKN Sale and Marketing Agreement applicable to that Blackwood mine as if it were Cockatoo.

In addition to the usual rights to terminate for breach or insolvency of a party:

- SKN may terminate the SKN Sale and Marketing Agreement if there is a change of control of Cockatoo; and
- Cockatoo may terminate the SKN Sale and Marketing Agreement if SKN (and its Related Bodies Corporate) cease to own a number of Shares equal to 0.095 times the number of Shares of Cockatoo following the issue of Cockatoo Shares under the Cockatoo Equity Raising (which must not be more than 886,294,158 plus the number of Cockatoo Shares issued under the Cockatoo Equity Raising (including Shares issued to SKN and to Noble)) plus any Cockatoo Shares issued by Cockatoo to any person under the Offer.

4. Termination of CCMC marketing arrangements

In order to give effect to the Noble Sale and Marketing Agreement and the SKN Sale and Marketing Agreement, Cockatoo has had to agree to terminate some of its existing marketing rights arrangements with effect from the later of completion of the Cockatoo Equity Raising and the date when the Offer Period has ended in accordance with its terms. One of these includes an exclusive agency agreement (**Exclusive Agency Agreement**) between CCMC, which is a joint-venture company owned 50% by Cockatoo and 50% by SK Australia .

To effect the termination of the Exclusive Agency Agreement and related arrangements, Cockatoo, CCMC and SK Australia have entered into a deed of termination and release and have also entered into the CCMC Sale Deed under which Cockatoo has agreed to purchase SK Australia's CCMC shares for A$3.4 million, which is payable in three instalments as follows:

- A$1.1 million on 31 December 2014;
- A$1.1 million on 30 June 2015; and
- A$1.2 million on 31 December 2015.

5. ANZ Project Finance Facilities

5.1 Appointment of ANZ as mandated lead arranger, underwriter and bookrunner

On or about 17 October 2013, Baralaba Coal and Wonbindi Coal (each a **Borrower** or, if they form a merged holding company, on behalf of that company as **Borrower**) entered into the Project Finance Facilities Commitment Letter with ANZ under which ANZ agrees to fully underwrite, and to act as arranger and bookrunner in respect of the syndication of, the Project Finance Facilities totaling A$255,000,000.

As mandated lead arranger, underwriter and bookrunner, ANZ will be paid an underwriting fee based on the total commitments under the Project Finance Facilities payable on the earlier of entry into the facility agreement and 31 January 2014 (provided that, where the Project Finance Facilities Commitment Letter is terminated in specific circumstances described below, only 30% of the underwriting fee will be payable).

5.2 Syndication strategy – market flex

ANZ is entitled to a market flex provision giving it the right to increase the margin and/or the underwriting fee by a specified amount consistent with market practice but only to the extent necessary to achieve a "Successful Syndication” (as defined below). This right expires on the earlier of:

(i) 6 months after the launch of primary syndication;

(ii) termination of the Project Finance Facilities Commitment Letter (see below); and

(iii) once ANZ has achieved its final hold position (“**Successful Syndication**”).

5.3 Termination of Project Finance Facilities Commitment Letter

The Project Finance Facilities Commitment Letter may be terminated in any of the following circumstances and other circumstances customary for a project financing of this nature (in which case, (except where the Project Finance Facilities Commitment Letter is terminated pursuant to paragraphs (b) and (f) below) the underwriting fee described above will become immediately payable in full):

(a) where there is a material breach of, or a material misrepresentation under, the Project Finance Facilities Commitment Letter by Baralaba Coal or Wonbindi Coal (subject to certain cure periods);

(b) where Baralaba Coal or Wonbindi Coal notifies ANZ that that the Cockatoo Equity Raising was not approved by Shareholders (in which case, only 30% of the underwriting fee is payable);

(c) where notice is received of a final determination that any application for mining lease regulatory approvals for the additional 2.5Mtpa has been unsuccessful;

(d) if Baralaba Coal or Wonbindi Coal notifies ANZ that they do not intend to continue with the Baralaba Expansion project; or

(e) where there is a material adverse change in:

 (i) the business or financial condition of an obligor under the Project Finance Facilities (including Cockatoo, JFE Shoji, Baralaba Coal, Wonbindi Coal, Cockatiel and JSBW); or

 (ii) the international and/or domestic syndicated loan, debt, bank or capital markets.

5.4 Terms of the Project Finance Facilities

Facility Structure

Under the term sheet annexed to the Project Finance Facilities Commitment Letter, the Project Finance Facilities are to comprise:

(a) A$180,000,000 syndicated cash advance facility to be used to fund capital, operating and financing costs for the Baralaba Expansion to completion (including capitalisation of interest and commitment fees) (**Expansion Facility**);

(b) A$20,000,000 syndicated cash advance facility to fund cost overruns over and above the P50 Contingency (50/50 between debt and equity) to completion (**Cost Overrun Facility**); and

(c) A$55,000,000 letter of credit and performance bond facility for the project (**LC Facility**).

Each of the above facilities has a term of 7 years and, with respect to the Expansion Facility and the Cost Overrun Facility (**Cash Advance Facilities**), is to be repaid by quarterly amortisation repayments.

Pricing

All interest rates and fees including the interest rates on the Cash Advance Facilities and the LC Facility are broadly consistent with market rates, having regard to the nature and stage of development of the Baralaba Expansion.

Security

The above facilities will be secured by the following security, which must be granted prior to the first draw under the Project Finance Facilities):

(a) fixed and floating charges over all of the assets of the Borrower(s);

(b) fixed and floating charges over all of the assets of Cockatiel Coal Pty Limited (**Cockatiel**) and JSBW (**Security Providers**);

(c) completion guarantees from Cockatoo and JFE Shoji (**Sponsors**) guaranteeing, on a several basis, all of the obligations of the Borrower(s) under the finance documents (which is to be released on completion of the project). Each of the Sponsors' liability under such guarantee is to be limited to their respective proportionate equity holdings in the Borrower(s);

(d) share mortgage over all of the shares of the Borrower(s); and

(e) share mortgage over all of the shares of the Security Providers.

Conditions Precedent

Usual conditions precedent apply to each of financial close, first draw and to each ongoing draw. In particular, the conditions precedent include the following project-specific conditions precedent:

(a) for financial close, the mining leases, ancillary leases and regulatory approvals for the project to produce 1.0Mtpa of coal have been granted to the Borrower;

(b) for the first draw:

 (i) the mining leases, ancillary leases and regulatory approvals for the project to increase production to 3.5Mtpa of coal have been granted to the Borrower;

(ii) evidence that the Borrower has secured rail and port capacity to aggregate of 3.5Mtpa expiring no earlier than the final maturity date of the Project Finance Facilities (i.e. on the 7th anniversary of financial close) and the necessary rail and port infrastructure will be available for coal exports as contemplated in the base case financial model;

(iii) the Borrower has entered into acceptable off-take agreements for no less than 75% (i.e. 2.625Mtpa) of its production, with a minimum term of 3 years and either (A) containing no specifications or penalties with respect to phosphorus; or (B) with a maximum phosphorus specification of 0.14%; and

(iv) repayment (or conversion to equity) of the KEBA Loan.

Review Events

Usual 'Review Events' are to apply, including where JSBW does not provide written approval to proceed with the Baralaba Expansion by 30 June 2014.

Representation, warranties, undertakings, default events and review events

Usual representations and warranties, undertakings and defaults are given by Cockatoo. These include, among other things restrictions on the payment of distributions to shareholders until completion of the project.

6. Offer Management Agreement

On 17 October 2013, Cockatoo entered into the Offer Management Agreement under which Cockatoo appointed Credit Suisse (Australia) Pty Limited (**Lead Manager**) to act as lead manager and bookrunner for the Institutional Placement (excluding the Harum Placement) and to assist with the marketing and settlement of the Institutional Placement (excluding the Harum Placement).

The Lead Manager may terminate the Offer Management Agreement (and their settlement support obligations in respect of the Institutional Placement (excluding the Harum Placement)) in certain circumstances including where specified events occur that, in the Lead Manager's reasonable opinion, have a material adverse effect on the Cockatoo Equity Raising or the ability of the Lead Manager to comply with applicable law, on or before completion of the Institutional Placement.

The Lead Manager's obligations under the Offer Management Agreement are subject to a number of conditions including:

- receipt by the Lead Manager of certain legal opinions, reports and sign-offs; and
- Shareholder approval of the Cockatoo Equity Raising,

Cockatoo has agreed to indemnify the Lead Manager for loss arising directly or indirectly from or relating to the Institutional Placement or as a result of a breach by Cockatoo of any provision, including a representation or warranty, of the Offer Management Agreement.

The Offer Management Agreement also sets out a number of representations, warranties and undertakings given by Cockatoo to the Lead Manager and by the Lead Manager to Cockatoo which are customary for offers such as the Institutional Placement.

Attachment 1 – Announcement in relation to the Offer and the Cockatoo Recapitalisation

ABN 13 112 682 158

17 October 2013

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

(56 pages by email)

Dear Madam,

Funds to develop the Baralaba Expansion and recapitalisation of Cockatoo

The Directors of Cockatoo Coal Limited (**"Cockatoo"** or **"the Company"**) are pleased to announce an equity and debt financing solution to repay the A$95 million KEB Australia Ltd (**"KEBA"**) loan facility and provide funding for the expansion of the Baralaba mine complex (**"the Baralaba Expansion"**)[1]. In addition, Cockatoo and Blackwood Corporation Limited (**"Blackwood"**) have entered into a Bid Implementation Agreement (**"BIA"**) under which Cockatoo has agreed to make an off-market takeover bid (**"Takeover Offer"**) to acquire all of the issued share capital in Blackwood for new fully paid ordinary shares in Cockatoo (**"Shares"**).

Key highlights

- **Equity raising of A$153 million via three inter-conditional placements of new Shares ("Equity Raising")**
  - A$50 million placement to SK Networks, Co., Ltd (**"SKN"**)
  - A$43 million placement to Noble Group Limited (**"Noble"**)
  - A$60 million placement to institutional and sophisticated investors, which has been cornerstoned by Harum Energy Australia Limited ("**Harum**") with a minimum A$20 million commitment[2]
- **Share Purchase Plan ("SPP") to enable eligible existing shareholders to participate**
- **Fully underwritten A$255 million senior secured project finance facility for the Baralaba Expansion underwritten by Australia and New Zealand Banking Group Limited ("ANZ")**
- **Proceeds of the Equity Raising used to repay the A$95 million KEBA loan facility and, in conjunction with the project finance facility, provide funding for the Baralaba Expansion**
- **Proposed acquisition of Blackwood via a friendly off-market takeover offer**
  - Blackwood shareholders to be offered 2.00 Shares for each Blackwood share
  - Provides an attractive Queensland coal exploration portfolio for future growth
- **Funding for the Baralaba Expansion project which is on track to meet the WICET Stage 1 timetable**

[1] Subject to necessary shareholder and regulatory approvals and other conditions.
[2] Harum's commitment will increase on a pro-rata basis if Cockatoo increases the size of the institutional placement. Harum's intention is to own, and expects to be diluted down to, approximately 10.0% following completion of the SPP and Takeover.

Level 2, 66 Hunter Street Sydney NSW Australia 2000 **T**: (61 2) 9300 3333 **F**: (61 2) 9221 6333
E: alawson@cockatoocoal.com.au **W**: www.cockatoocoal.com.au

- **Supportive major shareholders**
  - Following the Equity Raising and successful acquisition of Blackwood, SKN and Noble will be the equal largest shareholders of Cockatoo

<u>Equity Raising</u>

Cockatoo has today announced an A$153 million equity raising, comprising three inter-conditional placements:

- to SKN of 1,000.0 million Shares at A$0.050 per Share to raise A$50 million;
- to Noble of 866.0 million Shares at A$0.050 per Share to raise A$43 million; and
- to institutional and sophisticated investors of 1,333.3 million Shares at A$0.045 per share to raise A$60 million (Cockatoo will consider increasing the size of the institutional placement if the offer is oversubscribed).

In addition, Cockatoo has also announced an SPP at an offer price of A$0.045 per share to enable eligible existing shareholders to participate in Cockatoo's equity raising by subscribing for up to A$15,000 worth of new Shares (irrespective of the number of holdings)[3].

Definitive subscription agreements have been signed in respect of the SKN and Noble placements, and both have received all necessary board and other internal approvals. The placement to institutional and sophisticated investors has been cornerstoned by Harum, Cockatoo's second largest shareholder, who has provided a minimum A$20 million commitment at A$0.045 per share.

The three placements are inter-conditional and subject to:

- The approval of Cockatoo Shareholders at an EGM to be held in mid December 2013;
- An independent expert concluding that the SKN and Noble placements and relevant related transactions are reasonable for Cockatoo Shareholders;
- ANZ remaining committed to the underwritten A$255 million project finance facility for the Baralaba Expansion by completion of the Equity Raising;
- The absence of any material adverse change affecting Cockatoo;
- Necessary government and regulatory approvals;
- There being no regulatory actions, including those associated with the Takeover Offer, that could prohibit the placements and / or related transactions; and
- Other customary conditions.

The settlement of the SPP is conditional on shareholder approval and successful completion of the Equity Raising.

The placement to institutional and sophisticated investors will be conducted by way of a bookbuild that will commence at 10:00am Sydney time, 18 October 2013. Credit Suisse (Australia) Limited (**"Credit Suisse"**) is acting as sole lead manager and bookrunner for the Equity Raising. RBS Morgans Limited and Wilson HTM Corporate Finance Ltd are acting as co-lead managers.

The SKN and Noble placement price of A$0.050 per Share represents a:

- 15.3% discount to last close
- 25.8% discount to the 3 month volume weighted average price (**"VWAP"**)

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[3] The record date for the SPP is 7.00pm (Sydney time) 16 October 2013. Cockatoo will distribute an SPP Booklet to eligible shareholders (being those with a registered address in Australia or New Zealand and who hold Shares on the SPP record date) shortly (together with a single Shareholder Offer application form) and a further announcement will be made to the market when this occurs. Cockatoo reserves the right to scale back the maximum participation amount per eligible shareholder.

- 1.1% discount to TERP[4]

The price of the institutional placement and SPP of A$0.045 per Share represents a:

- 23.7% discount to last close
- 33.2% discount to the 3 month volume VWAP
- 11.0% discount to TERP[4]

In connection with the Noble placement, Cockatoo has granted Noble exclusive marketing rights (excluding South Korea and Taiwan) for the majority of Baralaba Expansion coal. Noble is a market leading trader of bulk commodities, and the agreement, which is based on market terms, ensures access to high quality end market users for Baralaba Expansion product coal. SKN will be granted marketing rights on equivalent terms for the South Korean and Taiwanese markets.

If approved by Cockatoo Shareholders, the Equity Raising will result in 3,199,364,579 new Shares being issued to SKN, Noble, Harum and other institutional and sophisticated investors, taking the total number of issued ordinary Shares to 4,085,658,737. Following completion of the Equity Raising, SKN will hold approximately 25.8%[5] of Cockatoo's issued capital, Noble will hold approximately 21.2%, while Harum will hold approximately 12.0%[6]. Noble has also indicated its intention is to dispose of its entire 51.2%[7] shareholding in Blackwood by accepting the Takeover Offer (in the absence of a superior proposal, subject to the independent expert concluding (and continuing to conclude) that the Takeover Offer is fair and reasonable to Blackwood shareholders and subject to completion of the Equity Raising), for which they will receive 189,379,520 new Shares, taking their interest in Cockatoo to equal that of SKN. Subject to receipt of necessary waivers from ASX, Noble will also be granted anti-dilution rights so that their interest in Cockatoo is able to be maintained at its post-placement level. SKN already has the benefit of equivalent anti-dilution rights. Further details on the effect of control on Cockatoo resulting from the Equity Raising and Takeover Offer, including the potential dilution effect on existing Shareholders, are provided in page 17 of the Investor Presentation which Cockatoo has provided to ASX today.

It is the intention of the independent directors of Cockatoo to recommend that Cockatoo Shareholders **VOTE IN FAVOUR** of all resolutions to approve the Equity Raising and relevant related transactions at the EGM, in the absence of a superior proposal and subject to an independent expert concluding that the SKN and Noble placements, and relevant related transactions, are reasonable for Cockatoo Shareholders.

Further information about the Equity Raising and relevant related transactions will be provided in the Notice of Meeting and Explanatory Memorandum to be despatched to Cockatoo Shareholders to convene the EGM. These documents will include an independent expert's report and are expected to be sent to Cockatoo Shareholders in mid November 2013.

Use of proceeds

The proceeds of the Equity Raising outlined above will be used to fund:

- Repayment of the A$95 million KEBA loan facility;
- Development capital expenditure requirements at the Baralaba Expansion; and
- Transaction costs.

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[4] Theoretical ex-entitlement price of A$0.051 per share based on the 1 month VWAP of Shares up to and including 16 October 2013 of A$0.060 per Share and including the impact of the Equity Raising.

[5] Excludes 150 million Cockatoo options with an exercise price of A$0.125 per share and 50 million options, issued today in relation to the previous extension of the SKN guarantee of the KEBA loan facility as announced on 11 June 2013, held by SKN.

[6] Harum's intention is to own, and expects to be diluted down to, approximately 10.0% following completion of the SPP and Takeover.

[7] On an undiluted basis (excluding Blackwood's 7,225,000 performance rights).

Key dates

The proposed timetable for completion of the Equity Raising is outlined below:

Equity Raising timetable	Date
Institutional Placement Bookbuild closes (4:00pm)	22 October 2013
EGM to approve the Equity Raising	Mid December 2013
Settlement of Equity Raising Shares	Mid December 2013
Allotment of Equity Raising Shares	Mid December 2013

The proposed timetable for completion of the SPP is outlined below:

SPP timetable	Date
SPP record date (7:00pm)	16 October 2013
SPP booklet and Shareholder offer application mailed to shareholders	Late October 2013
SPP offer closes	Mid December 2013, post EGM
Allotment of SPP shares	Mid December 2013, post EGM

All times and dates in this announcement refer to the date and time in Sydney, Australia. Cockatoo reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws and rules, to vary the above timetable, either generally or in particular cases, without notice.

Details of the Equity Raising are also set out in the Investor Presentation which Cockatoo has provided to the ASX today and will also be set out in the Notice of Meeting and Explanatory Memorandum to be despatched to Cockatoo Shareholders in order to convene the EGM.

Project Finance Facility

The joint venture partners in the Baralaba Expansion, Cockatoo and JFE Shoji Trade Corporation ("**JFE**"), through Baralaba Coal Pty Ltd and Wonbindi Coal Pty Limited, have executed a credit approved commitment letter with ANZ for a fully underwritten A$255 million senior secured project finance package (the "**Facilities**"), comprising:

- A$180 million Project Finance Facility;
- A$20 million Cost Overrun Facility; and
- A$55 million Letter of Credit / Environmental Bonding Facility.

The Facilities have a seven year tenor and, in conjunction with the Equity Raising, provide funding for the Baralaba Expansion. The Facilities remain subject to the parties entering into definitive documentation, and drawdown is conditional upon:

- Cockatoo being granted regulatory approvals to increase production to 3.5 million tonnes per annum at the Baralaba Expansion;
- Cockatoo entering into off-take agreements for at least 75% of production from the Baralaba Expansion[8];
- Cockatoo having sufficient financing to fund development of the Baralaba Expansion (in conjunction with the Facilities) to a P50 contingency
- Repayment of the A$95 million KEBA loan facility;

[8] Off-take agreements need to be for a minimum term of 3 years and meet a maximum phosphorous specification of 0.14%.

- JFE's continued commitment to proceed with the Baralaba Expansion[9]; and
- Other conditions precedent typical of a project financing of this nature.

Cockatoo is confident of receiving the environmental approvals required for a 3.5 million tonnes per annum operation at Baralaba in time to meet WICET Stage 1. This confidence is based on the recent receipt of Mining Leases for 1.0 million tonnes per annum and the fact that the Baralaba Expansion has been declared a Prescribed Project by the Queensland Government.

Mezzanine Financing

Cockatoo intends to seek proposals from potential investors to provide a mezzanine financing facility of up to A$50 million prior to the drawdown of the Project Finance Facility. The Company has already received a number of indicative term sheets and expressions of interest, including from Noble, and will look to run a formal process after completion of the Equity Raising. Cockatoo has appointed Credit Suisse and ANZ as the joint-lead arrangers to manage the mezzanine financing process.

Cockatoo will consider increasing the size of the institutional placement if the offer is oversubscribed which would reduce the mezzanine financing required to ensure the Baralaba Expansion is funded to a P50 contingency.

Takeover Offer for Blackwood

Cockatoo and Blackwood have entered into a BIA, under which Cockatoo has agreed to make the Takeover Offer. Blackwood shareholders will be offered 2.00 Shares for each Blackwood share they hold.

The Takeover Offer is subject to a minimum acceptance condition ("**MAC**") of 52.1%[10], is conditional on the successful completion of Cockatoo's Equity Raising (but not vice versa), and is also subject to a number of other standard bid conditions which are set out in the attached BIA.

Blackwood's extensive Queensland coal exploration portfolio complements Cockatoo's existing asset base and provides an attractive longer term growth pipeline.

The independent directors of Blackwood have considered the Takeover Offer and have confirmed that they intend to unanimously recommend that Blackwood shareholders **ACCEPT** the Takeover Offer in the absence of a superior proposal, subject to the independent expert concluding that the Takeover Offer is fair and reasonable to Blackwood shareholders and subject to the Equity Raising proceeding.

In addition, Blackwood's largest shareholder, Noble, has also indicated its intention is to dispose of its entire 51.2%[11] shareholding in Blackwood by accepting the Takeover Offer in the absence of a superior proposal subject to the independent expert concluding (and continuing to conclude) that the Takeover Offer is fair and reasonable to Blackwood shareholders and subject to completion of the Equity Raising.

Blackwood and Cockatoo have granted each other customary exclusivity arrangements including "no shop" and "no talk" restrictions, subject to customary fiduciary carve outs.

If the Takeover Offer is not successful (that is, it does not become unconditional), Cockatoo will not acquire any Blackwood shares.

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[9] This condition precedent can also be met if a plan satisfying the Lender can be agreed in the event that JFE seeks to exit the joint venture arrangements.
[10] Based on a 50.1% MAC on a fully diluted basis (including Blackwood's 7,225,000 performance rights).
[11] On an undiluted basis (excluding Blackwood's 7,225,000 performance rights).

If the Takeover Offer is successful (that is, it becomes unconditional) but Cockatoo does not acquire greater than 90% of Blackwood shares, Cockatoo will not be able to undertake compulsory acquisition of Blackwood minority shareholders. Blackwood would remain a separate listed entity but, at a greater than 50% subsidiary of Cockatoo, will be consolidated by Cockatoo and will have Cockatoo nominees appointed to its board.

A copy of the executed BIA is attached to this announcement.

Key dates for the Takeover Offer

The proposed timetable for completion of the Takeover Offer is outlined below:

Blackwood Acquisition timetable	Date
Bid Implementation Agreement signed	17 October 2013
Bidder and Target Statements despatched to Blackwood shareholders	Late November 2013
Offer Open Date	Late November 2013
Offer Close Date[12]	Late December 2013

Details of the Takeover Offer are also set out in the Investor Presentation, which Cockatoo has provided to ASX today. Further information will also be provided in the Bidder's and Target's Statements which will be despatched to Blackwood shareholders in late November 2013.

KEBA Loan Facility

As previously announced on 27 September 2013, Cockatoo has entered into an agreement to extend the maturity of the A$95 million KEBA loan facility to 27 December 2013. As previously announced on 20 September 2013, SKN, the ultimate parent entity of SK Networks Resources Australia Pty Ltd, an existing shareholder of the Company, has also agreed to extend its guarantee of the KEBA facility to 27 December 2013.

Cockatoo intends to repay the A$95 million KEBA facility from the Equity Raising proceeds in mid December 2013, assuming the satisfaction of all conditions to the Equity Raising.

Issue of options to SKN

Cockatoo has today issued 50 million options to SKN in relation to the previous extension of the SKN guarantee of the KEBA loan facility as announced on 11 June 2013[13]. In addition SKN also holds another 150 million options at an exercise price of A$0.125 per share[14].

Baralaba Mine and Baralaba Expansion Update

The Baralaba Mine has delivered positive cash flows since recovering from the flooding period in late 2010 / early 2011 and is expected to fund the working capital requirements for the Baralaba Expansion during the construction phase. The Baralaba Mine delivered a record financial year ending June 2013, producing 707,381 tonnes of ROM coal and total sales of 544,406 tonnes of ULV PCI coal at an average cash cost of less than A$104 per tonne (excluding royalties).

Cockatoo has continued to reduce the development capital expenditure required since the release of the Supplementary Bankable Feasibility Study in April 2013, with up front reductions of approximately A$25 million identified to date (primarily through deferral of the power line relocation) decreasing the initial capital expenditure requirement to approximately A$286 million[15].

[12] Cockatoo will not extend the offer period beyond 3 months without Blackwood's consent.
[13] Options may be exercised at any time up to 15 April 2015 and will have an exercise price equal to Cockatoo's 20 day VWAP as at the date of issuance.
[14] Option may be exercised at any time up to 15 October 2014.
[15] Excluding contingencies, in 2013 dollars.

The Baralaba Expansion is on track to meet the current WICET Stage 1 timetable and is expected to produce first coal by mid 2014. Cockatoo's Board and management are pleased to commence construction at its low cost, high quality ULV PCI brownfields project which will result in production increasing from ~750,000 tonnes per annum to 3.5 million tonnes per annum.

Board Restructure

As part of the overall transaction Cockatoo intends to restructure its board of directors ("**Board**") to reflect the changes in the key stakeholders of Cockatoo while also maintaining a balanced set of skills. In order to adequately reflect the significant investment in Cockatoo by SKN, Noble and Harum, each will be permitted to nominate one director to the Board.

It is intended that the new Board will comprise seven individuals:

- An Independent Chairman to be appointed
- Managing Director, Andrew Lawson
- Three Non-Executive Directors separately nominated by each of SKN, Noble and Harum
- Two Independent Non-Executive Directors to be appointed

These Board changes will take affect following completion of the Equity Raising.

For further information please contact Andrew Lawson on +61 2 9300 3333.

Yours faithfully

Andrew Lawson
Managing Director

pjn7428

This announcement contains certain "forward-looking" statements. The words "intends", "expected", "proposed", "forecast", "target", and "will" and other similar expressions are intended to identify forward looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these statements. To the full extent permitted by law, Cockatoo and Credit Suisse and their respective directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

An investment in new Shares is subject to investment and other known and unknown risks, some of which are beyond the control of Cockatoo, including possible delays in repayment and loss of income and principal invested. Cockatoo does not guarantee any particular rate of return or the performance of Cockatoo nor do they guarantee the repayment of capital from Cockatoo or any particular tax treatment. Persons should have regard to the risks outlined in the Investor Presentation. This announcement should be read in conjunction with that Investor Presentation and the important notes contained in that document. Past performance information given in this announcement is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

This announcement is not an offer or an invitation to acquire Shares or any other financial products in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. This announcement is not a prospectus, product disclosure statement or other disclosure document under Australian law. This announcement may not be distributed or released in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any Shares in the United States. The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended or indirectly, in the United States unless they have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable US state securities laws.

This announcement is not financial advice or a recommendation to acquire Shares and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek such legal, financial and/or taxation advice as they deem necessary or appropriate to their jurisdiction. Cockatoo is not licensed to provide financial product advice in respect of the Shares. Cooling off rights do not apply to the acquisition of Shares.

All financial information is in Australian dollars and all statistics are as at 30 June 2013 unless otherwise stated. Investors should be aware that certain financial data included in this announcement is "non-IFRS financial information" under ASIC Regulatory Guide 230 Disclosing non-IFRS financial information published by the Australian Securities and Investments Commission. Cockatoo believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of Cockatoo. The non-IFRS financial information do not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this announcement.

CLAYTON UTZ

EXECUTION VERSION

Bid Implementation Agreement

Blackwood Corporation Limited
Blackwood

Cockatoo Coal Limited
Cockatoo

The Clayton Utz contact for this document are
Rory Moriarty on + 61 2 9353 4764
Clayton Utz
Lawyers
Level 15 Bligh Street Sydney NSW 2000 Australia
T + 61 2 9353 4000 F + 61 2 82206700

www.claytonutz.com

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Bid Implementation Agreement dated 2013

Parties **Blackwood Corporation Limited ACN 103 651 538** of Level 9, 288 Edward Street, Brisbane (**Blackwood**)

Cockatoo Coal Limited ACN 112 682 158 of Level 2, 66 Hunter Street, Sydney (**Cockatoo**)

Background

A. Blackwood and Cockatoo are each listed on the ASX.

B. Cockatoo proposes to make a Bid. The Blackwood Board proposes to recommend that Bid in the absence of a Superior Proposal for Blackwood and subject only to the Independent Expert concluding that the Bid is fair and reasonable to Blackwood Shareholders.

C. The parties have agreed to certain matters in relation to the conduct of the Bid as set out in this agreement.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this agreement:

Agreed Form means in relation to any document the form of that document which has been initialled for the purpose of the identification by Blackwood (or its solicitors) and Cockatoo (or its solicitors) prior to the execution of this agreement.

Announcement Date means the date on which the Cockatoo Announcement and the Blackwood Announcement are made, being on or about the date of this agreement.

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning given in section 12 of the Corporations Act.

Authorisation means any licence, consent, approval, permit, registration, accreditation, certification or other authorisation given or issued by any Government Agency or any other person.

ASX means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange.

Bid means an off-market takeover bid under Chapter 6 of the Corporations Act under which Cockatoo offers to acquire all Blackwood Shares (in which it does not already have a Relevant Interest), an announcement of which is made on or about the date of this agreement.

Bidder's Statement means the bidder's statement to be prepared by Cockatoo in connection with the Bid in accordance with Chapter 6 of the Corporations Act.

Bid Consideration means 2 Cockatoo Shares for each Blackwood Share held.

Bid Period means the period that starts when the Bidder's Statement is given to Blackwood and ends at the end of the Offer Period.

Bid Terms means the terms and conditions set out in the Schedule.

Blackwood Announcement means an announcement made by Blackwood in respect of the transactions contemplated by this agreement in the Agreed Form.

Blackwood Assets means each asset owned or held by Blackwood Group or used in its business including the Blackwood Tenements and any assets held under any financing or operating lease.

Blackwood Board means the board of directors of Blackwood from time to time.

Blackwood Constitution means the constitution of Blackwood at the date of this deed.

Blackwood Director means a director of Blackwood from time to time.

Blackwood Due Diligence Materials Index means the index of information and documents contained in the Due Diligence Materials disclosed by Blackwood as at the Disclosure Date as set out in Part 1 of Annexure A.

Blackwood Group means Blackwood and its Subsidiaries (and **Blackwood Group Company** means any such company).

Blackwood Performance Rights means the 7,225,000 unlisted performance rights issued pursuant to the Blackwood performance rights plan approved by shareholders at the general meeting on 29 October 2010, the terms of which are set out in the document in section 3.02 of the Blackwood Due Diligence Materials Index.

Blackwood Properties means the real property owned, leased, occupied or used by the Blackwood Group.

Blackwood Senior Executives means each Blackwood Director, Mr Todd Harrington and Mr David Smith.

Blackwood Share means a fully paid ordinary share in the capital of Blackwood.

Blackwood Shareholder means, from time to time, each person who is registered in the Blackwood Share Register as a holder of a Blackwood Share.

Blackwood Share Register means the register of members of Blackwood maintained by or on behalf of Blackwood in accordance with section 168(1) of the Corporations Act.

Blackwood Tenements means those tenements listed in Part 1 of Annexure C.

Business Day is any day that is both a business day within the meaning given in the Listing Rules and a day (other than a Saturday) that banks in each of Sydney, Korea and Singapore are open for business.

Business Hours means from 9.00am to 5.00pm on a Business Day.

Closing Date means the date on which the Offer Period in respect of the Bid ends.

Cockatoo Announcement means an announcement made by Cockatoo in respect of the transactions contemplated by this agreement (including but not limited to disclosure of the composition of the Cockatoo Board), in the Agreed Form.

Cockatoo Constitution means the constitution of Cockatoo at the date of this deed.

Cockatoo Caused Subscription Termination means termination by Noble of the Noble Share Subscription Deed solely for deliberate breach by Cockatoo of that Deed.

Cockatoo Due Diligence Materials Index means the index of information and documents contained in the Due Diligence Materials disclosed by Cockatoo as at the Disclosure Date as set out in Part 2 of Annexure A.

Cockatoo Group means Cockatoo and its Subsidiaries (and **Cockatoo Group Company** means any such company).

Cockatoo Option means an option to be issued a Cockatoo Share.

Cockatoo Share means a fully paid ordinary share in the capital of Cockatoo.

Cockatoo Shareholder means, from time to time, each person who is registered as a holder of a Cockatoo Share.

Cockatoo Tenements means those tenements listed in Part 2 of Annexure C.

Commitment Letter and Term Sheet means a commitment letter (and accompanying term sheet) in respect of the Project Finance Facilities executed by Cockatoo, JFE Shoji Trading Australia Pty Limited and ANZ on or before the date of this agreement.

Commercial Transactions means the issue of the Noble Subscription Shares and the entry into and performance of the Noble Marketing Rights Agreement.

Communications means advertising and communications (whether written or oral, and whether direct or via agents, consultants or advisers) with any shareholders, Government Agency, rating agency or media outlet relating to the Bid.

Competing Proposal means, in relation to Blackwood or Cockatoo, any proposed transaction or arrangement (including any expression of interest, proposal or offer in relation to a takeover bid, scheme of arrangement, share or asset sale or purchase, capital reduction or buy back, joint venture or dual listed company structure) by any person (other than the other party or its Related Bodies Corporate) under which that person (together with the person's Associates) would subject to satisfaction of conditions:

(a) acquire control (as defined in section 50AA of the Corporations Act) of that party;

(b) become the holder of a Relevant Interest in 20% or more of the shares in that party;

(c) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in all or a substantial part of the assets or business of that party and its Subsidiaries;

(d) otherwise acquire or merge with that party; or

(e) enter into any agreement or understanding requiring the respective board of directors of that party to recommend a proposal referred to in paragraphs (a) to (d),

but does not include any transaction or arrangement contemplated in this agreement under which:

(f) Maylion (or any of its Related Bodies Corporate) becomes the holder of a Relevant Interest in 20% or more of the Cockatoo Shares as a result of the Noble Subscription;

(g) SK Networks (or its nominee pursuant to the SK Subscription Deed) becomes the holder of a Relevant Interest in 20% or more of the Cockatoo Shares as a result of the SK Subscription;

(h) Harum (or any of its Related Bodies Corporate) becomes the holder of a Relevant Interest in 10% or more of the Cockatoo Shares as a result of the Harum Subscription.

Completion Date means the date on which completion of the subscription for the Noble Subscription Shares has occurred in accordance with the Noble Share Subscription Deed.

Conditions means the Bid conditions set out in paragraph 3 of the Schedule.

Counterproposal has the meaning given in clause 5.7.

Corporations Act means the Corporations Act 2001 (Cth).

Disclosure Date means:

(a) in respect of disclosures made by Blackwood, 5.00pm Sydney time on 8 October 2013; and

(b) in respect of disclosures made by Cockatoo, 5.00pm Sydney time on 8 October 2013.

Due Diligence Materials means:

(a) the written information and documents provided to Blackwood and its Representatives by Cockatoo and its Representatives, including the written responses given by Cockatoo and its Representatives in respect of questions raised by Blackwood and its Representatives in its due diligence process; and

(b) the written information and documents provided to Cockatoo and its Representatives by Blackwood and its Representatives, including the written responses given by Blackwood and its Representatives in respect of questions raised by Cockatoo and its Representatives in its due diligence process,

in each case included as at the Disclosure Date in the electronic data rooms maintained on behalf of each party for the purpose of facilitating due diligence investigations on the other party (lists of which are contained in the Blackwood Due Diligence Materials Index and the Cockatoo Due Diligence Materials Index).

Encumbrance means mortgage, charge, pledge, lien, restriction against transfer, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, other third party interest or any other security agreement or arrangement in favour of any person, whether registered or unregistered.

End Date means such date as is the last day of the Exclusivity Period or such later date agreed by the parties in writing.

Equity Raising means the offer of Cockatoo Shares for issue by Cockatoo:

(a) to institutional and sophisticated investors under the Institutional Raising; and

(b) to Harum pursuant to the Harum Subscription Deed,

raising a minimum aggregate amount of $60 million and a maximum aggregate amount of $120 million, in each case at a price of no less than $0.045 per Share. For the avoidance of doubt the Equity Raising does not include the issue of Shares under the Share Purchase Plan, the Noble Subscription or the SK Subscription.

Exclusivity Period means the period commencing on the date of this agreement and ending on the earlier of:

(a) the date this agreement is lawfully terminated in accordance with its terms; and

(b) the Closing Date.

Existing Agency Agreements has the meaning given to it in Annexure B.

Existing Sales Agreements has the meaning given to it in Annexure B.

Favourable means fair and reasonable to Blackwood Shareholders.

Finance Documents means:

(a) the Bank Guarantee Facility Agreement dated 16 May 2011 between, amongst others, Macquarie Bank Limited and Cockatoo;

(b) KEBA Facility; and

(c) the Deed of Indemnity dated 27 March 2012 between SK Networks and Cockatoo,

and each document entered into in connection with, or as required pursuant to the terms of, such documents, all as may be amended from time to time.

Government Agency means any government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body (including a court), department, commission, authority, office, instrumentality, tribunal, agency, delegate, organisation or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange, including the ASX.

GST has the meaning given in the GST Act.

GST Act means the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Harum means Harum Energy Australia Limited.

Harum Share Subscription Deed means the subscription deed between Harum and Cockatoo executed on the date of this agreement.

Harum Subscription means the subscription by Harum for a minimum of 449,798,705 Cockatoo Shares and a maximum of 560,909,816 Cockatoo Shares pursuant to the terms of the Harum Share Subscription Deed.

Indemnified Loss means, in relation to any fact, matter or circumstance, all Losses, costs, damages, expenses, penalties and other liabilities arising out of or in connection with that fact, matter or circumstance and including all legal and other professional expenses on an indemnity basis incurred in connection with investigating, disputing, defending or settling any claim, action, demand or proceeding relating to that fact, matter or circumstance (including any claim, action, demand or proceeding based on the terms of this agreement).

Independent Expert means the independent expert to be engaged by Blackwood to express an opinion on whether the Bid is fair and reasonable to Blackwood Shareholders.

Ineligible Foreign Shareholder means a Blackwood Shareholder whose address as shown in the Blackwood Share Register is a place outside Australia and its external territories or New Zealand, unless Cockatoo and Blackwood are satisfied, acting reasonably, that the laws of that Blackwood Shareholder's country of residence (as shown in the Blackwood Share Register) permit the issue and allotment of Cockatoo Shares to that Blackwood Shareholder, either unconditionally or after compliance with conditions which Cockatoo in its sole discretion regards as acceptable.

Insolvency Event means, in respect of a person:

(a) an administrator being appointed to the person;

(b) a controller (as defined in the Corporations Act) or analogous person being appointed to the person or any of the person's property;

(c) an application being made by that person to a court for an order to appoint a controller (as defined in the Corporations Act), provisional liquidator, trustee for creditors or in bankruptcy or analogous person to the person or any of the person's property;

(d) an appointment of the kind referred to in subparagraph (c) being made (whether or not following a resolution or application);

(e) the person being taken under section 459F(2) of the Corporations Act to have failed to comply with a statutory demand;

(f) an application being made to a court for an order for its winding up in circumstances where the person is insolvent;

(g) an order being made, or the person passing a resolution, for its winding up;

(h) the person being unable to pay its debts or otherwise being insolvent;

(i) the person taking any step toward entering into a compromise or arrangement with, or assignment for the benefit of, any of its members or creditors; or

(j) any analogous event under the laws of any applicable jurisdiction,

unless this takes place as part of a solvent reconstruction, amalgamation, merger or consolidation that has been approved by the other party.

Institutional Raising means the offer of Cockatoo Shares to institutional and sophisticated investors the terms of which are described in the Cockatoo Announcement and the Investor Presentation and which is the subject of the Offer Management Agreement (raising a maximum aggregate amount of $120,000,000 less the amount raised under the Harum Share Subscription Deed and a minimum aggregate amount of $60,000,000 less the amount raised under the Harum Share Subscription Deed), in each case at no less than $0.045 per Cockatoo Share.

Investor Presentation means the investor presentation announced to the ASX by Cockatoo together with the Cockatoo Announcement.

Lead Manager means Credit Suisse (Australia) Limited.

Listing Rules means the official listing rules of the ASX, as amended from time to time.

Loss means all damage, loss, cost and expense (including fines, penalties, charges and legal costs and expenses of whatsoever nature or description but in all circumstances excluding consequential loss).

Material Adverse Change means any event that occurs after the date of this agreement, or of which Blackwood or Cockatoo (as the case may be) becomes aware after the date of this agreement, that individually or when aggregated with all such events has had, or is reasonably likely to have, a materially adverse effect on the assets, liabilities, financial condition, results of operations, profitability or prospects of the Cockatoo Group (as a whole), including any material default by a Cockatoo Coal Group Company under their existing financing facilities, or the Blackwood Group (as a whole) (as the case may be), including any material default by a Blackwood Group Company under their existing financing facilities, other than:

(a) an event which relates to commodity prices, exchange rates or financial markets;

(b) a general change in economic, political or business conditions;

(c) a change in law or regulation or the practice or policy of any Government Agency;

(d) an event which has been disclosed by Cockatoo to the ASX or Blackwood in writing prior to the date of this agreement;

(e) an event which has been disclosed by Blackwood to the ASX or Cockatoo in writing prior to the date of this agreement (including, for the avoidance of doubt, repayment of the Noble Loan in accordance with its terms);

(f) the occurrence of an event under 12.1(k) of the Noble Facility Agreement, or an event in respect of Blackwood which results from Cockatoo not complying with its obligations in clause 4.19; or

(g) an event which occurs with the written consent of Blackwood or Cockatoo (as the case may be).

Maylion means Maylion Pty Limited.

Noble means Noble Group Limited Bermuda Registration Number 19316.

Noble Controlled Event means any breach by Noble or any of its Related Bodies Corporate of the Noble Share Subscription Deed which results in the failure by Noble or any of its Related Bodies Corporate to complete the subscription for the Noble Subscription Shares pursuant to the Noble Share Subscription Deed.

Noble Loan means amounts drawn down under the Noble Facility Agreement.

Noble Facility Agreement means the facility agreement between Blackwood as borrower, Matilda Coal Pty Ltd as guarantor and Noble as lender dated 31 July 2012, the terms of which are set out in the document in section 4 of the Blackwood Due Diligence Materials Index.

Noble Marketing Rights Agreement means the Sale and Marketing Agreement (Coal) between Noble Resources International Pte Ltd and Cockatoo executed on or before the date of this agreement.

Noble Share Subscription Deed means the subscription deed between Cockatoo, Noble and Maylion executed on the date of this agreement.

Noble Subscription means the subscription by Maylion (or its permitted nominee) for the Noble Subscription Shares pursuant to the terms of the Noble Share Subscription Deed.

Noble Subscription Shares means 866,031,245 Cockatoo Shares to be issued under the Noble Share Subscription Deed.

Offer means the offer by Cockatoo to acquire all the Blackwood Shares pursuant to the Bid.

Offer Management Agreement means the Offer Management Agreement between the Lead Manager and Cockatoo executed on or around the date of this agreement in the Agreed Form.

Offer Period means the period during which the Offer will remain open for acceptance.

Prescribed Occurrence means any of the following events:

(a) a party converts all or any of its shares into a larger or smaller number of shares;

(b) a party or any of its respective Subsidiaries resolves to reduce its capital in any way;

(c) a party or any of its respective Subsidiaries:

  (i) enters into a buy-back agreement; or

  (ii) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;

(d) a party or any of its respective Subsidiaries issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option, excluding:

  (i) any issue of Cockatoo Shares contemplated or permitted under this agreement;

  (ii) in relation to Blackwood, any issue of Blackwood Shares as a result of the vesting and exercise of Blackwood Performance Rights that is authorised under or is the result of compliance with the terms of clause 4.7;

  (iii) in relation to Cockatoo, the issue of 50,000,000 options to be issued Cockatoo Shares under the terms of the Second SK Option Deed; and

  (iv) in relation to Cockatoo, any issue of Cockatoo Shares as a result of the exercise of any Cockatoo Options;

(e) a party or any of its respective Subsidiaries issues, or agrees to issue, convertible notes;

(f) a party or any of its respective Subsidiaries declares any dividend or pays, makes or incurs any liability to pay or make any distribution in relation to a dividend, capital distribution, bonus or other share of its profits or assets;

(g) a party or any of its respective Subsidiaries disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;

(h) a party or any of its respective Subsidiaries charges, or agrees to charge the whole, or a substantial part, of its business or property, other than in respect of the Project Finance Facilities;

(i) a party or any of its respective Subsidiaries resolves to be wound up;

(j) a liquidator or provisional liquidator is appointed in relation to a party or any of its respective Subsidiaries;

(k) a court makes an order for the winding up of a party or any of its respective Subsidiaries;

(l) an administrator is appointed under section 436A, 436B or 436C of the Corporations Act in relation to a party or any of its respective Subsidiaries;

(m) a party or any of its respective Subsidiaries executes a deed of company arrangement; or

(n) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of a party or any of its respective Subsidiaries.

Project Finance Documents means the facility agreement, to be executed after the date of this deed, setting out the terms on which the Project Finance Facilities are made available to Cockatoo pursuant to and consistent with the Commitment Letter and Term Sheet and all documents entered into pursuant to or in connection with that agreement.

Project Finance Facilities means the facilities to be made available under the Project Finance Documents.

Recapitalisation means completion occurring under the terms of the Noble Share Subscription Deed, the SK Share Subscription Deed and Cockatoo receiving the proceeds of the Equity Raising.

Records means all originals and copies of all books, records, reports, correspondence, files, manuals and other documents and information created by, owned by, or relating to any party or its Subsidiaries, whether in printed, electronic or any other form and including all:

(a) statutory books and registers, minute books, books of account, trading and financial records, employee records, tax returns and related correspondence;

(b) customer lists, supplier lists, price lists, pricing models and sales and marketing materials;

(c) title deeds and other documents of title; and

(d) originals and copies of all contracts and Authorisations.

Register Date means the day set by Cockatoo under section 633(2) of the Corporations Act.

Related Body Corporate has the meaning given in section 9 of the Corporations Act (except that Noble and its Subsidiaries (other than a Subsidiary of Blackwood) are not Related Bodies Corporate of Blackwood).

Relevant Interest has the meaning given in section 9 of the Corporations Act.

Representative means, in respect of a party, its Related Bodies Corporate and each director, officer, employee, advisor, agent or representative of that party and its Related Bodies Corporate.

Second SK Option Deed means the option deed, dated 28 June 2013, between Cockatoo and SK Networks, under which SK Networks will be granted 50,000,000 Cockatoo Options.

Share Purchase Plan means an offer of Cockatoo Shares for issue by Cockatoo pursuant to a scheme under ASIC Class Order 09/425:

(a) by which eligible Cockatoo Shareholders will be offered the right to subscribe for Cockatoo Shares; and

(b) raising a maximum aggregate amount of the sum of $130 million less the amount raised under the Equity Raising at a price not less than $0.045 per Cockatoo Share.

SK Networks means SK Networks Co. Ltd.

SK Share Subscription Deed means the subscription deed between Cockatoo and SK Networks executed on the date of this agreement.

SK Subscription means the subscription by SK Networks (or its permitted nominee) for the SK Subscription Shares pursuant to the terms of the SK Share Subscription Deed at a subscription price of $0.05.

SK Subscription Shares means 1,000,000,000 Cockatoo Shares to be issued under the SK Share Subscription Deed.

Standard Rate in relation to interest payable on any payment due under this agreement means the rate which is the 90 day Bank Bill Swap Reference Rate (Average Bid) as published in the Australian Financial Review on the first date on which interest accrues on that payment (or if that rate or publication is not published, the rate determined by the payee, acting reasonably, to be the nearest equivalent rate having regard to prevailing market conditions) plus (in either case) a margin of 2% per annum.

Subsidiary has the meaning given to that term in section 9 of the Corporations Act.

Superior Proposal means a Competing Proposal which:

(a) is bona fide and in writing and in the determination of the party's respective board of directors (or in the case of Cockatoo its independent directors), acting in good faith after consultation with the party's respective legal and financial advisers, is capable of being valued and completed, taking into account all aspects of the Competing Proposal (including its terms and conditions and the identity of the person or persons making it); and

(b) in the determination of the party's respective board of directors (or in the case of Cockatoo its independent directors), acting in good faith and in order to satisfy what the board (or in the case of Cockatoo its independent directors) considers to be its fiduciary or statutory duties after receiving specific written legal advice, would be likely to, if completed substantially in accordance with its terms, result in a transaction more favourable to either Blackwood Shareholders or Cockatoo Shareholders (as the case may be) than the Bid.

Takeovers Panel means the Australian Takeovers Panel.

Tax means any tax, levy, excise, duty, charge, surcharge, contribution, withholding tax, impost or withholding obligation of whatever nature, whether direct or indirect, by whatever method collected or recovered, together with any fees, penalties, fines, interest or statutory charges.

Target's Statement means the target's statement to be issued by Blackwood under section 638 of the Corporations Act in response to the Bid.

Timetable means the timetable set out in clause 4.1.

1.2 Interpretation

In this agreement headings and words in bold are for convenience only and do not affect the interpretation of this agreement and, unless the contrary intention appears:

(a) a word importing the singular includes the plural and vice versa, and a word indicating a gender includes every other gender;

(b) the word **including** or any other form of that word is not a word of limitation;

(c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;

(d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;

(e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;

(f) a reference to a document (including this agreement, but except for one in Agreed Form) is to that document as varied, novated, ratified or replaced from time to time;

(g) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this agreement, and a reference to this agreement includes all schedules, exhibits, attachments and annexures to it;

(h) a reference to a statute includes any regulations or other instruments made under it and a reference to a statute or any regulation or other instrument made under it or a provision of any such statute, regulation or instrument includes consolidations, amendments, re-enactments and replacements;

(i) a reference to any time is a reference to that time in Brisbane, Australia;

(j) a reference to **$** or **dollar** is to Australian currency; and

(k) this agreement must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

2. Announcement and Bid

2.1 Announcements

(a) Immediately after the execution of this agreement:

(i) Cockatoo must issue an announcement in the form of the Cockatoo Announcement to the ASX; and

(ii) Blackwood must issue an announcement in the form of the Blackwood Announcement to the ASX.

(b) Subject to clause 2.1(c), each party must consult with the other party prior to making any other public announcement in connection with the Bid or including any information which could affect the Bid and in good faith considering any edits proposed by the other party.

(c) Where a party is required by law or the Listing Rules to make any announcement or make any disclosure relating to a matter the subject of the Bid, it must, to the extent practicable, consult with the other party as to the content of that announcement or disclosure and allow the other party to suggest edits, unless, acting reasonably, the party required to make the announcement or disclosure considers that an immediate announcement or disclosure is required to be made.

(d) To the maximum extent possible at law, a party will not be responsible for, and will disclaim any liability for, any information appearing in the other party's announcement (including information provided by that party to the other party). For the avoidance of doubt, none of Blackwood nor any of its Representatives will be responsible for, and disclaims any liability for, any information set out or referred to in the documents issued by or on behalf of Cockatoo in connection with the Equity Raising (including information provided by Blackwood or its Representatives to Cockatoo).

2.2 Making of the Bid

(a) Cockatoo agrees to make the Bid on terms and conditions no less favourable than the Bid Terms.

(b) Cockatoo must, in accordance with the Corporations Act:

(i) lodge an Offer together with the Bidder's Statement with ASIC under section 633 of the Corporations Act; and

(ii) give a copy of an Offer and the Bidder's Statement to Blackwood.

3. Blackwood's assessment of the Bid

3.1 Meeting of Blackwood Board

Blackwood represents and warrants that the Blackwood Board has met and considered the possibility of Cockatoo agreeing to make the Bid.

3.2 Blackwood Directors' recommendation

Subject to the Independent Expert concluding that the Bid is Favourable, each Blackwood Director will recommend (in the Blackwood Announcement, the Target's Statement and in any other public statements made after the execution of this agreement and relating to the Bid) that Blackwood Shareholders accept the Offer in the absence of a Superior Proposal for Blackwood, and must not change, withdraw, qualify or modify that recommendation unless permitted to do so in accordance with clause 3.3.

3.3 Maintenance of recommendation

The Blackwood Board may not make any public statement or take any other action that qualifies their support of the Bid or contradicts, or subsequently change, withdraw or modify, the recommendation referred to in clause 3.2 except where:

(a) the Blackwood Board determines, after Cockatoo's rights under clause 5.7 have been exhausted, that a Competing Proposal constitutes a Superior Proposal;

(b) the Cockatoo Board determines, after Blackwood's rights under clause 5.7 have been exhausted, that a Competing Proposal in respect of Cockatoo constitutes a Superior Proposal;

(c) the Independent Expert fails to conclude that the Bid is Favourable (or having given a report that, in the opinion of the Independent Expert, the Bid is Favourable, gives a report changing that opinion for any reason to conclude that the Bid is not Favourable);

(d) the Recapitalisation does not proceed other than solely due to a Noble Controlled Event; or

(e) the Blackwood Board determines in good faith and acting reasonably, after receiving specific written legal advice, that recommending or continuing to recommend the acceptance of the Bid would be likely to constitute a breach of fiduciary or statutory duty owed to Blackwood by the Blackwood Directors.

3.4 Warranty

Blackwood represents and warrants to Cockatoo that each Blackwood Director has informed Blackwood that he supports the Bid and will act in accordance with clauses 3.2 and 3.3.

3.5 Blackwood procurement

Blackwood must procure that each Blackwood Director acts in accordance with his obligations under clauses 3.2 and 3.3.

3.6 Blackwood Directors' intentions

Blackwood represents and warrants to Cockatoo that each Blackwood Director who holds Blackwood Shares has indicated their intention to accept, no later than 2 days before the date set out in the Bidder's Statement for giving notice of the status of the Conditions as required by section 630(3) of the Corporations Act, the Offer made in respect of any Blackwood Share that they own or control except where:

(a) the Blackwood Board determines, after Cockatoo's rights under clause 5.7 have been exhausted, that a Competing Proposal constitutes a Superior Proposal;

(b) the Cockatoo Board determines, after Blackwood's rights under clause 5.7 have been exhausted, that a Competing Proposal in respect of Cockatoo constitutes a Superior Proposal;

(c) the Independent Expert fails to conclude that the Bid is Favourable (or having given a report that, in the opinion of the Independent Expert, the Bid is Favourable, gives a report changing that opinion for any reason to conclude that the Bid is not Favourable); or,

(d) the Recapitalisation does not proceed other than solely due to a Noble Controlled Event.

4. Facilitating the Bid

4.1 Timetable

Each party agrees to use its best endeavours to comply with the following timetable:

17 October 2013	Announcement of Bid
22 November 2013	Lodge Bidder's Statement / Target's Statement with ASIC and ASX Serve Bidder's Statement / Target's Statement on Blackwood / Cockatoo Despatch Bidder's Statement / Target's Statement to Blackwood shareholders Offer opens
23 December 2013	Close of offer (unless extended)

4.2 Bidder's Statement

(a) Cockatoo must prepare the Bidder's Statement in compliance with the Corporations Act.

(b) Cockatoo must within a reasonable time (but, in any event, not less than 5 Business Days) prior to lodgement of the Bidder's Statement with ASIC in accordance with item 2 of section 633(1) of the Corporations Act, provide a reasonably complete draft of the Bidder's Statement to Blackwood for review by Blackwood and its external legal and financial advisers.

(c) Cockatoo will consider in good faith all reasonable and timely comments received from Blackwood and its external legal and financial advisers on the draft Bidder's Statement provided under clause 4.2(b).

(d) Cockatoo must lodge with ASIC a copy of the Bidder's Statement.

(e) Cockatoo will despatch the Bidder's Statement and Offer to Blackwood Shareholders and, for that purpose, Blackwood agrees with Cockatoo for the purposes of item 6 of section 633(1) of the Corporations Act, that Cockatoo may send the Bidder's Statement, Offer and accompanying documents to Blackwood Shareholders as early as the same date on which Cockatoo sends a copy of the Bidder's Statement to Blackwood in accordance with item 3 of section 633(1) of the Corporations Act (or such later date as Bidder chooses).

(f) Blackwood must provide on a timely basis any assistance and information reasonably requested by Cockatoo to enable Cockatoo to prepare and finalise the Bidder's Statement.

(g) Blackwood agrees that the offers and accompanying documents to be despatched by Cockatoo under the Bid under item 6 of section 633(1) of the Corporations Act may be sent on a date nominated by Cockatoo that is earlier than the date for despatch under item 6 of section 633(1) of the Corporations Act.

4.3 Target's Statement

(a) Blackwood must prepare the Target's Statement in compliance with the Corporations Act.

(b) Blackwood must ensure that the Target's Statement contains a prominent statement to the effect that:

  (i) the Blackwood Board unanimously recommends that Blackwood Shareholders accept the Offer; and

  (ii) each Blackwood Director who holds Blackwood Shares intends to act in the manner described in clause 3.6,

  in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Bid is Favourable, and the Recapitalisation proceeding (other than solely due to a Noble Controlled Event).

(c) Blackwood must within a reasonable time (but, in any event, not less than 5 Business Days) prior to lodgement of the Target's Statement with ASIC in accordance with item 13 of section 633(1) of the Corporations Act, provide a reasonably complete draft of the Target's Statement (other than the Independent Expert's report) to Cockatoo for review by Cockatoo and its external legal and financial advisers.

(d) Blackwood will consider in good faith all reasonable and timely comments received from Cockatoo and its external legal and financial advisers on the draft Target's Statement provided under clause 4.3(c).

(e) Cockatoo must provide on a timely basis any assistance and information reasonably requested by Blackwood to enable Blackwood to prepare and finalise the Target's Statement.

(f) Blackwood must give Cockatoo updated information about the Blackwood Share Register during the Offer Period as reasonably requested by Cockatoo to enable Cockatoo to send the Offer to persons who become Blackwood Shareholders after the day referred to in clause 4.4(b)(i).

4.4 Information about Blackwood Shareholders

(a) Provided that the Offer is recommended at the time by the Blackwood Directors, Blackwood must promptly provide (and/or direct Blackwood's share registry to promptly provide) Cockatoo all information about the Blackwood Share Register that Cockatoo reasonably requires in order to implement the Bid or to assist Cockatoo to solicit acceptances under the Bid.

(b) Blackwood agrees that:

(i) for the purposes of section 641(2) of the Corporations Act, the information requested by Cockatoo under section 641(1) of the Corporations Act in relation to the Bid must be correct on the day Cockatoo makes the request under section 641(1); and

(ii) the information requested by Cockatoo under section 641(1) must be provided to Cockatoo by the end of the next day after the day on which the information must be correct.

4.5 Promote the Bid

During the Offer Period in the absence of a Superior Proposal in relation to Blackwood (which the Blackwood Directors recommend to Blackwood Shareholders after Blackwood has complied with clause 5.7), and subject only to the Independent Expert concluding that the Bid is Favourable, Blackwood will:

(a) support, and procure that the Blackwood Directors will support, the Bid;

(b) use its reasonable endeavours to procure that the Blackwood Senior Executives as reasonably requested by Cockatoo will support the Bid; and

(c) participate in efforts reasonably required by Cockatoo to promote the merits of the Bid, including meeting with key Blackwood Shareholders, analysts, management, customers, press and other parties mutually agreed if reasonably requested to do so by Cockatoo,

provided that Blackwood will not be required to comply with this provision if:

(d) the Blackwood Board has determined in good faith and acting reasonably, after receiving specific written legal advice, that recommending or continuing to recommend the acceptance of the Bid would be likely to constitute a breach of fiduciary or statutory duty owed to Blackwood by the Blackwood Directors; or

(e) the Cockatoo Board determining, after Blackwood's rights under clause 5.7 have been exhausted, that a Competing Proposal in respect of Cockatoo constitutes a Superior Proposal.

4.6 Advertising and communications

Subject to clause 2.1, the parties must consult with each other (in advance, to the extent reasonably practicable) in relation to all Communications and, without limiting the generality of the foregoing, must:

(a) if practicable, provide the other party with drafts of any written Communications proposed to be issued and make such amendments thereto as the other party reasonably requires, provided such amendments are provided in a timely manner;

(b) provide copies of all written Communications sent to a shareholder, Government Agency, rating agency or media outlet to the other party promptly upon dispatch; and

(c) ensure all Communications are in accordance with all applicable laws.

4.7 Blackwood Performance Rights

(a) Subject to clause 4.7, Blackwood represents and warrants that, as soon as reasonably practicable after the Offer is unconditional and Cockatoo has voting power of 50.1% or more in Blackwood, the Blackwood Board will:

(i) make a determination that all unvested Blackwood Performance Rights will vest and become exercisable; and

(ii) will release all Blackwood Shares issued and to be issued in respect of those vested Blackwood Performance Rights from any restrictions or holding locks,

only for the purposes of enabling the holders of such Blackwood Performance Rights or Blackwood Shares to accept the Offer.

(b) Blackwood represents and warrants that it will as soon as reasonably practicable after the Announcement Date, apply to ASX for waivers of any Listing Rule requirements that are necessary to enable the Blackwood Board to undertake the actions contemplated in clause 4.7(a).

4.8 Blackwood obligations in relation to satisfaction of Conditions

Blackwood must:

(a) use all reasonable endeavours to ensure that each Condition is satisfied as soon as practicable after the date of this agreement, and must not do (or omit to do) anything which will, or is likely to, result in any of the Conditions being breached;

(b) if a fact, matter or circumstance occurs or arises of which Blackwood is or becomes aware and which would cause any of the Conditions to be breached, immediately notify Cockatoo of the fact, matter or circumstance; and

(c) provide on a timely basis all reasonable assistance to Cockatoo, and provide all information reasonably requested by Cockatoo, in order to assist Cockatoo to achieve the satisfaction of each of the Conditions.

4.9 Cockatoo obligations in relation to satisfaction of Conditions

Cockatoo must:

(a) use all reasonable endeavours to ensure that each Condition is satisfied as soon as practicable after the date of this agreement, and must not do (or omit to do) anything which will, or is likely to, result in any of the Conditions being breached;

(b) if a fact, matter or circumstance occurs or arises of which Cockatoo is or becomes aware and which would cause any of the Conditions to be breached, immediately notify Blackwood of the fact, matter or circumstance; and

(c) provide on a timely basis all reasonable assistance to Blackwood, and provide all information reasonably requested by Blackwood, in order to assist Blackwood to achieve the satisfaction of each of the Conditions.

4.10 Waiver of conditions and extension

(a) Subject to the Corporations Act and clause 4.10(b), Cockatoo may declare the Offers to be free from any Condition or extend the Offer Period at any time.

(b) Cockatoo must not:

(i) free the Offers from the Condition in paragraph 3.3 of the Schedule, without the prior written consent of Blackwood; or

(ii) extend the Offer Period beyond a period of 3months after the date the Offers first become open for acceptance without the prior written consent of Blackwood.

(c) If:

(i) the Condition in paragraph 3.3 of the Schedule ("52.1% minimum acceptance") is satisfied;

(ii) the Condition in paragraph 3.4 of the Schedule ("Noble subscription") is satisfied; and

(iii) the Blackwood Directors have taken the action referred to in clause 4.16(a),

then Cockatoo must immediately free the Offer from all of the outstanding Conditions (other than the 'Statutory Condition' set out in paragraph 3.7 of the Schedule which the parties acknowledge that the Offer cannot be freed from).

4.11 Variations to Offer

Cockatoo may vary the terms and conditions of the Offer in any manner which is permitted by the Corporations Act.

4.12 Cockatoo access

From the date of this agreement until the End Date, provided that the Offer is recommended at the time by the Blackwood Directors, Blackwood must procure that Cockatoo and its Representatives are given reasonable access on reasonable notice to:

(a) the Blackwood Assets, the Blackwood Properties and the Records of the Blackwood Group; and

(b) all officers and employees of the Blackwood Group during Business Hours.

4.13 Conduct of the business

Subject to clause 4.15, from the date of this agreement to the End Date, except with the prior written consent of the other party (such consent not to be unreasonably withheld or delayed), each party must, and must procure that each of its respective Subsidiaries:

(a) conducts its businesses in the ordinary and usual course consistent with its usual business practices and does not make any significant change to the nature or scale of any activity comprised in its business;

(b) conducts its business in accordance with all applicable laws;

(c) maintains, and complies with the terms of, Authorisations necessary to own and operate its assets, own and occupy its properties and conduct its business in connection with any tenements that it holds;

(d) keeps and maintains proper Records of all its dealings and transactions relating to its business;

(e) pays all amounts owing to its trade or other creditors in accordance with applicable payment terms;

(f) in relation to Cockatoo, must ensure that no event of default or potential event of default (however defined under any of the Project Finance Documents or any of the Finance Documents) will arise as a result of the consummation of the transactions referred to in, or anticipated to be completed under, this agreement and shall, on request by Blackwood from time to time promptly provide evidence to demonstrate to Blackwood that is in full compliance with this clause;

(g) in relation to Cockatoo, must promptly provide Blackwood with a copy of any notice served on or provided to it by any party to the Project Finance Documents or a Finance Document in connection with the Project Finance Documents or a Finance Document;

(h) in relation to Cockatoo, may not propose, make, or agree to an amendment, variation or restatement to or of the Project Finance Documents or any Finance Document without the prior written consent of Blackwood, acting reasonably;

(i) protects and maintains each of its physical assets; and

(j) consults with the other party in relation to the preparation and approval of any budgets or business plan relating to its business.

4.14 Restrictions

Subject to clause 4.15, from the date of this agreement to the End Date, except with the prior written consent of the other party, each party must not, and must procure that each of its respective Subsidiaries does not:

(a) issue or allot any share capital or options or other securities convertible into share capital;

(b) buy back or redeem any shares or otherwise reduce its share capital;

(c) grant any special voting or other rights that attach to its shares;

(d) increase, reduce, reconstruct or otherwise alter its share capital, or undertake a share buy-back, other than the issue or allotment of any share capital as contemplated by the Recapitalisation;

(e) enter into any or resolve to enter into any compromise, arrangement, scheme or other form of arrangement with a receiver, receiver and manager, administrator or other controller in relation to any of its assets or undertakings;

(f) resolve to be wound up;

(g) enter into or vary a contract or commitment relating to borrowings or other financial accommodation repay any borrowings, or grant an Encumbrance, in each case other than in the ordinary course of the operation of its business; or

(h) dispose or agree to dispose of the whole or a substantial part of its business, assets or property.

4.15 Exceptions

Either party may take any action that would otherwise be prohibited under clauses 4.13 or 4.14 between the date of this agreement and the End Date:

(a) which is required to be done or procured by a party under, or which is otherwise permitted by, this agreement;

(b) which is required to be done or procured by a party under the Noble Share Subscription Deed or the SK Share Subscription Deed;

(c) which is required to be done to complete the Recapitalisation, including but not limited to entering into an underwriting agreement;

(d) which involves the allotment and issue of shares pursuant to the exercise of existing options and performance rights:

  (i) in the case of Cockatoo, listed in the document in section 02.06.07 of the Cockatoo Due Diligence Materials Index; and

  (ii) in the case of Blackwood, listed in the document in section 3.02 of the Blackwood Due Diligence Materials Index;

(e) in the case of clause 4.13(a) in respect of Cockatoo, which is required to be done to facilitate Cockatoo's execution of the Project Finance Documents, and Cockatoo's ability to effect drawdowns under them;

(f) which is done in relation to or in considering a Competing Proposal or Superior Proposal;

(g) which is announced to the ASX by either party prior to the date of this document;

(h) which Blackwood is required to do pursuant to the repayment of the Noble Loan in accordance with its terms; or

(i) which is approved by the other party in writing, such approval not to be unreasonably withheld or delayed.

4.16 Appointment of Cockatoo's nominee directors to the Blackwood Board

Blackwood represents and warrants to Cockatoo that it has been advised by each Blackwood Director that he or she will, and Blackwood must procure that the Blackwood Directors will, as soon as reasonably practicable after the date that Cockatoo acquires a Relevant Interest in excess of 50% of the Blackwood Shares:

(a) take all actions necessary to ensure the nominees of Cockatoo are lawfully appointed as Blackwood Directors and represent a majority of the Blackwood Board, such appointments to be effective once the Offer is free from all Conditions (other than the 'Statutory Condition' set out in paragraph 3.7 of the Schedule which the parties acknowledge that the Offer cannot be freed from); and

(b) as soon as practicable after Cockatoo acquires a Relevant Interest in 90% of the Blackwood Shares, and provided that the Offer is free from all Conditions (other than the 'Statutory Condition' set out in paragraph 3.7 of the Schedule which the parties acknowledge that the Offer cannot be freed from), ensure that all Blackwood Directors, other than Cockatoo's nominees, resign (provided that a proper Blackwood Board is constituted at all times), unless Cockatoo requests otherwise.

4.17 Cockatoo Board and senior management composition

Cockatoo will do all things necessary to procure that, immediately following the end of the Offer Period, the Cockatoo Board is composed as described in the Cockatoo Announcement and the Investor Presentation.

4.18 Share purchase plan

Cockatoo agrees to use its best endeavours to conduct the Share Purchase Plan in accordance with the Announcement and the Investor Presentation.

4.19 New facility

(a) Cockatoo agrees that, as soon as reasonably practicable after the date that Cockatoo acquires a Relevant Interest in excess of 50% of the Blackwood Shares, Cockatoo will execute an agreement with Blackwood under which Cockatoo offers Blackwood a A$4 million loan facility (**New Facility**), which New Facility is repayable in full 3 months after the date of first draw down, and otherwise must be on materially the same terms as the terms of the Noble Facility Agreement other than the repayment period and amount.

(b) The parties agree that the New Facility will be able to be drawn down immediately upon the Blackwood Directors having taken the action referred to in clause 4.16(a), and that Blackwood will draw down and use the amounts drawn down under the New Facility to repay A$4 million of the Noble Loan in accordance with its terms immediately upon the occurrence of an event under 12.1(k) of the Noble Facility Agreement.

5. Exclusivity

5.1 No existing negotiations or discussions

Each party represents and warrants to the other party that, at the date of this agreement:

(a) neither it nor any of its respective Representatives is engaged in any continuing negotiations or discussions with any entity or person in relation to the possible making of a Competing Proposal; and

(b) it has, and its respective Representatives have, ceased any existing discussions or negotiations with any party which may reasonably be expected to lead to a Competing Proposal.

5.2 No shop

During the Exclusivity Period, each party must not, and must ensure that its respective Representatives do not, except with the prior written consent of the other party, directly or indirectly solicit or invite any Competing Proposal or expression of interest or offer which may lead to a Competing Proposal, or initiate discussions with any third party which may reasonably be expected to lead to a Competing Proposal.

5.3 No talk and no due diligence

During the Exclusivity Period, each party must not, and must ensure that its respective Representatives do not, except with the prior written consent of the other party:

(a) participate in any discussions or negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal;

(b) provide any information to a third party for the purposes of enabling that party to make a Competing Proposal; or

(c) communicate any intention do to any of the things listed in clauses 5.3(a) or 5.3(b).

5.4 No commitments in respect of Competing Proposals

During the Exclusivity Period, each party must not, and must ensure that its respective Representatives do not, except with the prior written consent of the other party, enter into any agreement, arrangement or understanding in relation to a Competing Proposal requiring that party to abandon, or otherwise fail to proceed with, the transactions the subject of this agreement.

5.5 Exceptions

The restrictions in clauses 5.3 and 5.4 do not apply to the extent that they restrict a party from taking or refusing to take any action with respect to a bona fide Competing Proposal (which was not encouraged, solicited or invited, facilitated or initiated by that party or its respective Representatives in contravention of clause 5.2) provided that the party's respective board of directors has determined, in good faith, that:

(a) such bona fide Competing Proposal could reasonably be expected to lead to a Superior Proposal; and

(b) after receiving legal advice, failing to respond to such bona fide Competing Proposal would constitute or would be likely to constitute a breach by that party's board of directors' fiduciary or statutory obligations.

5.6 Notice of unsolicited approach

(a) During the Exclusivity Period, a party (**Notifying Party**) must promptly notify the other party:

(i) of any approach or attempt to initiate, resume or continue discussions or negotiations with the Notifying Party or any of its Representatives which may reasonably be expected to lead to a Competing Proposal; and

(ii) of any request for information relating to the Notifying Party or its Subsidiaries or any of its businesses or operations or any request for access to the books or records of the Notifying Party or its Subsidiaries, other than requests occurring in the ordinary course of business,

provided that the Notifying Party will not be required to comply with this provision if the Notifying Party's board of directors has determined in good faith, after receiving legal advice from its external advisers, that taking these actions would be reasonably likely to constitute a breach of the Notifying Party's board of directors' fiduciary or statutory obligations.

(b) A notification given under clause 5.6(a) must be accompanied by all relevant details of the relevant event, including the identity of the relevant person or persons and the key terms and conditions of any Competing Proposal or proposed Competing Proposal (to the extent known) and must be provided no later than 2 Business Days from receipt of the approach, request, Competing Proposal or proposed Competing Proposal.

5.7 Right of last offer

During the Exclusivity Period, if a party notifies the other party under clause 5.6 of a Competing Proposal and of its intention to enter into an agreement, commitment, arrangement or understanding in respect of that Competing Proposal:

(a) the other party will have the right, but not the obligation, at any time during the period of 3 Business Days following receipt of such notice, to make an offer to the Notifying Party that delivers a benefit to the Notifying Party's shareholders that is at least equal to that of the Competing Proposal (**Counterproposal**);

(b) if the other party makes a Counterproposal, the Notifying Party and its board must consider it in good faith; and

(c) if the Notifying Party's board, acting reasonably, considers that the Counterproposal would provide a benefit to the Notifying Party's shareholders that is at least equal to that of the Competing Proposal, then the Notifying Party and the other party must use reasonable endeavours to agree to amendments to this agreement that are reasonably necessary to reflect the Counterproposal and to enter into an amended agreement to give effect to those amendments and to implement the Counterproposal as soon as reasonably practicable,

provided that the Notifying Party will not be required to comply with this provision if the Notifying Party's board has determined in good faith, after receiving legal advice from its external advisers, that taking these actions would be reasonably likely to constitute a breach of the Notifying Party board's fiduciary or statutory obligations.

For the purposes of this clause 5.7, each successive material modification of a third party's Competing Proposal will constitute a new Competing Proposal.

5.8 Legal advice

Each party acknowledges that it has received legal advice on this agreement and the operation of this clause 5.

6. Representations, warranties and indemnities

6.1 Mutual representations and warranties

Each party represents and warrants to the other party as at the date of this agreement and separately on each date up to and including the End Date that:

(a) it is a company that is properly incorporated and validly existing under the laws of its place of incorporation or registration;

(b) it has the legal right and full power and authority to enter into and perform its obligations under this agreement and to carry out the transactions contemplated by this agreement and has obtained all necessary Authorisations and consents and taken all other actions necessary to enable it to do so (other than those Authorisations and consents which are subject of Conditions, or that are subject of conditions set out in clause 3 of the Noble Share Subscription Deed, set out in clause 4 of the SK Share Subscription Deed, or set out in clause 3 of the Harum Share Subscription Deed);

(c) the execution, delivery and performance of this agreement by it will constitute legal, valid and binding obligations of it, enforceable in accordance with its terms;

(d) no Insolvency Event has occurred in relation to the party nor is there any act which has occurred or any omission made which may result in an Insolvency Event occurring in respect of that party;

(e) no mortgagee has taken or attempted or indicated in any manner any intention to take possession of any of its business or assets; and

(f) the execution, delivery and performance of this agreement will not result in a breach of or constitute a default under:

    (i) any legislation or rule of law or regulation, existing Authorisation, consent or any order or decree of any Government Agency;

    (ii) its constitution or any legislation, rules or other document constituting that party or governing its activities; or

    (iii) any agreement or instrument to which it is a party or which is binding on it or any of its assets or properties,

    and will not result in the creation or imposition of any Encumbrance or restriction of any nature on any of its assets.

6.2 Blackwood representations and warranties

Blackwood represents and warrants to Cockatoo as at the date of this agreement and separately on each date up to and including the End Date:

(a) Blackwood's issued equity securities comprise:

(i) 185,020,269 Blackwood Shares; and

(ii) 7,225,000 Blackwood Performance Rights on the terms disclosed in the documents referred to in section 3.02 of the Blackwood Due Diligence Materials Index,

and warrants that this statement is correct;

(b) that:

(i) no person has any right to subscribe for or to receive or be issued any shares, options, securities or interests of any Blackwood Group Company;

(ii) there are no outstanding options, contracts, calls, first refusals, commitments, rights (including pre-emptive rights) or demands or any kind relating to the issued or unissued share capital of any Blackwood Group Company; and

(iii) no Blackwood Group Company is under any obligation to issue and have not granted any person the right to call for the issue of any such securities in any Blackwood Group Company,

and Blackwood and each other Blackwood Group Company has not offered to do any of the foregoing;

(c) the Blackwood Constitution complies with the Corporations Act, the Listing Rules and the requirements of ASIC and ASX;

(d) Blackwood and each other Blackwood Group Company has paid all Taxes (including penalties and interest) that have lawfully become due and payable on or before the due date, and the financial statements of Blackwood fully provide for all Taxes (including penalties and interest) for which Blackwood and each other Blackwood Group Company is or may become liable to pay in respect of the period up to and including the date of the relevant financial statements;

(e) the execution, delivery and performance of this agreement by Blackwood does not and will not result in a person being entitled to exercise any rights under any agreement or other instrument to which a Blackwood Group Company is bound or is subject to, which results, or could result, to an extent to which is material in the context of the Blackwood Group taken as a whole, in:

(i) the interest of any Blackwood Group Company in any joint venture or other entity (or any arrangements relating to such interests) being terminated or modified; or

(ii) the assets of any Blackwood Group Company being sold, transferred, or offered for sale or transfer, or the assets or shares in any companies, joint ventures or other entities in which a Blackwood Group Company owns or has an interest being put to any Blackwood Group Company, including under any pre-emptive rights or similar provisions;

(f) as far as Blackwood is aware, Blackwood and the other members of the Blackwood Group are not in breach in any material respect, of their constitutions, any rules, regulations or requirements of ASX, or any applicable law, decree, judgement, legislation, statute, ordinance, treaty or other legislative measure including any environmental law;

(g) Blackwood and the other members of the Blackwood Group are not in default under any document or agreement binding on it or its assets and as far as Blackwood is aware, nothing has occurred which is or would, with the giving of notice or lapse of time or both, constitute an event of default, prepayment event or similar event under any such document or agreement, which individually or in aggregate could reasonably be expected to have a material adverse effect on the assets, business or undertaking of the Blackwood Group, other than in respect of the Noble Loan;

(h) there are no marketing, sale, offtake or similar arrangements to which a Blackwood Group Company is a party in respect of coal or other product, other than the documents referred to in section 6 of the Blackwood Due Diligence Materials Index;

(i) no Blackwood Group Company is a party to any agreement under which it is bound to share profits or pay any royalties relating to the Blackwood Tenements or to waive or abandon any rights to which it is entitled in respect of the Blackwood Tenements other than in respect of the non-coal tenements referred to in the Blackwood prospectus lodged with ASX on 10 November 2010;

(j) Blackwood has at all times been, and continues to be, in compliance with its continuous disclosure and periodic disclosure obligations under the Corporations Act and the Listing Rules, and as far as Blackwood is aware, the information released to ASX is not materially misleading or deceptive and does not contain any material omission;

(k) no Blackwood Group Company owes any borrowings or other indebtedness under any bank facility, overdraft, bond, note, debenture or other arrangement providing financial accommodation, other than in respect of the Noble Loan;

(l) Blackwood is not relying on the carve-outs in Listing Rule 3.1A to withhold any information from disclosure;

(m) each Blackwood Group Company has full corporate power to own the assets owned or held by, or used in the business of, Blackwood Group and to carry on its business as conducted at the date of this agreement and has done everything necessary to do business lawfully in all jurisdictions in which its business is carried on;

(n) Blackwood Group's assets are free of Encumbrances or other third party rights other than applicable "native title" or "native title rights or interests" (as defined in the Native Title Act 1993 (Cth) or any Encumbrance which is or may be registered under the Personal Properties Securities Act 2009 (Cth) as at 9am on 19 September 2013;

(o) a Blackwood Group Company is the sole beneficial owner of all rights, title and interest in and to the Blackwood Tenements (and no other tenements) and that right, title and interest is free and clear of any Encumbrance, and each of the Blackwood Tenements is in good standing with all relevant Government Agencies;

(p) as far as Blackwood is aware, all information in the Due Diligence Materials in respect of Blackwood is true, accurate and complete in all material respects and is not materially misleading or deceptive;

(q) the Due Diligence Materials in respect of Blackwood have been prepared by Blackwood in good faith and with due care;

(r) Blackwood has not withheld from its Due Diligence Materials anything of which:

(i) Blackwood knows or should reasonably be expected to know is material to Cockatoo in entering into and completing the transactions contemplated by this agreement; or

(ii) might reasonably be expected to affect the willingness of Cockatoo to enter into and complete the transactions contemplated by this agreement;

(s) there are no prosecutions, litigation, arbitration, other dispute resolution proceedings, investigations or audits involving Blackwood or a Related Body Corporate of Blackwood, in each case which would reasonably be expected to have a material adverse effect on the assets, business or undertaking of the Blackwood Group, nor so far as Blackwood is aware, is any such matter pending or threatened against Blackwood or any Related Body Corporate of Blackwood; and

(t) there is no unsatisfied judgement, order, arbitral award or decision of any court, tribunal or arbitrator, or unsatisfied settlement of proceedings in any court, tribunal or arbitration, against any Blackwood Group Company.

6.3 Cockatoo representations and warranties

(a) Cockatoo represents and warrants to Blackwood that, as at:

(i) the date of this agreement, Cockatoo's issued equity securities comprise:

A. 886,294,158 Cockatoo Shares; and

B. 175,833,333 Cockatoo Options as disclosed in the documents referred to in section 02.06.07 of the Cockatoo Due Diligence Materials Index (the terms of which options are disclosed in the documents referred to in sections 02.02.05, 02.04.02.07, 02.04.02.08 and 02.04.02.20 of the Cockatoo Due Diligence Materials Index).

(ii) the time immediately before Completion, Cockatoo's issued equity securities will comprise, in each case provided that no existing Cockatoo Coal Options have been exercised before that time in accordance with their terms:

A. 886,294,158 Cockatoo Shares; and

B. 225,833,333 Cockatoo Options as disclosed in the document referred to in section 02.06.07 of the Cockatoo Due Diligence Materials Index (the terms of which options are disclosed in the documents referred to in sections 02.02.05, 02.04.02.07, 02.04.02.08 and 02.04.02.20 of the Cockatoo Due Diligence Materials Index),

and warrants that this statement is correct.

(b) Cockatoo represents and warrants to Blackwood as at the date of this agreement and separately on each date up to and including the End Date that:

(i) other than with respect to the Subscription Shares to be issued under the Noble Subscription, the Cockatoo Shares to be issued under the SK

Subscription, and the Cockatoo Shares to be issued under the Equity Raising:

A. no person has any right to subscribe for or to receive or be issued any shares, options, securities or interests of any Cockatoo Group Company;

B. there are no outstanding options, contracts, calls, first refusals, commitments, rights (including pre-emptive rights) or demands or any kind relating to the issued or unissued share capital of any Cockatoo Group Company; and

C. no Cockatoo Group Company is under any obligation to issue and have not granted any person the right to call for the issue of any such securities in any Cockatoo Group Company,

and Cockatoo and each other Cockatoo Group Company has not offered to do any of the foregoing;

(ii) except for the approvals of Cockatoo Shareholders in accordance with clause 3.2 of the Noble Share Subscription Deed, there is no restriction on the allotment and issue of the Noble Subscription Shares;

(iii) the Cockatoo Constitution complies with the Corporations Act, the Listing Rules and the requirements of ASIC and ASX;

(iv) Cockatoo and each other Cockatoo Group Company has paid all Taxes (including penalties and interest) that have lawfully become due and payable on or before the due date, and the financial statements of Cockatoo fully provide for all Taxes (including penalties and interest) for which Cockatoo and each other Cockatoo Group Company is or may become liable to pay in respect of the period up to and including the date of the relevant financial statements;

(v) the execution, delivery and performance of this agreement by Cockatoo does not and will not result in a person being entitled to exercise any rights under any agreement or other instrument to which a Cockatoo Group Company is bound or is subject to, which results, or could result, to an extent to which is material in the context of the Cockatoo Group taken as a whole, in:

A. the interest of any Cockatoo Group Company in any joint venture or other entity (or any arrangements relating to such interests) being terminated or modified; or

B. the assets of any Cockatoo Group Company being sold, transferred, or offered for sale or transfer, or the assets or shares in any companies, joint ventures or other entities in which a Cockatoo Group Company owns or has an interest being put to any Cockatoo Group Company, including under any pre-emptive rights or similar provisions;

(vi) as far as Cockatoo is aware, Cockatoo and the other members of the Cockatoo Group are not in breach in any material respect, of their constitutions, any rules, regulations or requirements of ASX, or any applicable law, decree, judgement, legislation, statute, ordinance, treaty or other legislative measure including any environmental law;

(vii) Cockatoo and other members of the Cockatoo Group are not in default under any document or agreement binding on it or its assets and as far as Cockatoo is aware, nothing has occurred which is or would, with the giving of notice or lapse of time or both, constitute an event of default, prepayment event or similar event under any such document or agreement, which individually or in aggregate could reasonably be expected to have a material adverse effect on the assets, business or undertaking of Cockatoo;

(viii) there are no marketing, sale, offtake or similar arrangements to which a Cockatoo Group Company is a party in respect of coal or other product other than the Existing Agency Agreements or the Existing Sales Agreements (in each case to the extent in the Agreed Form);

(ix) no Cockatoo Group Company is a party to any agreement under which it is bound to share profits or pay any royalties relating to the Cockatoo Tenements or to waive or abandon any rights to which it is entitled in respect of the Cockatoo Tenements other than the documents referred to in section 02.15 of the Cockatoo Due Diligence Materials Index;

(x) Cockatoo has at all times been, and continues to be, in compliance with its continuous disclosure and periodic disclosure obligations under the Corporations Act and the Listing Rules, and as far as Cockatoo are is aware the information released to ASX is not materially misleading or deceptive and does not contain any material omission;

(xi) no Cockatoo Group Company owes any borrowings or other indebtedness under any bank facility, overdraft, bond, note, debenture or other arrangement providing financial accommodation other than the documents referred to in sections 02.04.02 and 02.04.04 of the Cockatoo Due Diligence Materials Index;

(xii) Cockatoo is not relying on the carve-outs in Listing Rule 3.1A to withhold any information from disclosure;

(xiii) each Cockatoo Group Company has full corporate power to own the assets owned or held by, or used in the business of, Cockatoo Group and to carry on its business as conducted at the date of this agreement and has done everything necessary to do business lawfully in all jurisdictions in which its business is carried on;

(xiv) Cockatoo Group's assets are free of Encumbrances or other third party rights other than applicable "native title" or "native title rights or interests" (as defined in the Native Title Act 1993 (Cth) or any Encumbrance which is or may be registered under the Personal Properties Securities Act 2009 (Cth) as at 9am on 19 September 2013;

(xv) a Cockatoo Group Company is the sole beneficial owner of all rights, title and interest in and to the Cockatoo Tenements (and no other tenements) and that right, title and interest is free and clear of any Encumbrance, and each of the Cockatoo Tenements is in good standing with all relevant Government Agencies;

(xvi) as far as Cockatoo is aware all information in its Due Diligence Materials is true, accurate and complete in all material respects and is not materially misleading or deceptive;

(xvii) the Due Diligence Materials in respect of Cockatoo have been prepared by Cockatoo in good faith and with due care;

(xviii) Cockatoo has not withheld from the Due Diligence Materials anything of which:

A. Cockatoo knows or should reasonably be expected to know is material to Blackwood in entering into and completing the transactions contemplated by this agreement; or

B. might reasonably be expected to affect the willingness of Blackwood to enter into and complete the transactions contemplated by this agreement;

(xix) there are no prosecutions, litigation, arbitration, other dispute resolution proceedings, investigations or audits involving Cockatoo or a Related Body Corporate of Cockatoo, in each case which would reasonably be expected to have a material adverse effect on the assets, business or undertaking of Cockatoo, nor, so far as Cockatoo is aware, is any such matter pending or threatened against Cockatoo or any Related Body Corporate of Cockatoo;

(xx) there is no unsatisfied judgement, order, arbitral award or decision of any court, tribunal or arbitrator, or unsatisfied settlement of proceedings in any court, tribunal or arbitration, against any Cockatoo Group Company; and

(xxi) Cockatoo has obtained all necessary Authorisations and consents and taken all other actions necessary to enable it to conduct the Equity Raising, other than those Authorisations and consents which are subject of conditions set out in clause 3.2 of the Noble Share Subscription Deed, or set out in clause 4 of the SK Share Subscription Deed, or set out in clause 3 of the Harum Subscription Deed.

6.4 Representation and warranties qualified by disclosure

(a) Cockatoo acknowledges and agrees that each representation and warranty given by Blackwood in clauses 6.2(c), (d), (f), (g), (j), (m), (n), (s), (t) is given subject to, and is qualified by, all facts, matters and circumstances that are disclosed to Cockatoo as specified in clause 6.4(c).

(b) Blackwood acknowledges and agrees that each representation and warranty given by Cockatoo in clauses 6.3(b)(iii), (iv), (vi), (vii), (x), (xiii), (xiv), (xix) and (xx) is given subject to, and is qualified by, any facts, matters and circumstances that are disclosed to Blackwood as specified in clause 6.4(c).

(c) The parties acknowledge and agree that each representation given by Blackwood referred to in clause 6.4(a) and by Cockatoo referred to in clause 6.4(b) is given subject to, and is qualified by (and is only subject to and qualified by) all facts, matters or circumstances:

(i) are fairly disclosed by, or fairly referred to in, this agreement;

(ii) are fairly disclosed by, or fairly referred to in, the Due Diligence Materials; or

(iii) would have been fairly disclosed to that party had it conducted searches of records open to public inspection maintained by the Federal Court and the Supreme Court in Queensland and New South Wales at 9am on 19 September 2013;

(iv) would have been fairly disclosed to that party had it conducted searches of records open to public inspection maintained by ASIC at 9am on 19 September 2013,

in each case provided that a matter will have been fairly disclosed or fairly referred to if such disclosure or reference is of sufficient detail so that the nature and scope of the fact, matter or circumstance which might breach the representation or warranty (and the nature and extent of the breach) could reasonably be expected to come to the attention of that party from such disclosure or reference.

6.5 Representations and warranties qualified by awareness

(a) To the extent that any representation or warranty given by Blackwood is qualified by Blackwood's awareness or knowledge, the facts of which Blackwood is aware or that are within Blackwood's knowledge are taken to be:

(i) all facts of which Mr Barry Bolitho, Mr Todd Harrington, Mr David Smith or Mr Brendan Schilling are actually aware at the relevant time; and

(ii) all facts of which Mr Barry Bolitho, Mr Todd Harrington, Mr David Smith or Mr Brendan Schilling would have been aware of at the relevant time had they made due and careful enquiries of all people who might reasonably be expected to have knowledge of relevant facts.

(b) To the extent that any representation or warranty given by Cockatoo is qualified by Cockatoo's awareness or knowledge, the facts of which Cockatoo is aware or that are within Cockatoo's knowledge are taken to be:

(i) all facts of which, Mr Andrew Lawson, Mr Peter Nightingale, Mr Mark Lochtenberg or Mr Lee O'Dwyer are actually aware at the relevant time; and

(ii) all facts of which Mr Andrew Lawson, Mr Peter Nightingale, Mr Mark Lochtenberg or Mr Lee O'Dwyer would have been aware of at the relevant time had they made due and careful enquiries of all people who might reasonably be expected to have knowledge of relevant facts.

6.6 Qualification of warranties by awareness of party receiving

(a) Cockatoo warrants to Blackwood that, as at the time immediately prior to execution of this agreement, it is not aware of (and, for the avoidance of doubt, may not bring any Claim in respect of) any breach of any representation and warranty given by Blackwood in clauses 6.2(e), (p), (q) and (r).

(b) Blackwood warrants to Cockatoo that, as at the time immediately prior to execution of this agreement, it is not aware of (and, for the avoidance of doubt, may not bring any Claim in respect of) any breach of any representation and warranty given by Cockatoo in clauses 6.3(b)(v), 6.3(b)(xvi), 6.3(b)(xvii) and 6.3(b)(xviii).

(c) For the purposes of this clause 6.6, Cockatoo will (and only will) be deemed to know or be aware of a breach of representation or warranty if any of Mr Andrew

Lawson, Mr Peter Nightingale or Mr Lee O'Dwyer actually knows or is actually aware of that breach as at the time immediately prior to the execution of this deed.

(d) For the purposes of this clause 6.6, Blackwood will (and only will) be deemed to know or be aware of a breach of representation or warranty only if any of Mr Todd Harrington. Mr David Smith, Mr Barry Bolitho or Mr Brendan Schilling actually knows or is actually aware of that breach as at the time immediately prior to the execution of this deed.

(e) Except as expressly set out in this agreement, no warranty is excluded or limited by:

(i) any inquiry or investigation made by or on behalf of the party or any of its Representatives;

(ii) any actual or constructive knowledge of the party or any of its Representatives that any warranty is or may be incorrect; or

(iii) any other act, matter or thing.

6.7 Reliance

(a) Each party acknowledges and agrees that the other is entering into this agreement in reliance on the representations and warranties in clauses 6.1, 6.2 and 6.3.

(b) Each party acknowledges and agrees that no other party (nor any person acting on that other party's behalf) has not made any warranty, representation or other inducement to it to enter into this agreement, except for the representations and warranties expressly set out in this agreement.

(c) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any warranty, representation or other inducement by or on behalf of any other party, except for any warranty or representation expressly set out in this agreement.

6.8 Notification of breach

Each party undertakes to the other party that it will notify the other party as soon as practicable after it becomes aware of any fact, matter or circumstance which results in or is reasonably likely to result in a breach of any representation or warranty given under clauses 6.1, 6.2 and 6.3 (as applicable) and each party must prompt provide to the other party notice describing that fact, matter or circumstance in reasonable detail.

6.9 Status and enforcement of representations, warranties and indemnities

(a) Each representation and warranty given in 6.1, 6.2 and 6.3:

(i) is to be treated as a separate warranty and is not limited by reference to any other warranty or any other provision of this agreement;

(ii) is severable;

(iii) will remain in full force and effect after Completion and survives the termination of this agreement; and

(iv) is given with the intent that liability under them will not be confined to breaches which are discovered prior to the date of termination, completion or expiration of this agreement.

(b) It is not necessary for a party to incur expense or to make any payment before enforcing a right of indemnity conferred by this agreement.

6.10 Indemnity by Cockatoo

Without limiting any other remedy available to Blackwood, Cockatoo must pay to Blackwood on demand:

(a) the amount of any Indemnified Losses suffered or incurred by Blackwood arising out of or in connection with the breach of any warranty given by Cockatoo; and

(b) an amount equal to any additional Tax assessable on Blackwood arising out of or in connection with the receipt by Blackwood of a payment under this clause 6.10 or otherwise in respect of the breach of warranty given by Cockatoo including, for the avoidance of doubt, payment under this paragraph (b), so that the amount retained by Blackwood after payment of that Tax is equal to the amount that would have been retained had no additional Tax been payable (taking into account any resulting relief or benefit).

6.11 Indemnity by Blackwood

Without limiting any other remedy available to Cockatoo, Blackwood must pay to Cockatoo on demand:

(a) the amount of any Indemnified Losses suffered or incurred by Cockatoo arising out of or in connection with the breach of any warranty given by Blackwood; and

(b) an amount equal to any additional Tax assessable on Cockatoo arising out of or in connection with the receipt by Cockatoo of a payment under this clause 6.11 or otherwise in respect of the breach of warranty given by Blackwood including, for the avoidance of doubt, payment under this paragraph (b), so that the amount retained by Cockatoo after payment of that Tax is equal to the amount that would have been retained had no additional Tax been payable (taking into account any resulting relief or benefit).

6.12 No action against officers and employees

Each party waives, and must procure that its Related Bodies Corporate waives, all rights and claims that it may have personally against the officers and employees of the other party in relation to any matter arising directly or indirectly in connection with this agreement or the Bid, except to the extent that such rights or claims arise out of the fraud, wilful misconduct or wilful default of such person.

7. Termination

7.1 Termination by Cockatoo

Cockatoo may terminate this agreement at any time by notice in writing to Blackwood:

(a) if a Noble Controlled Event occurs and this event solely causes the Recapitalisation to not proceed;

(b) if the following occurs:

(i) Blackwood is in material breach of any provision of this agreement (including any representation or warranty);

(ii) Cockatoo has given notice to Blackwood setting out details of the material breach and stating an intention to terminate this agreement; and

(iii) the material breach has not been remedied by Blackwood within 5 Business Days from the time such notice is given;

(c) if Blackwood does (or omits to do) anything which does, will, or is likely to, result in any of the Conditions being breached;

(d) if a majority of Blackwood Directors:

(i) fail to recommend the Bid as described in clause 3.2;

(ii) make any public statement or takes any action that contradicts their recommendation;

(iii) qualify their respective support for the Bid, or withdraw their respective recommendation;

(iv) recommend against the Bid; or

(v) fail to accept the Offer made in respect of any Blackwood Share that they own or control in accordance with clause 3.6; or

(e) if the Target's Statement does not contain the statements as described in clause 4.3(b).

7.2 Termination by Blackwood

Blackwood may terminate this agreement at any time by notice in writing to Cockatoo:

(a) if the following occurs:

(i) Cockatoo is in material breach of any provision of this agreement (including any representation or warranty);

(ii) Blackwood has given notice to Cockatoo setting out details of the material breach and stating an intention to terminate this agreement; and

(iii) the material breach has not been remedied by Cockatoo within 5 Business Days from the time such notice is given, or

(b) if Cockatoo does (or omits to do) anything which does, will, or is likely to, result in any of the Conditions being breached;

(c) a Material Adverse Change occurs in respect of the Cockatoo Group;

(d) if the Independent Expert concludes that the Commercial Transactions constitute a net benefit to Noble for the purposes of Takeovers Panel Guidance Note 21 (or having given a report that, in the opinion of the Independent Expert, the Commercial Transactions do not constitute a net benefit to Noble for the purposes of Takeovers Panel Guidance Note 21), gives a report changing that opinion for any reason;

(e) if the Cockatoo Board determines, after Blackwood's rights under clause 5.7 have been exhausted, that a Competing Proposal in respect of Cockatoo constitutes a Superior Proposal; or

(f) if the Recapitalisation is not completed in accordance with its terms, other than solely due to a Noble Controlled Event.

7.3 Termination by Blackwood or Cockatoo

Either Blackwood or Cockatoo may terminate this agreement at any time by notice in writing to the other if:

(a) the End Date has passed before the Offer has been freed from all Conditions under section 650F of the Corporations Act (other than as a result of a breach by the terminating party of its obligations under this agreement); or

(b) Cockatoo withdraws the Offer for any reason including due to breach of a Condition.

7.4 Automatic termination at Closing Date

This agreement will terminate automatically at 11.59pm on the Closing Date, if not already terminated in accordance with this clause 7.

7.5 Effect of termination

Termination of this agreement will not affect:

(a) clause 1 and clauses 5 to 12 inclusive (including this clause 7), which will survive termination; and

(b) any liability of a party arising under or for any breach of this agreement prior to its termination,

but in all other respects, all future obligations of the parties under this agreement will immediately terminate and be of no further force or effect, including any further obligations in respect of the Bid.

7.6 No termination following board appointments

Notwithstanding any other provision of this agreement, Cockatoo may not terminate this agreement at any time after the Blackwood Directors have taken the action referred to in clause 4.16(a) and the appointments of the nominees of Cockatoo as Blackwood Directors are effective and represent a majority of the Blackwood Board.

7.7 Damages

(a) Notwithstanding any other provision of this agreement, the maximum aggregate liability that a party can have to another party under or in connection with this agreement (including in respect of any breach by the party of this agreement) is an amount equal to $5,000,000.

(b) This clause 7.6 shall survive termination of this agreement.

8. Payments

8.1 Direction

Any reference in this agreement to a payment to any party includes payment to another person at the direction of that party.

8.2 Method of payment

Payment of any amount due under this agreement by any party must be made by the paying party to the recipient party by:

(a) electronic funds transfer to a bank account specified by the recipient party to the paying party at least 3 Business Days before the due date for payment and confirmed by the paying party to the recipient party by notice; or

(b) otherwise, unendorsed bank cheque drawn on an Australian bank or other immediately available funds.

8.3 No deduction

Any payment to be made under this agreement must be made free and clear of any deduction or withholding, except where that deduction or withholding is required or compelled by law.

8.4 Gross-up for withholdings

Any person who is required or compelled by law to make any deduction or withholding from any amount payable under this agreement must, to the extent permitted by law, pay to the payee an additional amount sufficient to ensure that the amount received by the payee equals the full amount that would have been received by the payee, if that deduction or withholding had not been required or compelled.

8.5 Default interest

If any party (the Payor) fails to make a payment to any other party (the Payee) under this agreement on or before the due date for payment, then, without limiting any other remedy of the Payee, the Payor must pay to the Payee upon demand interest on the due amount calculated at the rate which is 2% above the Standard Rate, with interest to accrue from the due date to the day immediately before the actual date of payment, calculated daily on the basis of a 365 day year and capitalised monthly.

9. GST

9.1 Interpretation

(a) Except where the context suggests otherwise, terms used in this clause 9 have the meanings given to those terms by the A New Tax System (Goods and Services Tax) Act 1999 (as amended from time to time).

(b) Any part of a supply that is treated as a separate supply for GST purposes (including attributing GST payable to tax periods) will be treated as a separate supply for the purposes of this clause 9.

(c) Unless otherwise expressly stated, all consideration to be provided under this agreement are exclusive of GST. Any consideration that is specified to be inclusive of GST must not be taken into account in calculating the GST payable in relation to a supply for the purpose of this clause 9.

(d) A reference to something done (including a supply made) by a party includes a reference to something done by any entity through which that party acts.

9.2 Reimbursements and similar payments

Any payment or reimbursement required to be made under this agreement that is calculated by reference to a cost, expense, or other amount paid or incurred will be limited to the total cost, expense or amount less the amount of any input tax credit to which an entity is entitled for the acquisition to which the cost, expense or amount relates.

9.3 GST payable

(a) If GST is payable in relation to a supply made under or in connection with this agreement then any party (**Recipient**) that is required to provide consideration to another party (**Supplier**) for that supply must pay an additional amount to the Supplier equal to the amount of that GST at the same time as any other consideration is to be first provided for that supply.

(b) The Supplier must provide a tax invoice to the Recipient no later than 14 days after the day on which any consideration is to be first provided for that supply.

9.4 Variation of GST

If the GST payable in relation to a supply made under or in connection with this agreement varies from the additional amount paid by the Recipient under clause 9.3 then the Supplier will provide a corresponding refund or credit to, or will be entitled to receive the amount of that variation from, the Recipient. Any payment, credit or refund under this clause 9.4 is deemed to be a payment, credit or refund of the additional amount payable under clause 9.3. Where there is an adjustment event, the Supplier must issue an adjustment note to the Recipient as soon as the Supplier becomes aware of the adjustment event.

9.5 No merger

This clause will not merge on completion of this agreement.

10. Notices

10.1 How notice to be given

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement:

(a) must be in writing;

(b) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):

(i) if to Blackwood:

Attention: Todd Harrington

Address: Level 9, 288 Edward St, Brisbane QLD 4000

Fax number: 07 3034 0899

(ii) if to Cockatoo:

Attention: Peter Nightingale

Address: Level 2, 66 Hunter Street, Sydney NSW 2000

Fax number: 02 9921 6333

(c) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party; and

(d) must be delivered by hand or posted by prepaid post to the address, sent by fax to the number, of the addressee, in accordance with clause 10.1(b).

10.2 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement is taken to be received by the addressee:

(a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;

(b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;

(c) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and

(d) (in the case of delivery by hand) on delivery,

but if the communication would otherwise be taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

11. General

11.1 Amendments

This agreement may only be varied by a document signed by or on behalf of each party.

11.2 Assignment

A party cannot assign or otherwise transfer any of its rights under this agreement without the prior consent of each other party.

11.3 Consents

Except where this agreement expressly states otherwise, a party may, in its discretion, give conditionally or unconditionally or withhold any approval or consent under this deed and to be effective must be given in writing.

11.4 Consideration

This agreement is entered into in consideration of the parties incurring obligations and giving rights under this agreement and for other valuable consideration.

11.5 Costs

Except as otherwise provided in this agreement, each party must pay its own costs and expenses in connection with negotiating, preparing, executing and performing this agreement.

11.6 Counterparts

This agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this agreement, and all together constitute one agreement.

11.7 Entire agreement

This agreement embodies the entire understanding of Blackwood and Cockatoo and constitutes the entire terms agreed by Blackwood and Cockatoo in relation to the subject matter of this agreement and together supersede any prior written or other agreement between Blackwood and Cockatoo in relation to that subject matter.

11.8 Further acts and documents

Each party must promptly do all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by another party to give effect to this agreement.

11.9 No merger

A party's rights and obligations do not merge on completion of any transaction under this agreement.

11.10 Severance

If any provision or part of a provision of this agreement is held or found to be void, invalid or otherwise unenforceable (whether in respect of a particular party or generally), it will be deemed to be severed to the extent that it is void or to the extent of violability, invalidity or unenforceability, but the remainder of that provision will remain in full force and effect.

11.11 Relationship

Except where this agreement expressly states otherwise, it does not create a relationship of employment, trust, agency or partnership between the parties.

11.12 Stamp duties

Any stamp duty, duties or other taxes of a similar nature (including fines, penalties and interest) in connection with this agreement or any transaction contemplated by this deed must be paid by Cockatoo.

11.13 Waiver

(a) Failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this agreement by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this agreement.

(b) A waiver or consent given by a party under this agreement is only effective and binding on that party if it is given or confirmed in writing by that party.

(c) No waiver of a breach of a term of this agreement operates as a waiver of another breach of that term or of a breach of any other term of this agreement.

12. Governing law and jurisdiction

12.1 Governing law

This agreement is governed by and must be construed according to the law applying in the state of New South Wales.

12.2 Jurisdiction

Each party irrevocably:

(a) submits to the non-exclusive jurisdiction of the courts of New South Wales, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this agreement; and

(b) waives any objection it may have now or in the future to the venue of any proceedings, and any claim it may have now or in the future that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 12.2(a).

1. Bid consideration

(a) The Bid Consideration will be scrip consideration of 2 Cockatoo Shares for each Blackwood Share.

(b) If the total number of Cockatoo Shares to be issued to a Blackwood Shareholder as a result of acceptance of an Offer by that Blackwood Shareholder is not a whole number, then the number of Cockatoo Shares issued to that Blackwood Shareholder will be rounded up to the nearest whole number.

2. Offer

2.1 Shares subject to the Offer

(a) The Offer will relate to all Blackwood Shares:

(i) which exist (or will exist) as at the Register Date; and

(ii) that are issued during the period from the Register Date to the end of the Offer Period due to the vesting, conversion, or exercise of the rights attached to, the Blackwood Performance Rights.

(b) Cockatoo will deal with the Cockatoo Shares to which Ineligible Foreign Shareholders would otherwise be entitled in the manner contemplated by section 619(3) of the Corporations Act.

2.2 Offer Period

Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this offer, being [•], and ending at [•] pm on the later of:

(a) [•]; and

(b) any date to which the Offer Period is extended in accordance with the Corporations Act, provided that Cockatoo expressly reserves its rights under section 650C of the Corporations Act to extend the period during which the Offer remains open or otherwise to vary the Offer in accordance with the Corporations Act.

3. Conditions

3.1 Prescribed Occurrences

Between the Announcement Date and the end of the Offer Period (each inclusive), no Prescribed Occurrence occurs.

3.2 52.1% minimum acceptance

Before or at the end of the Offer Period, Cockatoo has a Relevant Interest of at least 52.1% of all Blackwood Shares.

3.3 Noble subscription

Cockatoo receives the subscription monies payable on issue of Cockatoo Shares in accordance with the terms of the Noble Share Subscription Deed other than where Cockatoo has not received the subscription monies due to a Cockatoo Caused Subscription Termination.

3.4 No Blackwood Material Adverse Change

Between the Announcement Date and the end of the Offer Period no Material Adverse Change occurs in respect of the Blackwood Group.

3.5 No material transactions or changes

Between the Announcement Date and the end of the Offer Period, no Blackwood Group Company:

(a) enters into or announces an intention or proposal to enter into or offers to enter into;

(b) discloses the existence of; or

(c) incurs, becomes subject to, or brings forward the time for performance of (or is reasonably likely to incur, become subject to or bring forward the time for performance of),

an obligation or arrangement (other than pursuant to and in the proper discharge of a legally binding obligation entered into and fully disclosed in writing to Cockatoo or fully disclosed to the ASX prior to the Announcement Date) or a decision by it, whether conditional or otherwise:

(d) to acquire an interest in property or other assets for an amount or having a market value in aggregate greater than $1 million;

(e) to dispose of an interest in any property or other assets for an amount, or in respect of which the book value (as recorded in Blackwood's balance sheet as at 30 June 2013) is, in aggregate, greater than $1 million;

(f) to perform or acquire the benefit of any services or supplies of goods or services in relation to any asset, project or business or interest therein where the aggregate financial liability of the Blackwood Group in respect of those services exceeds or may exceed $1 million or the term of the arrangement exceeds and cannot be terminated within 12 months;

(g) to enter into or terminate, or, in any material respect, amend or waive, any of the terms applicable to, or rights (including any rights of pre-emption or first or last refusal) under, a shareholders agreement, joint-venture, asset or profit sharing agreement, partnership or joint-selling agreement, merger of business or of corporate entities, or dual listed company structure; or

(h) to make or incur capital expenditure that is $1 million or more in excess of the planned capital expenditure disclosed to Cockatoo prior to the Announcement Date (and whether for an individual item or on an aggregated basis),

without Cockatoo's prior written consent.

3.6 No regulatory actions

Between the Announcement Date and the end of the Offer Period (each inclusive):

(a) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;

(b) no action or investigation is announced, commenced or threatened by any Government Agency; and

(c) no application is made to any Government Agency (other than by Cockatoo or any of its Associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of, Chapter 6, 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer or the acquisition of Blackwood Shares under the Offer or the completion of any transaction contemplated by the Bidder's Statement, or seeks to require the divestiture by Cockatoo of any Blackwood Shares, or the divestiture of any material assets of Blackwood or the Cockatoo Group.

3.7 Statutory condition

The Offer and any contract that results from acceptance of it is subject to a statutory condition under the Corporations Act that:

(a) an application is made to the ASX for admission to quotation of the Cockatoo Shares issued as Bid Consideration within 7 days after the start of the Bid Period; and

(b) permission for admission to quotation of the Cockatoo Shares issued as Bid Consideration on the ASX is granted no later than 7 days after the end of the Bid Period.

The Offer will not be freed from this statutory condition.

If any part of this statutory condition is not fulfilled, any contract that results from an acceptance of the Offer will be automatically void.

Executed as an agreement.

Executed by **Blackwood Corporation Limited ACN 103 651 538** in accordance with section 127 of the Corporations Act 2001 (Cth):

Signature of director

BARRY COLIN BOLITHO

Full name of director

Signature of company secretary/director

ADRIAN VINCENT SIMPSON

Full name of company secretary/director

Executed by **Cockatoo Coal Limited ACN 112 682 158** in accordance with section 127 of the Corporations Act 2001 (Cth):

Signature of director

Andrew Lawson

Full name of director

Signature of company secretary/director

Peter J. Nightingale

Full name of company secretary/director

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Attachment 2 – ASX announcements by Cockatoo since 2013 Annual Report

Date	Announcement
30 October 2013	Bowen Basin Projects Drilling Update
31 October 2013	Quarterly Activities Report
31 October 2013	Quarterly Cashflow Report
31 October 2013	Share Purchase Plan notice under ASIC Class Order 09 425
31 October 2013	Share Purchase Plan Announcement
8 November 2013	Notice of General Meeting
8 November 2013	Notice of General Meeting Clarification
20 November 2013	S633 Notice for Takeover Bid by COK for BWD

Attachment 3 – Cockatoo's quarterly reports – 30 September 2013

Cockatoo Coal Limited

ABN 13 112 682 158

REPORT ON ACTIVITIES FOR THE QUARTER ENDED 30 September 2013

1. CONSOLIDATED QUARTERLY ACTIVITY SUMMARY

MINING OPERATIONS

Baralaba	September Quarter 2013	Previous Quarter
ROM coal production (tonnes)	198,897	188,061
Overburden (tonnes)	1,722,954	1,541,767
Strip ratio	8.7	8.2
Production cash cost (FOBT Gladstone, including royalties) ($'000)	17,986*	17,604*
Shipments		
- PCI (tonnes)	59,755	144,980
- Thermal (tonnes)	75,308	-
Receipts ($'000)	19,478	18,819
Gross cash flow contribution ($'000)	1,492*	1,215*
Group cash at end of the quarter ($'000)	5,734*	12,685*

* Payments for production during the quarter have been increased by $1,537,000 ($12,753,000 increase to date) to match certain production costs with the period in which they are paid.
For further information, refer to the Company's Appendix 5B.

RESERVES & RESOURCES

Global Resource Inventory (100% Project Basis)	Marketable JORC Reserve (Mt)	Total JORC Resource (Mt)	Change
- Bowen Basin (Qld)	70	346	Unchanged
- Surat Basin (Qld)	300.8	1,761	Unchanged
- Bylong (NSW)	-	423	Unchanged
- Hume (NSW)	-	451	Unchanged
Total	370.8	2,981	

SUMMARY

ASX: COK

Corporate

- Equity raising of $153 million via three inter-conditional placements.
- Share Purchase Plan ('SPP') announced.
- Fully underwritten $255 million project finance facility.
- Friendly off-market takeover of Blackwood Corporation Ltd agreed.
- Completion of sale of 30% interest in the Hume Project and Director resignation
- Extension of $95 million KEBA loan facility and SK Networks guarantee.

Mining Operations

- 198,897 tonnes of coal produced during the quarter.
- Production cash cost (FOBT Gladstone, including royalties) during the quarter equates to $90.43 per tonne of ROM coal production during the quarter.

Development and Exploration

- Baralaba Expansion Project declared a 'prescribed project'.
- Grant of Mining Leases (ML80169 and ML80170) at Baralaba North.

Level 2, 66 Hunter Street Sydney NSW 2000 Australia T: (61 2) 9300 3333 F: (61 2) 9221 6333
E: alawson@cockatoocoal.com.au W: www.cockatoocoal.com.au

2. CORPORATE ACTIVITIES

2.1 Equity Raising of $153 million via Three Inter-conditional Placements

Subsequent to the end of the quarter, Cockatoo announced a $153 million equity raising, comprising three inter-conditional placements ('Equity Raising'):

- to SK Networks Co., Ltd ('SKN') of 1,000.0 million Shares at $0.050 per Share to raise $50 million;
- to Noble Group Limited ('Noble') of 866.0 million Shares at $0.050 per Share to raise $43 million; and
- to institutional and sophisticated investors of 1,333.3 million Shares at $0.045 per share to raise $60 million.

The placement to institutional and sophisticated investors has been cornerstoned by Harum Energy Australia Limited ('Harum'), Cockatoo's second largest shareholder, who subscribed for $20.2 million of ordinary shares at $0.045 per share.

The three placements are inter-conditional and subject to:

- the approval of Cockatoo shareholders at an EGM to be held in mid December 2013;
- an independent expert concluding that the SKN and Noble placements and relevant related transactions are reasonable for Cockatoo shareholders;
- ANZ remaining committed to the underwritten $255 million project finance facility for the Baralaba Expansion by completion of the Equity Raising;
- the absence of any material adverse change affecting Cockatoo;
- necessary government and regulatory approvals;
- there being no regulatory actions, including those associated with the Blackwood Corporation Ltd takeover offer, that could prohibit the placements and/or related transactions; and
- other customary conditions.

The proceeds of the Equity Raising outlined above will be used to fund:

- repayment of the A$95 million KEB Australia Ltd ('KEBA') loan facility;
- development capital expenditure requirements at the Baralaba Expansion; and
- transaction costs.

The Equity Raising will result in the Company having three strategic shareholders in SKN, Noble and Harum. The Board of Cockatoo will be restructured on completion and each of these strategic shareholders are entitled to appoint a nominee to the new Board.

2.2 Share Purchase Plan ('SPP') for Eligible Existing Shareholders

In addition to the Equity Raising, Cockatoo has also announced an SPP at an offer price of $0.045 per share to enable eligible existing shareholders to participate in Cockatoo's equity raising by subscribing for up to $15,000 worth of new shares (irrespective of the number of holdings)[1].

The settlement of the SPP is conditional on shareholder approval and successful completion of the Equity Raising.

[1] The record date for the SPP is 7.00pm (Sydney time) 16 October 2013. Cockatoo will distribute an SPP Booklet to eligible shareholders (being those with a registered address in Australia or New Zealand and who hold Shares on the SPP record date) shortly (together with a single Shareholder Offer application form) and a further announcement will be made to the market when this occurs. Cockatoo reserves the right to scale back the maximum participation amount per eligible shareholder.

2.3 Fully Underwritten $255 million Project Finance Facility

Subsequent to the end of the quarter, the joint venture partners in the Baralaba Expansion, Cockatoo and JFE Shoji Trade Corporation ('JFE'), through Baralaba Coal Pty Ltd and Wonbindi Coal Pty Limited, have executed a credit approved commitment letter with Australia and New Zealand Banking Group Limited ('ANZ') for a fully underwritten $255 million senior secured project finance package (the 'Facilities'), comprising:

- $180 million Project Finance Facility;
- $20 million Cost Overrun Facility; and
- $55 million Letter of Credit/Environmental Bonding Facility.

The Facilities have a seven year tenor and, in conjunction with the Equity Raising, provide funding for the Baralaba Expansion. The Facilities remain subject to the parties entering into definitive documentation, and drawdown is conditional upon:

- Cockatoo being granted regulatory approvals to increase production to 3.5 million tonnes per annum at the Baralaba Expansion;
- Cockatoo entering into off-take agreements for at least 75% of production from the Baralaba Expansion[2];
- Cockatoo having sufficient financing to fund development of the Baralaba Expansion (in conjunction with the Facilities) to a P50 contingency;
- repayment of the $95 million KEBA loan facility;
- JFE's continued commitment to proceed with the Baralaba Expansion[3]; and
- other conditions precedent typical of a project financing of this nature.

Cockatoo is confident of receiving the environmental approvals required for a 3.5 million tonnes per annum operation at Baralaba in time to meet WICET Stage 1.

2.4 Friendly Off-market Takeover Offer for Blackwood Corporation Ltd

Subsequent to the end of quarter, Cockatoo and Blackwood Corporation Ltd ('Blackwood') have entered into a Bid Implementation Agreement ('BIA'), under which Cockatoo has agreed to make the takeover offer for Blackwood whereby Blackwood shareholders will be offered 2.00 Cockatoo shares for each Blackwood share they hold ('Takeover Offer').

The Takeover Offer is subject to a minimum acceptance condition ('MAC') of 52.1%[4], is conditional on the successful completion of Cockatoo's Equity Raising (but not vice versa), and is also subject to a number of other standard bid conditions which are set out in the BIA.

Blackwood's extensive Queensland coal exploration portfolio complements Cockatoo's existing asset base and provides an attractive longer term growth pipeline.

The independent directors of Blackwood have considered the Takeover Offer and have confirmed that they intend to unanimously recommend that Blackwood shareholders **ACCEPT** the Takeover Offer in the absence of a superior proposal, subject to the independent expert concluding that the Takeover Offer is fair and reasonable to Blackwood shareholders and subject to the Equity Raising proceeding.

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[2] Off-take agreements need to be for a minimum term of 3 years and meet a maximum phosphorous specification of 0.14%.
[3] This condition precedent can also be met if a plan satisfying the Lender can be agreed in the event that JFE seeks to exit the joint venture arrangements.
[4] Based on a 50.1% MAC on a fully diluted basis (including Blackwood's 7,225,000 performance rights).

In addition, Blackwood's largest shareholder, Noble, has also indicated its intention is to dispose of its entire 51.2%[5] shareholding in Blackwood by accepting the Takeover Offer in the absence of a superior proposal subject to the independent expert concluding (and continuing to conclude) that the Takeover Offer is fair and reasonable to Blackwood shareholders and subject to completion of the Equity Raising.

Blackwood and Cockatoo have granted each other customary exclusivity arrangements including 'no shop' and 'no talk' restrictions, subject to customary fiduciary carve outs.

If the Takeover Offer is not successful (that is, it does not become unconditional), Cockatoo will not acquire any Blackwood shares.

If the Takeover Offer is successful (that is, it becomes unconditional) but Cockatoo does not acquire greater than 90% of Blackwood shares, Cockatoo will not be able to undertake compulsory acquisition of Blackwood minority shareholders. Blackwood would remain a separate listed entity but, at a greater than 50% subsidiary of Cockatoo, will be consolidated by Cockatoo and will have Cockatoo nominees appointed to its board.

2.5 Sale of 30% Interest in Hume Project and Director Resignation

During the quarter, the Company completed the sale of its 30% shareholding in Hume Coal Pty Limited ('Hume Coal') for approximately $10 million of cash and the cancellation of POSCO Australia Pty Limited's ('POSA') 134,807,307 shares held in the Company.

The Company used $5 million of the proceeds from sale to reduce the loan payable to KEBA to $95 million.

The cancellation of POSA's existing 13.2% shareholding in the Company under the transaction was effected by way of a selective capital reduction. The transaction did not cancel or otherwise deal with any shares held by other shareholders.

In addition to the transaction, the Company has received a non-binding Letter of Intent from POSA's parent company, POSCO, for the procurement of 1.0 million tonnes per annum of metallurgical coal from the Baralaba Expansion project.

Following completion of the sale, Mr Soo-Cheol Shin, current managing director of POSA, resigned as a Director of the Company. The Board expresses its sincere appreciation to Mr Shin for his valuable contribution to the Company and wish him every future success.

2.6 Extension of KEBA Loan Facility

During the quarter, the Company entered into an agreement to extend the maturity of the KEBA $95 million loan facility to 27 December 2013. SKN, the ultimate parent entity of SK Networks Resources Australia Pty Ltd, an existing shareholder of the Company, continues to guarantee the KEBA facility.

Cockatoo intends to repay the $95 million KEBA facility from the Equity Raising proceeds in mid December 2013, assuming the satisfaction of all conditions to the Equity Raising.

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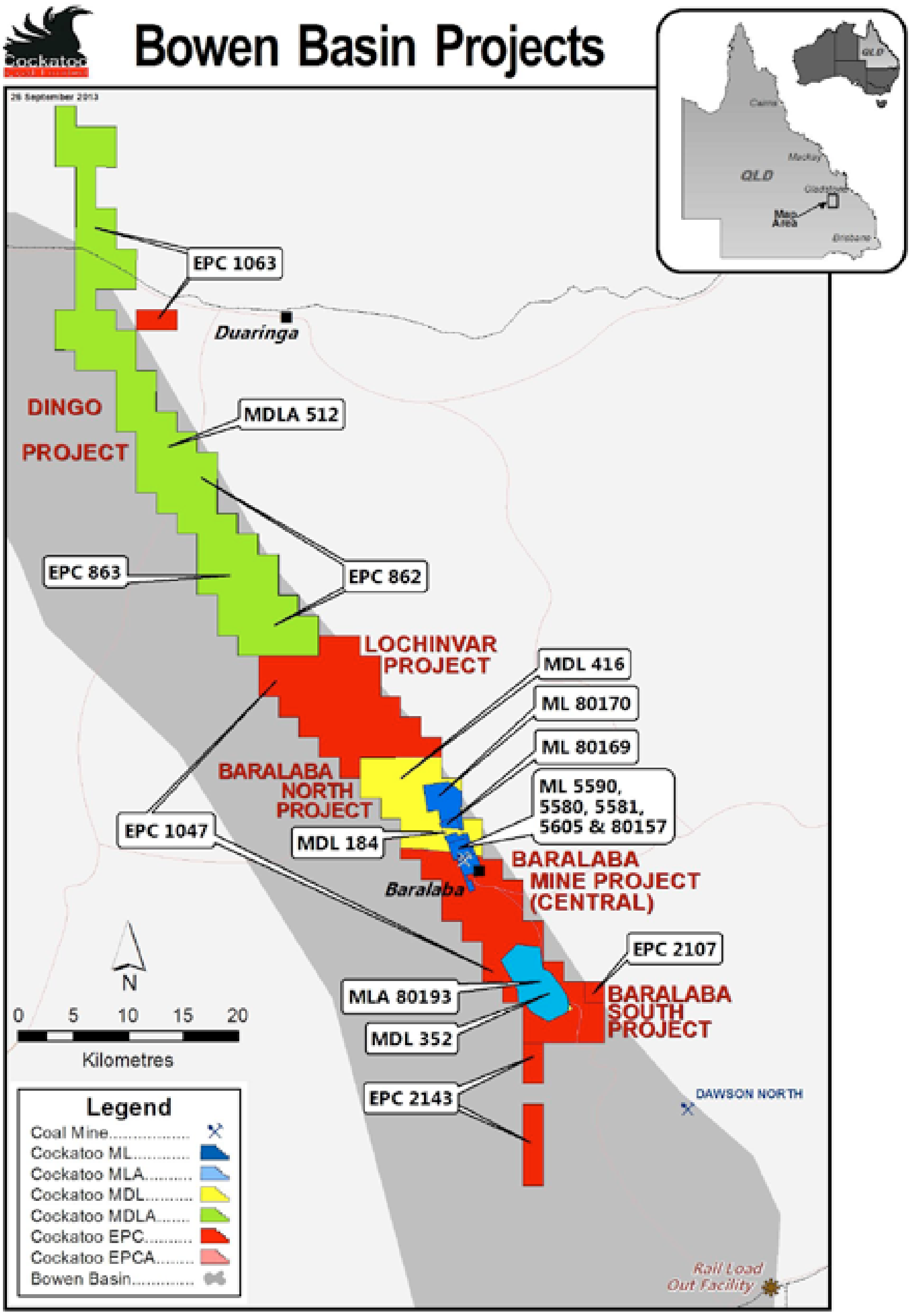
[5] On an undiluted basis (excluding Blackwood's 7,225,000 performance rights).

3. BOWEN BASIN PROJECTS

The Company's Bowen Basin projects comprise:

- MLs 5580, 5581, 5590, 5605 and 80157, MDL184 and ML 80169 (Baralaba mine project), which are held by the Company's 62.5% owned subsidiary, Baralaba Coal Pty Limited;
- MDL 352, EPCs 1047, 2107 and 2143 and MLA 80193 to the south of Baralaba Township (Baralaba South project) and EPC 1047, MDL 416 and ML 80170 to the north of the Baralaba mine (Baralaba North project) which are held by the Company's 80% owned subsidiary, Wonbindi Coal Pty Limited; and
- the Dingo project comprising EPCs 862 (Dingo South), 863 (Middle Creek), 1063 (Tryphinia) and MDLA 512 which are currently 30% owned by the Company's 100% owned subsidiary, Independent Coal Pty Limited and which are subject to a Joint Venture Farmout agreement.



Bowen Basin project areas.

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3.1 Baralaba Coal Mine

The Baralaba mine, located near the town of Baralaba in the south eastern limb of the Bowen Basin, Queensland, is an open-pit operation, managed by the Company and operated by contractors providing blasting, mining and haulage.

The Company undertakes its own coal preparation services. PCI coal and thermal coal are produced from multiple seams from the well known Rangal Coal Measures. All the coal sold is exported through the Port of Gladstone.

Production	December 2012 Quarter	March 2013 Quarter	June 2013 Quarter	September 2013 Quarter	FYTD
ROM coal (tonnes)	186,645	99,687	188,061	198,897	198,897
Overburden (bcm)	1,830,935	1,005,283	1,541,767	1,722,954	1,722,954

The Company sold less coal than forecast during the quarter due delays at the RG Tanna port in September. These delays were only temporary however and the shortfall of sales during the quarter has been recovered with 163,971 tonnes of coal being sold in October.

Shipments	December 2012 Quarter	March 2013 Quarter	June 2013 Quarter	September 2013 Quarter	FYTD
PCI (tonnes)	186,950	60,828	144,980	59,755	59,755
Thermal (tonnes)	0	0	0	75,308	75,308
Totals	186,950	60,828	144,980	135,063	135,063

3.2 Baralaba Expansion Project Declared a Prescribed Project

During the quarter the Queensland Minister for State Development, Infrastructure and Planning declared the Company's Baralaba Expansion Project as a 'prescribed project' in accordance with part 5A of the *Queensland State Development and Public Works Organisation Act 1971*.

A prescribed project declaration enables the Queensland Coordinator-General, if necessary, to intervene in approvals processes for the construction, maintenance and operation of a project to ensure timely decision making. This declaration covers the Baralaba Expansion Project and all supporting infrastructure.

3.3 Grant of Mining Leases

During the quarter, Mining Leases 80169 and 80170 were granted by the Department of Natural Resources and Mines, Queensland, with approval to initially mine at rates of up to 1.0 million tonnes per annum for a term of 30 years. The grant of these leases is a key milestone achievement for the Company as it allows for the continued development of the Company's Baralaba Expansion project to the north of its existing Baralaba mine in the Bowen Basin, central Queensland.

In relation to the Dingo project joint venture, a Mineral Development Licence Application (MDLA 512) has been lodged, reflecting the future potential in the project, which is transected by existing Blackwater line rail infrastructure. The Baralaba Coal Measures in the Dingo project are contiguous with Baralaba and exhibit similar coal quality trends.

3.4 Bowen Basin Exploration Activities

During the quarter the Company continued exploration and development drilling activities carrying out open hole drilling and coal quality coring for raw coal as well as production hole drilling and drilling of water monitoring drill holes. The main focus of exploration activities was shifted to Baralaba North and the extension of the Baralaba mine. Coal quality coring is continuing to extend JORC Measured Resource. Focus of operations in the next quarter will target the Baralaba North project area. The next phase of coal quality coring and drilling for structural data in Baralaba North, together with mine infrastructure area sterilisation drilling is planned.

Exploration potential in the different projects remains open in most directions.

The Company also continued to progress its approvals for the Baralaba Expansion Project and is currently preparing the business for development later in the year.

3.5 Bowen Basin Projects' Reserves and Resources

A summary of the Company's Bowen Basin projects' total JORC compliant Reserves and Resources, by project on a 100% basis, is as follows:

Project	Ownership (%)	Tenement	Depth of Resource (m)	JORC Classification					
				Reserves	Resources				
				Marketable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	**Total (Mt)**	Inventory (Mt)
Baralaba mine	62.5	MLs 5605 and 80157	<200	1.0	4.3	8.4	4	**17**	0
	62.5	MDL 184 (MLA 80169)	<200	3.4	8.5	2.2	8	**19**	0
Baralaba North	80	MDL 416 (MLA 80170)	<200	28.6	16.9	21.2	16	**54**	0
Baralaba South	80	MDL 352 and EPC 1047 (MLA 80193)	<200	37	35.5	17.2	114	**167**	0
	80	EPC 1047	<200	0	0	0	25	**25**	0
Lochinvar	80	EPC 1047	<175	0	0	4.0	60	**64**	44
		Bowen Basin Total		**70**	**65.2**	**53**	**227**	**346**	**44**

The Baralaba mine, Baralaba North and Baralaba South JORC compliant Marketable Reserves estimate, which is entirely within pit shells designed for open-cut mining, is capable of being increased through further drilling to increase Resource classification of Inferred Resources to Measured and Indicated, to allow for inclusion in Marketable Reserve estimates.

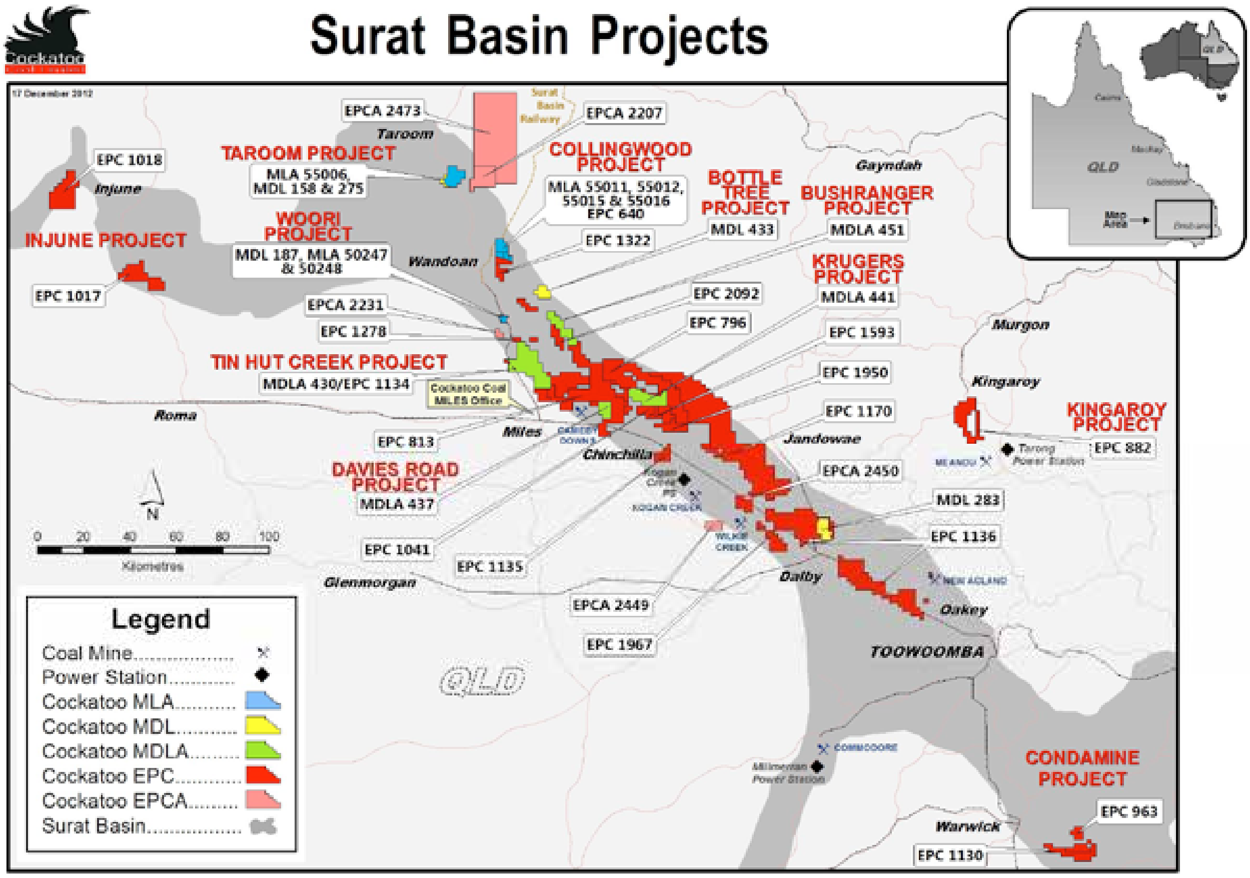
4. SURAT BASIN PROJECTS

4.1 The Surat Projects

The Company's Surat Basin projects cover an area of approximately 4,000 km². Both the Juandah and Taroom Coal Measures of the Walloon Sub-Group sub-crop within the Company's Surat Basin project area. The Woori and Tin Hut Creek projects are located in the Juandah Coal Measures and the Taroom, Collingwood, Bottle Tree, Krugers and Bushranger projects are located within the Taroom Coal Measures.

The Company holds a 51% interest in the Collingwood, Taroom and Woori projects which form the North Surat Joint Venture with MCH Surat Basin Investment Pty Ltd (a subsidiary of Mitsui Coal Holdings Pty Ltd) ('Mitsui') holding a 49% interest. The consolidation of the Collingwood, Taroom and Woori projects into one joint venture activity to be managed by the Company will facilitate the orderly development of these projects.

The Company holds a 100% interest in all other Surat Basin projects.



Surat Basin project areas.

4.2 Surat Basin Exploration Activities

During the quarter, there were limited exploration activities undertaken in the Surat Basin projects.

The Company's Surat Basin projects have advanced to a stage where no further substantial activities are planned for these projects until there is further clarity regarding the development progress of the proposed Surat Basin Railway and other major coal mine developments in the region.

Exploration potential in the different projects remains open in most directions.

4.3 Surat Basin Projects' Reserves and Resources

A summary of the Company's Surat Basin projects' total JORC compliant Reserves and Resources, by project on a 100% basis, is as follows:

Project	Ownership (%)	Tenement	Depth of Resource (m)	JORC Classification				
				Reserves	Resources			
				Marketable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	**Total (Mt)**
Collingwood	51.0	EPC 640	<150	**98.5**	79.7	80.3	69	**229**
Taroom	51.0	MDLs 158 and 275 MLA 55006	<150	**161.7**	158.1	149.3	126	**433**
Woori	51.0	MDL 187 MLAs 50247 and 50248	<110	**40.6**	84.3	0	0	**84**
Tin Hut Creek	100.0	EPCs 813 and 1134 MDLA 430	<150	**0**	0	206.6	137	**344**
Bottle Tree	100.0	MDL 433	<125	**0**	0	29.5	6	**35**
Krugers	100.0	EPCs 796 and 1041 MDLA 441	<150	**0**	0	33.2	130	**163**
Davies Road	100.0	EPCs 813 and 1041 MDLA 437	<150	**0**	0	14.4	35	**49**
Bushranger	100.0	EPC 813 and MDLA 451	<150	**0**	0	18.8	126	**145**
Kingaroy	100.0	EPC 882	<150	**0**	35.5	87.4	85	**208**
		EPC 882	150-300	**0**	0	40.9	29	**70**
		Surat Basin Total		**300.8**	**357.6**	**660.4**	**743**	**1,761**

5. OTHER

5.1 Competent Person

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Dr Oliver Holm, geologist, who is a Member of the Australasian Institute of Mining and Metallurgy. Oliver Holm is a full-time employee of the Company who has sufficient experience which is 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Oliver Holm has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

For further information, contact Andrew Lawson, Mark Lochtenberg or Peter Nightingale on (61-2) 9300 3333.

Yours sincerely

Andrew C. Lawson
Managing Director

31 October 2013

pjn7452

Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

COCKATOO COAL LIMITED

ABN	Quarter ended ("current quarter")
13 112 682 158	30 September 2013

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from product sales and related debtors	19,478	19,478
1.2	Payments for (a) exploration and evaluation	(6,723)	(6,723)
	(b) development	(426)	(426)
	(c) production	(17,986)*	(17,986)*
	(d) administration	(3,591)	(3,591)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	340	340
1.5	Interest and other costs of finance paid	(2,887)	(2,887)
1.6	Income taxes paid	-	-
1.7	Other: Project management costs	(1,017)	(1,017)
	JV advances	117	117
	Net operating cash flows	**(12,695)**	**(12,695)**
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other – property, plant and equipment	(68)	(68)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) investments	9,715	9,715
	(c) other – property, plant and equipment	-	-
1.10	Loans to other entities (net)	1,698	1,698
1.12	Other: (a) security deposits (net)	(3,530)	(3,530)
	Net investing cash flows	**7,815**	**7,815**
1.13	Total operating and investing cash flows (carried forward)	**(4,880)**	**(4,880)**

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	**(4,880)**	**(4,880)**
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,540	1,540
1.17	Repayment of borrowings	(5,090)	(5,090)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	**(3,550)**	**(3,550)**
	Net increase (decrease) in cash held	(8,430)	(8,430)
1.20	Cash at beginning of quarter/year to date	1,468	1,468
1.21	Exchange rate adjustments to item 1.20	(57)	(57)
1.22	**Cash at end of quarter**	**(7,019)***	**(7,019)***

Note: * Actual cash at the end of the quarter is $5,734,000 (see Item 5 below).
Payments for production during the quarter have been increased by $1,537,000 ($12,753,000 increase to date) to match certain production costs with the period in which they are paid. This adjustment, which has a consequential effect on the net increase/(decrease) in cash held and the balance of cash at end of quarter, has been made to more accurately report the cash cost of production of coal.

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	500
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

N/A

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the quarter the Company completed the sale of the its 30% interest in Hume Coal Pty Limited. Consideration for the sale was $9.7 million in cash and the cancellation of 134,807,307 shares in Cockatoo Coal Limited held by the acquirer.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	$95.0 million Loan Facility	$95.0 million
3.2	Credit standby arrangements	$55.0 million Bank Guarantee Facility	$50.1 million

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	1,000
4.2	Development	3,000
4.3	Production	18,980
4.4	Administration	4,000
	Total	**26,980**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	5,734	12,685
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (Payments for production adjustment)	(12,753)	(11,217)
	Total: cash at end of quarter (item 1.22)	(7,019)*	1,468*

Changes in interests in mining tenements and petroleum tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2	Interests in mining tenements acquired or increased	ML80169	Mining Licence	100% MLA	100% ML
		ML80170	Mining Licence	100% MLA	100% ML
		MDLA512	Mining Development Licence Application	0%	30% MDLA

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	Nil			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3	**+Ordinary securities**	886,294,158	886,294,158	Fully Paid	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil 134,807,307	134,807,307	N/A	N/A

+ See chapter 19 for defined terms.

7.5	**+Convertible debt securities** *(description)*	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil			
7.7	**Options** *(description and conversion factor)*	 20,833,333 150,000,000 5,000,000	 Nil Nil Nil	*Exercise price* 64 cents 12.5 cents 70 cents	*Expiry date* 31 December 2013 15 October 2014 30 September 2015
7.8	Issued during quarter	Nil			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	1,300,000 800,000 1,050,000 9,500,000	Nil Nil Nil Nil	40 cents 50 cents 60 cents 70 cents	30 September 2013 30 September 2013 30 September 2013 30 September 2013
7.11	**Debentures** *(totals only)*	Nil			
7.12	**Unsecured notes** *(totals only)*	Nil			

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 31 October 2013
(Company secretary)

Print name: Lee J. O’Dwyer

+ See chapter 19 for defined terms.

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Cockatoo corporate directory

Directors

Mark H. Lochtenberg (Chairman)
Andrew C. Lawson (Managing Director)
Peter J. Nightingale (Chief Financial Officer)
J. Gillis Broinowski
Paul G. Chappell
Lindsay R. Flint
Hyunsoo (Hans) Kim
K. Scott A. Thompson
Robert A. Yeates

Financial Adviser to Blackwood

Credit Suisse (Australia) Limited
The Gateway Building
1 Macquarie Place
Sydney NSW 2000
AUSTRALIA

Company Secretary

Lee O'Dwyer

Legal Adviser

Minter Ellison Lawyers
Aurora Place
88 Phillip Street
Sydney NSW 2000
AUSTRALIA

Registered Office

Level 2, 66 Hunter Street
Sydney NSW 2000
AUSTRALIA

Telephone: +61 2 9300 3333
Facsimile: +61 2 9221 6333
Website: www.cockatoocoal.com.au

Share Registry

Computershare Investor Services Pty Limited
117 Victoria Street
WEST END QLD 4001
AUSTRALIA

Telephone: 1300 552 270 (within Australia)
+61 3 9415 4000 (outside Australia)
Facsimile: +61 7 9473 2500

Part 3:

Target's Statement

Contents

Key Dates

Announcement Date	17 October 2013
Date of the Bidder's Statement	25 November 2013
Date of this Target's Statement	25 November 2013
Date Cockatoo Offer made (beginning of Offer Period)	[•]
Close of Cockatoo Offer (unless extended or withdrawn)	[•]

Further information

Blackwood has established a shareholder information line which Blackwood Shareholders may call if they have any queries in relation to the Cockatoo Offer. The telephone number for the shareholder information line is 1300 356 497 (for calls made from within Australia) or +61 3 9415 4067 (for calls made from outside Australia).

Further information relating to the Cockatoo Offer can be obtained from Blackwood's website at www.bwdcorp.com.au

1. Reasons why you should accept the Cockatoo Offer

This Section 1 summarises the key reasons why the Directors unanimously recommend to Blackwood Shareholders that they accept the Cockatoo Offer, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood shareholders and the Cockatoo Equity Raising completing.

The Cockatoo Offer comprises 2 Cockatoo Shares for every 1 Blackwood Share.

1.1. The Blackwood Board has considered a range of potential transactions and the Cockatoo Offer is the most value enhancing alternative available at the current time

As conditions in the coal sector substantially deteriorated over approximately the past 18 months, access to capital for participants in the coal sector, in particular for junior explorers and developers, became very challenging and valuations of coal assets and coal projects were substantially impaired. The Blackwood Board considered the option of Blackwood maintaining its stated strategy on a stand alone basis including equity raisings, asset sales, joint ventures and farm-ins to further develop its asset base as well as reviewing and other merger opportunities.

Out of all of the potential transactions considered, the Blackboard Board believes the Cockatoo Offer is the most value enhancing option available to Blackwood Shareholders at the current time.

1.2. The Cockatoo Offer allows Blackwood Shareholders to become part of a leading mid-tier ASX listed metallurgical coal producer with the potential to expand to 3.5 million tonnes per annum[23]

Under the Cockatoo Offer, Blackwood Shareholders have the potential to become shareholders in the Merged Group. The Merged Group will have existing cashflows from the Baralaba ULV PCI mine (currently producing ~750ktpa[24]) as well as a near term, low capital, low cost brownfield ULV PCI expansion of this mine (Baralaba Expansion) which has the potential to ultimately result in production from the Baralaba Complex increasing to 3.5Mtpa by late 2016.[25] The Blackwood Board believes a key advantage of the Cockatoo Offer is Blackwood Shareholders have the potential to become part of a leading mid tier metallurgical coal business while maintaining an exposure to the Blackwood exploration portfolio.

1.3. The Merged Group will possess significant development opportunities from a portfolio of more than 100 EPCs, prospective for coking, PCI and thermal coal deposits and including 15 mining leases either approved or in application

Currently all of Blackwood's projects are in the exploration phase of development. The Cockatoo Offer will result in Blackwood Shareholders gaining exposure to a range of projects at various stages of development and a producing coal mine with a significant near term brownfield expansion opportunity. The Blackwood Board believes the Cockatoo Offer provides diversification from early stage exploration through to development and production which are key positives for Blackwood Shareholders.

[23] See Cockatoo's ASX announcement dated 8 November 2013.
[24] As reported to ASX by Cockatoo. See Cockatoo's announcement dated 8 November 2013.
[25] See note 1 above.

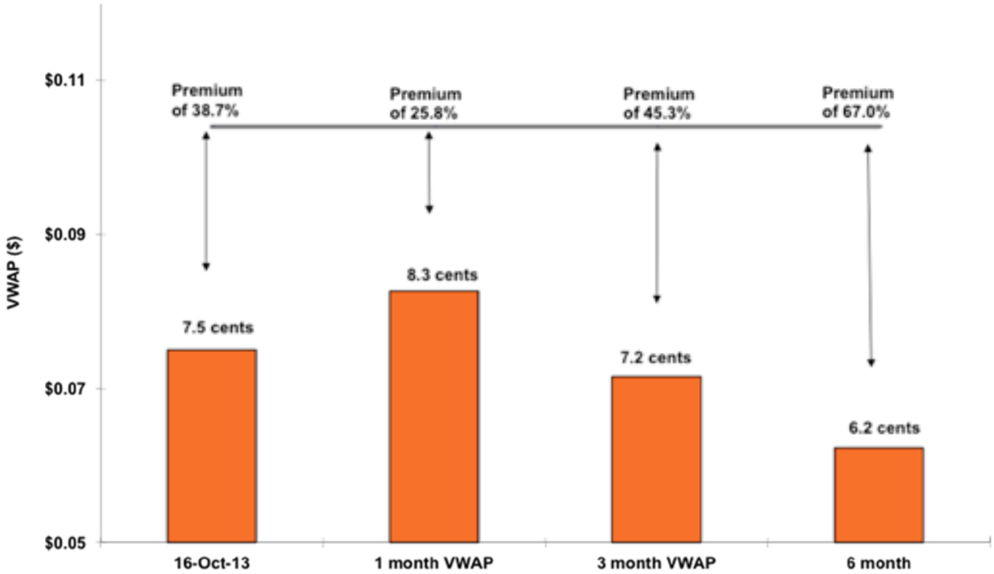
1.4. Simultaneous corporate financing initiatives announced by Cockatoo mean that Cockatoo's Baralaba Expansion will have a funded capital investment program

Upon completion of the Cockatoo Recapitalisation, Cockatoo is expected to have a strong balance sheet with no drawn debt and material cash reserves. This is expected to provide sufficient funding for the Baralaba Expansion which is expected to produce sufficient cashflows to underpin further development of other projects of the Merged Group[26].

1.5. The Cockatoo Offer represents an attractive premium to current and recent historical prices of Blackwood shares

Blackwood Shareholders will be offered two Cockatoo Shares for each Blackwood Share they hold. Based on the Cockatoo closing share price of $0.052 prevailing on 21 November 2013, total consideration of $0.104 is being offered to Blackwood Shareholders. This represents a:

- 38.7% premium to the closing price of Blackwood Shares on 16 October 2013 (being the last day of trading in Blackwood Shares prior to announcement of the Cockatoo Offer) on ASX;
- 25.8% premium to the 1 month volume weighted average price ("VWAP") on ASX up to and including 16 October 2013;
- 45.3% premium to the 3 month VWAP on ASX up to and including 16 October 2013; and
- 67.0% premium to the 6 month VWAP on ASX up to and including 16 October 2013.



Source: IRESS[27]

As the graph illustrates, The Cockatoo Offer represents an attractive premium to current and recent historical prices of Blackwood Shares.

[26] There are risks in respect of this funding which Blackwood Shareholders should consider. This includes the satisfaction of the conditions precedent to the Project Finance Commitment Letter and Cockatoo potentially requiring mezzanine financing to fully fund the Baralaba Expansion. See sections 11.3.6, 11.3.7 and 11.3.8 of the Bidder's Statement.

[27] This Target's Statement contains various references to trading data prepared by IRESS Market Technology Limited (ACN 060 313 359). IRESS has not consented to such use of references to that trading data.

1.6. The Blackwood Board believes the Cockatoo Offer will provide substantial capital markets benefits for Blackwood Shareholders including increased scale, relevance and liquidity.

Liquidity in the trading of Blackwood Shares is expected to improve for Blackwood Shareholders as a result of being part of a significantly expanded and recapitalised group and the increased number of shares and shareholders due to the combination of Blackwood and Cockatoo. This improved liquidity is expected to lead to greater opportunities for investment by local and international institutional investors.

The scope of the Merged Group's operations and the increased market capitalisation of the Merged Group following completion of the Cockatoo Recapitalisation is expected to result in increased stock market analyst coverage. This may facilitate more interest in the Merged Group from the broader investment community.

The Blackwood Board believes a key advantage of the Cockatoo Offer for Blackwood Shareholders is that the Merged Group will have much greater scale, relevance and liquidity than Blackwood Shareholders currently have on a stand alone basis.

The Blackwood Directors have unanimously recommended that Blackwood Shareholders accept the Offer in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders and the Cockatoo Equity Raising completing.

Blackwood has indicated that each Blackwood Director who holds or controls Blackwood Shares intends to accept the Offer in respect of their own beneficial holdings of Blackwood Shares subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to Blackwood Shareholders and subject to completion of the Cockatoo Equity Raising.

1.7. Independent Expert's recommendation

The Directors considered it appropriate to engage Grant Thornton as an independent expert to provide a report as to whether the Cockatoo Offer is fair and reasonable to Blackwood Shareholders. The Independent Expert has concluded that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders who are not associated with Cockatoo.

The Independent Expert's Report dated 25 November 2013 is included as Attachment 1 to this Target's Statement.

1.8. Other matters

Blackwood's largest shareholder, Noble, has indicated its intention is to dispose of its entire 51.2% shareholding in Blackwood by accepting the Cockatoo Offer in the absence of a superior proposal subject to the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders and subject to completion of the Noble Placement.

In addition, Blackwood Directors holding approximately 4% of Blackwood Shares on issue as at the date of this Target's Statement have indicated their intention to accept the Offer subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to Blackwood Shareholders and subject to completion of the Cockatoo Equity Raising.

Acceptances from Noble and Blackwood Directors will be likely to satisfy the minimum acceptance condition of 52.1%.

In considering whether to accept the Cockatoo Offer, the Directors encourage you to:

- read both this Target's Statement and the Bidder's Statement in their entirety;
- consider the future prospects of Blackwood, Cockatoo and the Merged Group compared to the future prospects of Blackwood as a stand-alone entity;
- have regard to your individual risk profile, portfolio strategy, tax considerations and financial circumstances; and
- obtain independent financial advice from your own broker or financial advisor regarding the Cockatoo Offer and obtain taxation advice on the effect of accepting the Cockatoo Offer.

If you choose not to accept the Cockatoo Offer, there are certain potential consequences of which you should be aware:

Possible fall in the Blackwood Share price

The Directors consider that the Blackwood Share price might fall in the absence of the Cockatoo Offer or in the absence of another equivalent or superior proposal. This is because:

- in the 1 month up to and including the Last Trading Date, Blackwood Shares traded on the ASX at a VWAP of $0.083; and
- in the 6 months up to and including the Last Trading Date, Blackwood Shares traded on the ASX at a VWAP of $0.062[28].

However, the Directors cannot predict whether the Blackwood Share price would in fact decrease or increase in the absence of the Cockatoo Offer, as there may be other reasons for share price movements. Blackwood Shareholders should note that the announcement of the Cockatoo Offer resulted in a material increase in the Blackwood Share price. The Blackwood Share price increased from a closing price of $0.075 on 16 October 2013, being the Last Trading Date, to a closing price of $0.087 on 18 October 2013[29].

The latest price for Blackwood Shares may be obtained from the ASX website at www.asx.com.au using the code 'BWD'.

If there is limited spread of Blackwood Shareholders, or limited volume of trading in Blackwood Shares, following completion of the Cockatoo Offer, Cockatoo may seek to procure the removal of Blackwood from the official list of ASX (subject to compliance with ASX and other regulatory requirements).

Liquidity of Blackwood Shares

If you choose not to accept and Cockatoo acquires a Relevant Interest in more than 52.1% but less than 90% of Blackwood Shares, Cockatoo may, if there is limited spread of Blackwood Shareholders, or limited volume of trading in Blackwood Shares, following completion of the Offer, seek to procure the removal of Blackwood from the official list of ASX (see section 9.4 in the Bidder's Statement). Under these circumstances, or in the situation where Blackwood remains a listed entity traded on ASX, the liquidity of Blackwood Shares may be reduced, thereby impacting on Blackwood Shareholders' ability to sell their Blackwood Shares at price levels that reflect their value.

Consequences of being a minority investor

If Cockatoo acquires a Relevant Interest in more than 52.1% but less than 90% of Blackwood Shares then, assuming all other Conditions of the Cockatoo Offer are satisfied or waived, Cockatoo will acquire a majority shareholding in Blackwood.

Accordingly, Blackwood Shareholders who do not accept the Blackwood Offer will become minority shareholders in Blackwood. This has a number of possible implications, including:

- Cockatoo will be in a position to cast the majority of votes at a general meeting of Blackwood. This will enable it to control the composition of the Blackwood Board and senior management, determine Blackwood's dividend policy and control the strategic direction of the businesses of Blackwood and its subsidiaries;
- the Blackwood Share price may fall immediately following the end of the Offer Period;
- the liquidity of Blackwood Shares may be lower than at present; and
- if Cockatoo acquires 75% or more of Blackwood Shares, it will be able to pass a special resolution of Blackwood. This will enable Cockatoo to, among other things, amend Blackwood's constitution.

There are a number of risks relating to Cockatoo and the Merged Group which Blackwood Shareholders should consider in deciding whether to accept the Offer. See section 11.3 and 11.4 of the Bidder's Statement.

[28] Source: IRESS. This Target's Statement contains various references to trading data prepared by IRESS. IRESS has not consented to such use of references to that trading data.

[29] Source: IRESS. This Target's Statement contains various references to trading data prepared by IRESS. IRESS has not consented to such use of references to that trading data.

2. Frequently asked questions

This Section answers some commonly asked questions about the Cockatoo Offer. It is not intended to address all relevant issues for Blackwood Shareholders. This Section should be read together with all other parts of this Target's Statement and the Bidder's Statement.

Question	Answer
Who is offering to purchase my Blackwood Shares?	Cockatoo Coal Limited ABN 13 112 682 158. Cockatoo is a company incorporated in Australia and listed on the Australian Securities Exchange (ASX). Information in relation to Cockatoo can be obtained from the Bidder's Statement or Cockatoo's website at www.cockatoocoal.com.au.
What is Cockatoo offering for my Blackwood Shares?	The consideration under the Cockatoo Offer is 2 Cockatoo Shares for every 1 Blackwood Share held.
What is the Bidder's Statement?	The Bidder's Statement contains information on the Cockatoo Offer. The law requires Cockatoo to send it to you. Cockatoo lodged its Bidder's Statement with ASIC on 25 November 2013 and it is being sent to you with this Target's Statement.
What is the Target's Statement?	Blackwood is required by law to produce this Target's Statement in response to the Cockatoo Offer. The Target's Statement contains information to help you decide whether to accept the Cockatoo Offer for your Blackwood Shares.
What choices do I have as a Blackwood Shareholder?	As a Blackwood Shareholder, you have the following choices in respect of your Blackwood Shares: ▪ accept the Cockatoo Offer, in which case you should follow the instructions in the Bidder's Statement; ▪ sell your Blackwood Shares on-market (unless you have previously accepted the Cockatoo Offer and have not validly withdrawn your acceptance); or ▪ reject the Cockatoo Offer by doing nothing. There are several implications in relation to each of the above choices. A summary of these implications is set out in Section 8 of this Target's Statement. You should seek legal, financial or taxation advice from your professional adviser regarding the action that you should take in relation to the Cockatoo Offer.
What are the Directors recommending?	The Directors unanimously recommend that you accept the Cockatoo Offer, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders and the Cockatoo Equity Raising completing. The reasons for the Directors' recommendation are set out in Section 1 of this Target's Statement.
What is the Independent Expert's opinion of the Cockatoo Offer?	The Independent Expert has concluded that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders who are not associated with Cockatoo. The Independent Expert's Report accompanies this Target's Statement as Attachment 1. The Directors recommend that you read the Independent Expert's Report in full as part of your consideration of the Cockatoo Offer.

2. Frequently asked questions (CONT.)

Will I be forced to sell my Blackwood Shares?	You cannot be forced to sell your Blackwood Shares unless Cockatoo receives acceptances giving it a Relevant Interest in at least 90% of all Blackwood Shares and acquires at least 75% of the Blackwood Shares that it offers to acquire under the Cockatoo Offer. If this occurs, Cockatoo will be entitled to proceed to compulsory acquisition of Blackwood Shares held by Blackwood Shareholders who did not accept the Cockatoo Offer, in which case you will receive the same consideration for your Blackwood Shares that you would have received under the Cockatoo Offer. Please refer to Section 9.11 of this Target's Statement for more information.
When does the Cockatoo Offer close?	The Offer Period must remain open for at least one month. It is currently scheduled to close at 7pm (Sydney time) on [•] but can be extended in certain circumstances. The Directors will keep you informed if there are any material developments in relation to the Cockatoo Offer. Blackwood Shareholders are also encouraged to monitor the Blackwood website at www.bwdcorp.com.au for any updates on the Cockatoo Offer.
Can the Offer Period be extended?	Cockatoo may extend the Offer Period at any time before giving the Notice of Status of Conditions while the Cockatoo Offer is subject to Conditions. However, if the Cockatoo Offer is unconditional (that is, all of the Conditions are satisfied or waived), Cockatoo may extend the Offer Period at any time before the end of the Offer Period. The maximum Offer Period is 12 months, however Cockatoo must not extend the Offer Period beyond a period of 3 months after [•] without the prior written consent of Blackwood. There will be an automatic extension if, within the last 7 days of the Offer Period, Cockatoo increases the consideration offered or Cockatoo's voting power in Blackwood increases to more than 50%. If that happens, the Cockatoo Offer is automatically extended so that it ends 14 days after that event.
How do I accept the Cockatoo Offer?	Instructions on how to accept the Cockatoo Offer are set out in sections 1 and 14.3 of the Bidder's Statement and on the Acceptance Form which accompanies the Bidder's Statement. If you want to accept the Cockatoo Offer, you should follow these instructions carefully to ensure that your acceptance is valid.
What are the consequences of accepting the Cockatoo Offer now?	If you accept the Cockatoo Offer you will be unable to sell or transfer your Blackwood Shares (on the ASX or otherwise) or accept any other offer for your Blackwood Shares unless either the Cockatoo Offer is unsuccessful or the Cockatoo Offer is extended by a period of more than 1 month while it remains conditional. If such an extension occurs in respect of the Cockatoo Offer, you will have an opportunity to withdraw your acceptance. If you accept the Cockatoo Offer and it becomes unconditional, you will be obliged to sell your Blackwood Shares to Cockatoo and you will receive the Offer Consideration.
If I accept the Cockatoo Offer, can I withdraw my acceptance?	You will only be permitted to withdraw your acceptance if, after you have accepted the Cockatoo Offer and while it is still subject to Conditions, Cockatoo varies the Cockatoo Offer in a way that postpones for more than 1 month the time Cockatoo has to meet its obligations under the Cockatoo Offer. For example, if Cockatoo extends the Cockatoo Offer and the time for payment of the Offer Consideration for more than 1 month while the Cockatoo Offer remains conditional, you may withdraw your acceptance.

What are the consequences of doing nothing/not accepting the Cockatoo Offer?	If you do not accept the Cockatoo Offer and you do not sell your Blackwood Shares on ASX, you will remain a Blackwood Shareholder and will retain the option to sell your Blackwood Shares on-market, however you may not be able to sell your Blackwood Shares for a price equivalent to the value of the Offer Consideration. If Cockatoo acquires a Relevant Interest in more than 52.1% but less than 90% of the Blackwood Shares by the end of the Offer Period and the Cockatoo Offer becomes unconditional, you will be a minority Blackwood Shareholder. This may potentially have adverse impacts for you. See Sections 1.8, 6.2 and 6.3 of this Target's Statement for further information about these consequences. However, Cockatoo has stated that if it acquires a Relevant Interest in 90% or more of the Blackwood Shares and becomes entitled to compulsorily acquire your Blackwood Shares it may: ■ proceed with the compulsory acquisition of your Blackwood Shares in accordance with the Corporations Act; and ■ following completion of the compulsory acquisition of the outstanding Blackwood Shares, cause Cockatoo to apply for the termination of the official quotation of the Blackwood Shares on ASX and arrange for Blackwood to be removed from the official list of ASX. This means that Cockatoo may be able to acquire your Blackwood Shares even if you did not accept the Cockatoo Offer if this occurs you will still receive the Offer Consideration but at a later date than you would have received it had you accepted the Cockatoo Offer. For further information about the consequences of doing nothing and compulsory acquisition see Section 9.11 of this Target's Statement and section 9.3 of the Bidder's Statement.
Can Cockatoo withdraw the Cockatoo Offer once I have accepted?	Cockatoo may be able to withdraw the Cockatoo Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.
Can I accept the Cockatoo Offer for only some of my Blackwood Shares?	No. You may only accept the Cockatoo Offer in respect of all of the Blackwood Shares you hold.
What will happen if Cockatoo increases its offer?	If you accept the Cockatoo Offer and Cockatoo subsequently increases the Offer Consideration and the Cockatoo Offer becomes unconditional, you will receive the increased consideration for your Blackwood Shares.
What are the Conditions of the Cockatoo Offer?	The Cockatoo Offer is subject to a number of important Conditions. These Conditions are set out in full in section 14.7.1 of the Bidder's Statement and summarised in Section 9.2 of this Target's Statement. By way of a broad overview, the Conditions include: ■ Successful completion of the Noble Placement; ■ Minimum acceptance in respect of 52.1% of Blackwood Shares; ■ Approval for quotation of the Cockatoo Shares offered as Offer Consideration on the ASX; ■ No Prescribed Occurrences occurring in respect of Blackwood; ■ No Material Adverse Change occurring in respect of Blackwood; ■ No material acquisitions or disposals by Blackwood; ■ No unbudgeted capital expenditure by Blackwood in excess of A$1 million; and ■ No regulatory actions in consequence of or in connection with the Offer

What happens if the Conditions of the Cockatoo Offer are not satisfied or waived?	If the Conditions of the Cockatoo Offer are not satisfied or waived before the end of the Offer Period, the Cockatoo Offer will not proceed and you will not receive the Offer Consideration even if you have accepted the Cockatoo Offer. You will continue to hold your Blackwood Shares and will be free to deal with them as if the Cockatoo Offer had not been made, unless you have already sold them to someone else.
What are Noble's intentions with regard to the offer?	Blackwood's largest shareholder, Noble, has indicated its intention is to dispose of its entire shareholding in Blackwood (currently comprising 51.2% of all Blackwood Shares) by accepting the Offer in the absence of a superior proposal subject to the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders and subject to completion of the Noble Placement. For further details on the Noble Placement see Sections 9.2 and 10.10 of this Target's Statement.
What happens to Blackwood if the Cockatoo Offer is not successful?	If the Cockatoo Offer does not proceed (because the Conditions of the Cockatoo Offer are not satisfied or waived before the end of the Offer Period, or for any other reason), Blackwood will continue in its current form, and: ■ The Directors consider that the Blackwood Share price may fall in the absence of the Cockatoo Offer or in the absence of another equivalent or superior proposal. This is because: ○ in the 1 month up to and including the Last Trading Date, Blackwood Shares traded on the ASX at a VWAP of $0.083; and ○ in the 6 months up to and including the Last Trading Date, Blackwood Shares traded on the ASX at a VWAP of $0.062 [30]. However, the Directors cannot predict whether the Blackwood Share price would in fact decrease or increase in the absence of the Cockatoo Offer, as there may be other reasons for share price movements. Blackwood Shareholders should note that the announcement of the Cockatoo Offer resulted in a material increase in the Blackwood Share price. The latest price for Blackwood Shares may be obtained from the ASX website at www.asx.com.au using the code 'BWD'. ■ Blackwood will need to raise additional funds order to pursue its project development and exploration objectives, to fund general corporate, operational and working capital requirements (including transaction expenses discussed in Section 6.10.22) beyond 31 December 2013 (refer Section 6.7)
When will I receive the Offer Consideration if I accept the Cockatoo Offer?	If you accept the Cockatoo Offer, and all the Cockatoo Offer Conditions are satisfied or waived, Cockatoo will allot the Offer Consideration that you are entitled to under the terms of the Cockatoo Offer on or before the earlier of: ■ 1 month after the date you validly accept the Cockatoo Offer or, if at the time of your acceptance the Cockatoo Offer is still subject to Conditions, within 1 month after the contract resulting from your acceptance of the Cockatoo Offer becomes, or is declared, unconditional; and ■ 21 days after the end of the Offer Period.
Will Cockatoo Shares issued under the Cockatoo Offer be listed on the ASX?	Cockatoo intends to make an application for quotation the Cockatoo Shares issued under the Cockatoo Offer on ASX. If the application is not successful, then all contracts resulting from acceptances of the Cockatoo Offer will be automatically void.

[30] Source: IRESS. This Target's Statement contains various references to trading data prepared by IRESS. IRESS has not consented to such use of references to that trading data.

I am an Ineligible Overseas Shareholder. Can I accept the Cockatoo Offer?	Cockatoo Shares will not be issued as consideration to Ineligible Overseas Shareholders. Such Blackwood Shareholders will have their Cockatoo Shares sold on their behalf and receive the net cash proceeds. Please refer to Section 6.12 for further details.
Will I need to pay brokerage or stamp duty if I accept the Cockatoo Offer?	The Bidder's Statement states that you should not pay brokerage or stamp duty if you accept the Cockatoo Offer (except if you are an Ineligible Overseas Shareholder - refer to part 1 of section 3 of the Bidder's Statement).
What are the tax implications of accepting the Cockatoo Offer?	The tax implications will depend on your personal tax position, residency, and the price and time at which you originally acquired your Blackwood Shares. A general outline of the tax implications of accepting the Cockatoo Offer is set out in section 12 of the Bidder's Statement and in Section 6.11 of this Target's Statement. Blackwood Shareholders should be aware that acceptance of the Cockatoo Offer will trigger a potential liability to tax. Relief from any tax payable is only available for Blackwood Shareholders who hold their Blackwood Shares on "capital account" and only if certain conditions are met, including the requirement for Cockatoo to acquire at least 80% of Blackwood Shares. In all other circumstances no relief will be available You should consult with your taxation adviser for detailed taxation and stamp duty advice before making a decision whether or not to accept the Cockatoo Offer.
What happens to my acceptance if the Cockatoo Offer lapses?	If the Cockatoo Offer lapses, acceptances given by Blackwood Shareholders will be void. Blackwood Shareholders will continue to own the Blackwood Shares the subject of any such acceptances and will be free to deal with them as they choose. The Cockatoo Offer will lapse if, at the end of the Offer Period, the Conditions to which the Cockatoo Offer is subject are not satisfied or waived.
Who should I call if I have questions?	If you have any further queries in relation to the Cockatoo Offer, please call the shareholder information line or you can speak to your financial or other professional adviser. The telephone number for the shareholder information line is 1300 356 497 (for calls made from within Australia) or +61 3 9415 4067 (for calls made from outside Australia).

3. Information on Blackwood

3.1. Overview

Blackwood is an ASX listed public company that is focused on coal exploration throughout the Bowen, Galilee, Surat and Clarence–Moreton Basins in Queensland. Blackwood's registered address is in Brisbane.

Blackwood re-listed on ASX on 10 December 2010 as Blackwood Corporation, following an initial listing as Matilda Minerals Pty Ltd in September 2004. As at the close of trading on 21 November 2013 Blackwood had a market capitalisation of approximately A$17 million.

The table below sets out the key milestone's in Blackwood's history.

Date	Description
February 2003	Established
September 2004	ASX listing as Matilda Minerals Pty Ltd
December 2010	Relisted on ASX as Blackwood Corporation
November 2011	Announced initial JORC exploration target at South Pentland
February 2012	Announced initial JORC exploration target at Chinchilla
March 2012	Announced initial JORC exploration target at Taroom
August 2012	Announced initial JORC exploration target at Bymount
September 2013	Announced maiden Inferred JORC Resource at South Pentland and Taroom
September 2013	Announced discovery of shallow high quality PCI at Dingo

3.2. Asset overview

Blackwood currently holds 63 granted EPCs which cover an area of approximately 4,650km^2 across the Bowen, Galilee, Surat and Clarence-Moreton basins. Blackwood has defined 17 projects for development and has deemed six of them as priority projects, with the remaining 11 as pipeline projects. Blackwood owns 100% of each EPC that it holds.

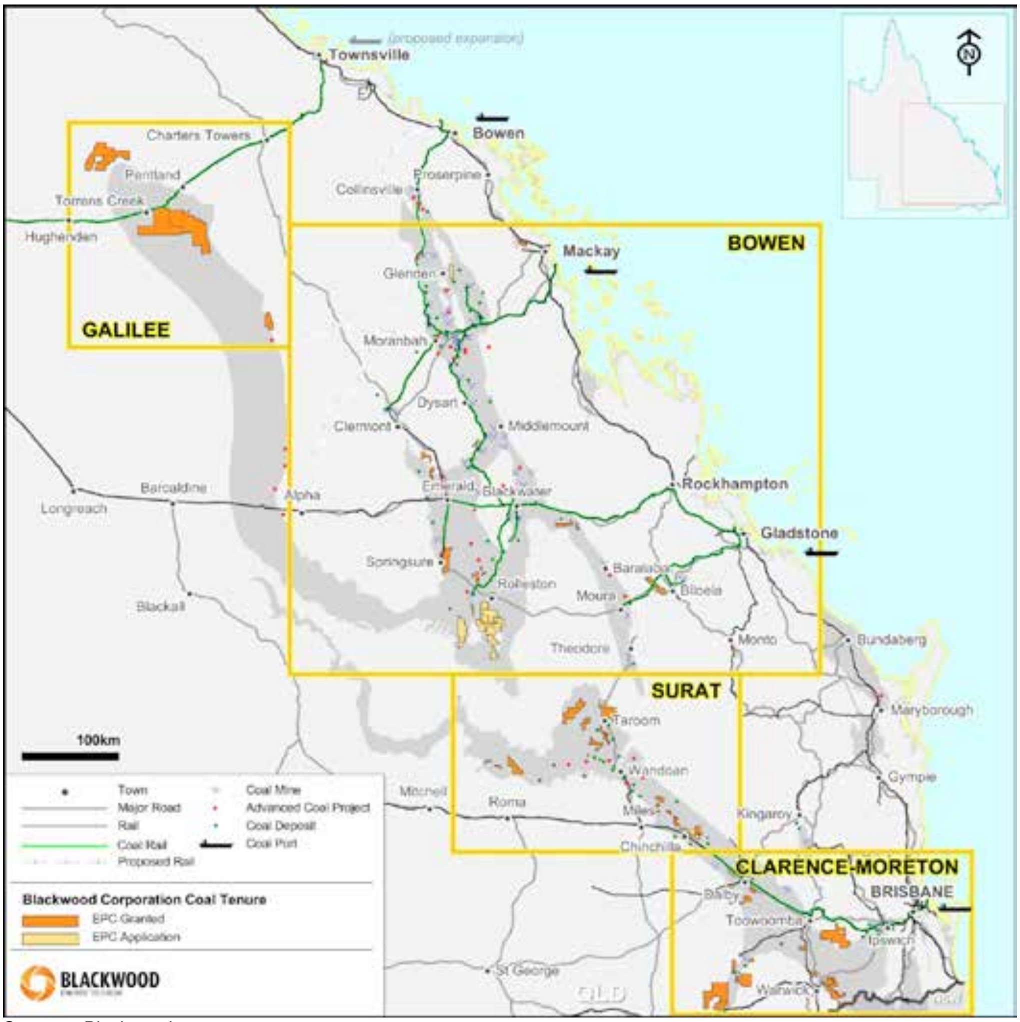
3.2.1. Tenement holdings

Asset	Basin	Tenement size	Coal type	Exploration target	JORC Resources
Priority projects					
South Pentland	Galilee	1,734km^2	Export thermal	3.6 – 5.0bt	322.0Mt Inferred
Dingo	Bowen	75km^2	PCI	–	–
South Rolleston	Bowen	249km$^{2(9)}$	Export thermal / SSCC	–	–
Capella	Bowen	101km^2	Export thermal / SSCC	–	–
Taroom	Surat	377km^2	Export thermal	1.0 – 1.3bt	51.8Mt Inferred
Bymount	Surat	148km^2	Export thermal	300 – 420Mt	
Pipeline projects					
North Hughenden	Galilee	704km^2	Export thermal	–	–
North Carmichael	Galilee	112km^2	Export thermal	–	–

Asset	Basin	Tenement size	Coal type	Exploration target	JORC Resources
North Rolleston	Bowen	249km^2[31]	n.a.	–	–
Springsure	Bowen	169km^2	Export thermal	–	–
Calen	Bowen	48km^2	Thermal / coking	–	–
Dalby	Surat	149km^2	Export thermal	–	–
Chinchilla	Surat	144km^2	Export thermal	190 – 240Mt	–
Milmerran	Clarence-Moreton	348km^2	Export thermal	–	–
Warwick North	Clarence-Moreton	293km^2	Export thermal	–	–
Warwick South	Clarence-Moreton		Export thermal	–	–
Biloela	Callide	119km^2	Domestic thermal	–	–

3.2.2. Asset locations

Blackwood's tenements are located across the Galilee, Bowen, Surat and Clarence-Moreton Basins.



Source: Blackwood.

[31] Combined tenement size of South and North Rolleston.

3.2.3. Priority projects

South Pentland

South Pentland, located approximately 270km from Townsville in the Galilee Basin, is Blackwood's flagship asset and covers approximately 1,700km^2. The Project is adjacent to the Mt Isa to Townsville railway system (Queensland Rail), which connects the project to the Port of Townsville.

A total JORC Inferred Resource of 322 million tonnes has been defined at the project, from three potential mining horizons. Blackwood had previously announced a 3.0 to 5.6 billion tonne Exploration Target, of which this resource is part of. Recent coal quality results from the South Pentland project show an export thermal product of approximately 6,072kcal/kg, 11% ash and 0.3% total sulphur (all on an air dried basis). Blackwood has investigated various potential production tonnage scenarios at the project, in conjunction with latent and future capacity potentially available along the infrastructure systems. Blackwood has executed memoranda of understanding with both Queensland Rail and the Port of Townsville to investigate possible export opportunities.

Taroom

The Taroom project is located in the north-eastern edge of the Surat Basin. The project is in close proximity to Glencore Xstrata's Surat Basin projects (primarily Wandoan), as well as Cockatoo's Taroom and Collingwood projects. The region is serviced by the Leichhardt Highway which passes through the townships of Wandoan and Taroom and part of the project is intersected by the proposed Surat Basin Railway to the Port of Gladstone. Blackwood announced a 1.0 to 1.3 billion tonne Exploration Target at Taroom in March 2012, across the four sub-project areas of "Broadmere", "Tarana Crossing", "Juandah Creek" and "Raka Hills".

Blackwood completed its drill program and coal quality testing in early 2013. A maiden JORC compliant Inferred Resource has been estimated for the Taroom project, covering a targeted footprint within the "Broadmere" subproject. A total Inferred Resource of 51.8 million tonnes has been defined over 8% of the total Taroom Project area.

Dingo

The Dingo Project is a prospective PCI coal tenement, located approximately 15km south of the Blackwater Rail system and the township of Dingo, in close range of the Capricorn Highway. The Project is along strike of, and close to other PCI coal mines and projects, including Baralaba (Cockatoo) and Dingo (Whitehaven/Cockatoo).

A two hole scout drilling programme was completed in September 2013, intercepting shallow coal at the project. Initial testing indicates low ash, Ultra Low Volatile PCI style coals.

South Rolleston

South Rolleston is located in the Southern Bowen Basin. Blackwood began preliminary drilling in 2011 on the North Rolleston Project intercepting seam packets consistent with the nearby Glencore (Xstrata's) Rolleston mine. Blackwood has recently been granted several of the South Rolleston tenures from the Queensland Government, which has limited field exploration activities at the project to date. Desktop assessment and geological review of historical information has indicated the area may potentially yield access to semi-soft style coking coals.

Capella

Capella is located in the Central Bowen Basin, 30km northwest of Emerald. Blackwood has extensively modelled and analysed the tenement geology, utilising adjacent data from Rio Tinto's Valeria deposit, and believes there to be an extension of the known Coking, PCI and Thermal Valeria coal measures into the Capella project area.

Bymount

Blackwood's Bymount Project is located in the Western Surat Basin, and possesses a 300 to 420 million tonne Exploration Target.

Blackwood is exploring avenues to commercialise this project and benefit from the infrastructure initiatives for the region. A comprehensive drilling program has been developed to further define the project, which is to be executed by the company in the future.

3.3. Resources

Project	Blackwood Equity (%)	Coal Type	JORC resource Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
South Pentland	100%	Export thermal	-	-	322	322
Taroom	100%	Export thermal	-	-	52	52
Total			**-**	**-**	**374**	**374**

Competent persons statement

See Section 10.2.4 for Blackwood's Competent Person's statement.

3.3.1. Directors

Mr Barry Bolitho

Non-Executive Chairman

Mr Bolitho has many years experience in senior executive roles in the resources industry, including experience as chairman, executive and non-executive directorships on ASX and TSX listed companies. He has tertiary qualifications in metallurgy and chemistry, and has extensive operational experience in a number of metals and minerals, including base metals, precious metals, iron ore and mineral sands.

Mr Andrew Simpson

Non-Executive Director

Mr Simpson is a senior corporate executive, with extensive global marketing and business development experience in the resources industry, including more than 30 years in international marketing and distribution of minerals and metals. He is a professional company director and is also the managing director of Resource & Technology Marketing Services Pty Ltd, a company providing specialist marketing and business assessment advisory to the mineral resources and technology industries, both in Australia and internationally.

Mr William Randall

Non-Executive Director

Mr. Randall's career started with Noble Group in Australia in February 1997, transferring to Asia in 1999 where he established Noble's coal operations, mining and supply chain management businesses. He served as a Director of Noble Energy Inc before being appointed Global Head of Coal & Coke in 2006, and a member of the Noble Group internal management Board in 2008. He was appointed an Executive Director and Head of Hard Commodities in 2012, prior to which he was Head of Energy Coal & Carbon Complex.

Mr Rex Littlewood

Non-Executive Director

Mr Littlewood has more than 30 years experience in the international coal market, and well versed in all aspects of the mining industry; from exploration, development and production, through to export and delivery to customer. As Vice President of Noble Energy, a subsidiary of Noble Group, Mr Littlewood was responsible for their Asian coal & coke platform, developing mines as well as mining and export infrastructure. Mr Littlewood is a highly respected coal industry figure, who currently consults in most facets of the industry through his company, Australian Carbon Assets.

3.4. Issued Capital

As at the date of this Target's Statement, Blackwood has the following securities on issue:

(a) 185,050,269 Blackwood Shares; and

(b) 7,225,000 Blackwood Performance Rights of the following tranches issued pursuant to Blackwood Long Term Incentive Plan (**"LTIP"**):

Exercise price	Expiry date	Number of Blackwood performance rights	Vested
Nil	1 August 2018	2,000,000	Yes
Nil	25 June 2019	500,000	Yes
Nil	25 June 2019	500,000	No
Nil	8 August 2018	1,000,000	Yes
Nil	1 September 2018	800,000	Yes
Nil	1 July 2018	650,000	Yes
Nil	12 October 2018	400,000	Yes
Nil	3 October 2018	250,000	Yes
Nil	17 October 2018	250,000	Yes
Nil	22 August 2018	250,000	Yes
Nil	1 November 2018	250,000	Yes
Nil	1 July 2018	150,000	Yes
Nil	11 October 2018	125,000	Yes
Nil	7 September 2018	100,000	Yes

Under the Bid Implementation Agreement, the Blackwood Board has agreed to exercise its discretion under the terms of the LTIP to vest all unvested Blackwood Performance Rights as soon as reasonably practicable after the Offer becomes unconditional and Cockatoo has voting power of 50.1% or more in Blackwood. Blackwood Shares issued in respect of those vested Blackwood Performance Rights can be accepted into the Offer.

3.5. Substantial shareholders

As at the date of this Target's Statement, the following entities have (together with any of their associates) relevant interests in 5% or more of Blackwood Shares:

Name	Number of fully paid ordinary shares held	% held of issued ordinary capital
Noble Group	94,689,760	51.2%

3.6. Financial profile of Blackwood

Blackwood's historical financial information set out below has been extracted from Blackwood's audited financial statements for the year ended 30 June 2013. The financial statements of Blackwood for the financial year ended 30 June 2013 were audited by BDO, in accordance with Australian Accounting Standards. The audit opinion and review statement relating to the financial statements were unqualified.

A copy of Blackwood's annual report from which financial information for the year ended 30 June 2013 was extracted can be found on the company's website at www.bwdcorp.com.au.

Statement of financial position

(All figures in AUD)	30-June-12	30-June-13
ASSETS		
Current assets		
Cash and cash equivalents	1,692,394	12,389,956
Trade and other receivables	182,855	279,965
Other current assets	186,798	57,427
Total current assets	2,062,047	12,727,348
Non-current assets		
Property, plant and equipment	97,620	92,698
Exploration and evaluation assets	11,581,538	16,132,265
Intangible assets	21,393	34,605
Total non-current assets	**11,700,551**	**16,259,568**
Total assets	**13,762,598**	**28,986,916**
LIABILITIES		
Current liabilties		
Trade and other payables	1,417,664	1,767,838
Borrowings - Noble Loan	–	7,748,835
Total current liabilities	1,417,664	9,516,673
Total liabilities	1,417,664	9,516,673
Net assets	**12,344,934**	**19,470,243**
EQUITY		
Issue capital	46,622,005	46,622,005
Reserves	2,369,213	3,005,214
Accumulated losses	(36,646,283)	(30,156,974)
Total equity	**12,344,935**	**19,470,245**

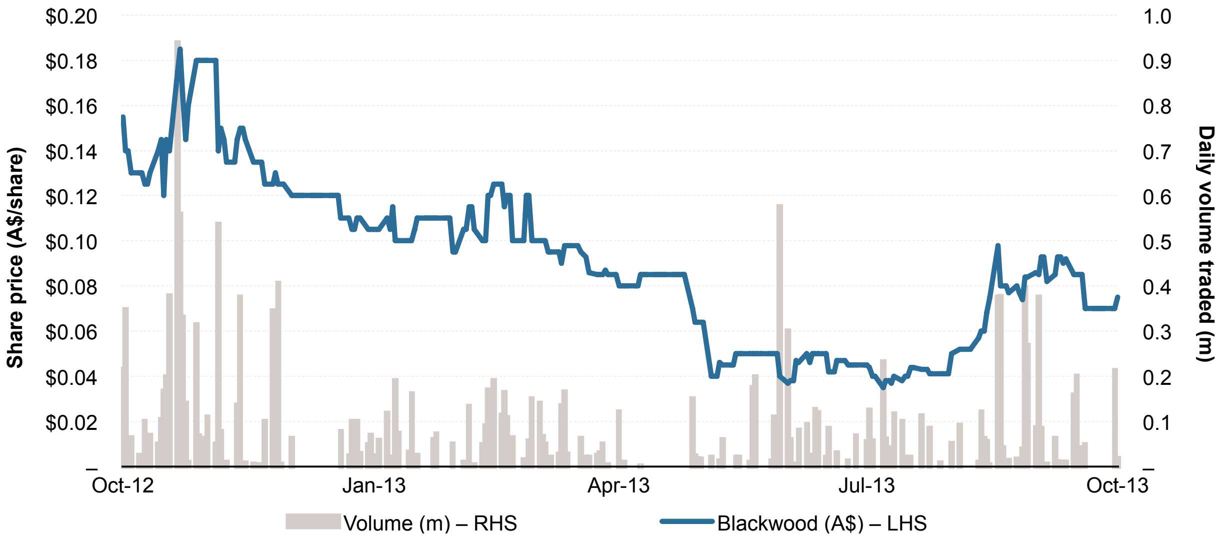
Statement of financial performance

(All figures in AUD)	30-June-12	30-June-13
Revenue	283,491	115,317
Other income	2,026	12,006,705
Depreciation and amortisation expenses	(20,536)	(41,469)
Employee benefits expenses	(1,972,340)	(1,619,452)
Finance costs	(15,195)	(682,688)
Legal expenses	(235,279)	(1,647,391)
Administration and consulting expenses	(1,152,729)	(979,420)
Other expenses	(816,923)	(662,293)
Loss before income tax	(3,927,485)	6,489,309
Income tax expense	–	–
Loss for the year	**(3,927,485)**	**6,489,309**
Other comprehensive income		
Other comprehensive income for the year, net of tax	–	–
Total comprehensive loss for the year attributable to members of Blackwood Corporation Limited	**(3,927,485)**	**6,489,309**

3.7. Recent share price performance

Blackwood's share price performance over the last 12 months prior to the announcement of the Cockatoo Offer is set out in the graph below:

Blackwood share price performance – last 12 months



Source: IRESS[32]

[32] This Target's Statement contains various references to trading data prepared by IRESS. IRESS has not consented to such use of references to that trading data.

The closing price and VWAP of Blackwood Shares for various periods up to the announcement of the Cockatoo Offer after market close on 16 October 2013 was as follows:

Period up to and including 16 October 2013	VWAP
Closing price on 16 October 2013	A$0.075
5 days	A$0.077
1 month	A$0.083
2 months	A$0.082
3 months	A$0.072
6 months	A$0.062
12 months	A$0.105

The closing price of Blackwood's Share's on 21 November 2013 was A$0.093.

3.8. Publicly available information about Blackwood

As a company listed on ASX and as a 'disclosing entity' under the Corporations Act, Blackwood is subject to regular reporting and continuous disclosure obligations. These require Blackwood to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for confidential information. Cockatoo's recent announcements are available on the company's website at www.bwdcorp.com.au as well as on the ASX website at www.asx.com.au.

3.9. Announcements by Blackwood

Attachment 3 to this Target's Statement contains a list of announcements made by Blackwood in relation to the Cockatoo Offer.

Attachment 4 to this Target's Statement contains a list of the announcements made by Blackwood since the publication of its 2013 Annual Report on 28 October 2013.

These announcements can be accessed through Blackwood's website at www.bwdcorp.com.au or the ASX's website at www.asx.com.au.

4. Information on Cockatoo

4.1. Important information

The following information about Cockatoo is based on public information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, Blackwood does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on Cockatoo in this Target's Statement should not be considered comprehensive.

Blackwood Shareholder's should refer to sections 4 and 5 of the Bidder's Statement that appears as Part 2 of this Booklet for information about Cockatoo.

Information about the Merged Group is set out in section 10 of the Bidder's Statement.

4.2. Overview

Cockatoo is an ASX listed (code: COK) coal producer with metallurgical and thermal coal projects in the Bowen and Surat basins in Queensland. Cockatoo holds an attractive portfolio comprising one producing asset (Baralaba), one near term, low cost brownfields expansion (Baralaba Expansion) and a substantial suite of development and exploration assets. Cockatoo currently has attributable JORC Resources of approximately 1.7 billion tonnes and recoverable Reserves of 266 million tonnes.

Cockatoo's key focus is on successfully expanding production from the Baralaba Complex from 750 thousand tonnes per annum to 3.5 million tonnes per annum over the next few years and identifying key assets in the broader portfolio which are most likely to provide significant future option value.

4.3. Directors

As at the date of this Target's Statement, the following are directors of Cockatoo:

- Mark Lochtenberg (Executive Chairman)
- Andrew Lawson (Managing Director)
- Peter Nightingale (Executive Director and Chief Financial Officer)
- Hyunsoo (Hans) Kim (Non-Executive Director)
- Kenneth (Scott) Thompson (Non-Executive Director)
- Paul Chappell (Independent, Non-Executive Director)
- Lindsay Flint (Independent, Non-Executive Director)
- Robert Yeates (Independent, Non-Executive Director)
- John (Gillis) Broinowski (Independent, Non-Executive Director)

Following completion of the Cockatoo Equity Raising, Cockatoo has indicated that they intend to restructure their Board. For further details on the proposed board restructure, please see section 10.5 of the Bidder's Statement.

5. Profile of the Merged Group

For details of the Merged Group, Blackwood Shareholders should refer to section 10 of the Bidder's Statement.

6. Further important matters for Blackwood Shareholders to consider

In making a decision whether to accept the Cockatoo Offer you should carefully consider your personal circumstances and have regard to the following matters.

Under the Corporations Act, Blackwood is required to include all the information that holders of Blackwood Shares and their professional advisers would reasonably require to make an informed assessment of whether to accept the Cockatoo Offer.

6.1. Possible decrease in Blackwood Share price

The Directors consider that the Blackwood Share price might fall in the absence of the Cockatoo Offer or in the absence of another equivalent superior proposal. This is because:

- in the 1 month up to and including the Last Trading Date, Blackwood Shares traded on the ASX at a VWAP of $0.083; and
- in the 6 months up to and including the Last Trading Date, Blackwood Shares traded on the ASX at a VWAP of $0.062[33].

However, the Directors cannot predict whether the Blackwood Share price would in fact decrease or increase in the absence of the Cockatoo Offer, as there may be other reasons for share price movements. Blackwood Shareholders should note that the announcement of the Cockatoo Offer resulted in a material increase in the Blackwood Share price.

The latest price for Blackwood Shares may be obtained from the ASX website at www.asx.com.au using the code 'BWD'.

6.2. Liquidity of Blackwood Shares

If Cockatoo acquires a Relevant Interest in more than 52.1% but less than 90% of Blackwood Shares, Cockatoo may, if there is limited spread of Blackwood Shareholders, or limited volume of trading in Blackwood Shares, following completion of the Offer, seek to procure the removal of Blackwood from the official list of ASX (subject to compliance with ASX and other regulatory requirements) (see section 9.4 in the Bidder's Statement). Under these circumstances, or in the situation where Blackwood remains a listed entity traded on ASX, the liquidity of Blackwood Shares may be reduced, thereby impacting on Blackwood Shareholders' ability to sell their Blackwood Shares at price levels that reflect their value.

6.3. Consequences of being a minority shareholder

If Cockatoo acquires a Relevant Interest in more than 52.1% but less than 90% of Blackwood Shares then, assuming all other Conditions of the Cockatoo Offer are satisfied or waived, Cockatoo will acquire a majority shareholding in Blackwood.

Accordingly, Blackwood Shareholders who do not accept the Blackwood Offer will become minority shareholders in Blackwood. This has a number of possible implications, including:

- Cockatoo will be in a position to cast the majority of votes at a general meeting of Blackwood. This will enable it to control the composition of the Blackwood Board and senior management, determine Blackwood's dividend policy and control the strategic direction of the businesses of Blackwood and its subsidiaries;
- the Blackwood Share price may fall immediately following the end of the Offer Period;
- the liquidity of Blackwood Shares may be lower than at present; and
- if Cockatoo acquires 75% or more of Blackwood Shares, it will be able to pass a special resolution of Blackwood. This will enable Cockatoo to, among other things, amend Blackwood's constitution.

[33] Source: IRESS. IRESS has not consented to such use of references to that trading data.

6.4. Noble intentions

Noble, has indicated its intention is to dispose of its entire 51.2% shareholding in Blackwood by accepting the Cockatoo Offer in the absence of a superior proposal subject to the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood shareholders and subject to completion of the Noble Placement.

6.5. Blackwood Board composition

In the event that the Cockatoo Offer becomes unconditional, Cockatoo intends to seek the appointment of nominees of Cockatoo to the Blackwood Board in such a proportion that at least equates to Cockatoo's proportionate shareholding in Blackwood. In this regard, Cockatoo will have the right under the Bid Implementation Agreement to appoint its nominees as a majority of the Blackwood Board once Cockatoo acquires a Relevant Interest in excess of 50% of Blackwood's Shares and the Cockatoo Offer is freed from all Conditions (other than the statutory condition).

In this regard, Cockatoo will have the right under the Bid Implementation Agreement to require the resignation of all Blackwood Directors, other than Cockatoo's nominees, upon Cockatoo acquiring a Relevant Interest in excess of 90% of Blackwood Shares and the Cockatoo Offer being declared free from all Conditions (other than the statutory condition).

Replacement Blackwood Board members have not yet been identified by Cockatoo and their identity will depend on the circumstances at the relevant time, including the composition of the Cockatoo board following its restructure (as further described in Section 10.5 of the Bidder's Statement). However, it is expected that the majority of the replacement Blackwood Board members will be members of the Cockatoo management team.

6.6. Other alternatives to the Cockatoo Offer

If you accept the Cockatoo Offer, then unless you are able to withdraw your acceptance in the circumstances described in Section 9.8 of this Target's Statement, you will forego the opportunity to benefit from any superior proposal by another party for your Blackwood Shares should such a proposal eventuate. As at the date of this Target's Statement, the Blackwood Board is not aware of a proposal by anyone to make a superior proposal.

If Cockatoo varies the Cockatoo Offer to increase the consideration it is offering for your Blackwood Shares you will be entitled to receive the increased consideration, even if you have already accepted the Cockatoo Offer, unless one of the defeating Conditions attached to the revised offer is triggered and Cockatoo does not waive that condition, in which case the revised offer will lapse and you will retain your Blackwood Shares.

6.7. Blackwood funding requirements

As at 30 September 2013, Blackwood had cash reserves of approximately $10.0 million. Current funding sources include an $8.3m loan facility from Noble Group Ltd that is currently drawn to $7.7m. The maturity date of the loan facility is the earlier of 31 December 2013 or a change of control, which would occur on Cockatoo obtaining control of Blackwood pursuant to the Cockatoo Offer. In order to pursue its project development and exploration objectives, to fund general corporate, operational and working capital requirements (including transaction expenses discussed in Section 6.10.22) beyond 31 December 2013, Blackwood will require additional funding.

Under the terms of the Bid Implementation Agreement, Cockatoo is obliged to extend a $4.0m working capital facility to Blackwood on substantially the same terms as the Noble loan facility which may be drawn following a change in control for the purpose of repaying a portion of the Noble loan facility. The balance of the Noble loan facility will be repaid from existing Blackwood cash balances on change of control of Blackwood pursuant to the Cockatoo Offer. If the Cockatoo Offer does not proceed, Cockatoo will not be obligated to provide any working capital funding to Blackwood.

Blackwood intends to explore all funding opportunities that may be or become available to it, potentially including debt facilities (including extensions to existing facilities), convertible or hybrid debt and the raising of equity capital. If the Directors decide to pursue an equity fundraising or convertible or hybrid debt raising, the existing shareholding interest of Blackwood Shareholders may be diluted.

6.8. Likelihood of the Conditions being satisfied

The Cockatoo Offer is subject to a number of Conditions, which are outlined in section 14.7.1 of the Bidder's Statement and summarised briefly in Section 9.2 of this Target's Statement.

Whilst the Directors believe that the Conditions are likely to be satisfied, you should be aware that there is a risk that some of the Conditions may not be satisfied. If this occurs, and Cockatoo does not waive the Conditions, the Cockatoo Offer will lapse and you will retain your Blackwood Shares.

6.9. Cockatoo's intentions with respect to the Cockatoo Offer and Blackwood

You should read section 9 of the Bidder's Statement which details Cockatoo's intentions in respect of the businesses, assets and employees of Blackwood.

6.10. Risk factors involved in accepting Cockatoo Offer

There are certain risks associated with accepting the Cockatoo Offer, including:

6.10.1. Risks of investing in Cockatoo Shares

Section 11 of the Bidder's Statement outlines the risks that Blackwood Shareholders may face when investing in Cockatoo Shares. Please read this information carefully. If you require further information regarding such risks in order to make a decision whether or not to accept the Cockatoo Offer, please contact your professional adviser.

Neither Blackwood nor any of its officers or advisers accepts any liability or responsibility in respect of movement in the price of Cockatoo Shares before, during or following the close of the Cockatoo Offer.

6.10.2. The taxation consequences of accepting the Cockatoo Offer

Accepting the Cockatoo Offer will trigger taxation consequences for you. See Section 6.11 for further information.

6.10.3. You will not be able to sell your Blackwood Shares on-market

If you accept the Cockatoo Offer, you will no longer be able to trade your Blackwood Shares on-market. There is a possibility that the Blackwood Share price may exceed the value of the Cockatoo Offer.

6.10.4. Possibility of a superior proposal emerging

Once you have accepted the Cockatoo Offer, you will not be able to accept your Blackwood Shares into any superior proposal that may emerge as you will have entered a binding contract for the sale of your Blackwood Shares.

6.10.5. Risks in remaining a Blackwood Shareholder

In considering this Target's Statement and the Cockatoo Offer, Blackwood Shareholders should be aware that there are a number of risks which may affect the future operating and financial performance of Blackwood. The risks which apply to holding Blackwood Shares can be categorised as industry risks which Blackwood has in common with other mining companies, risks which relate to Blackwood's business, and risks which relate to the outcome of the Cockatoo Offer.

6.10.6. Coal prices and exchange rates

Movements in coal prices may have a positive or negative effect on Blackwood's exploration and project development plans and activities, together with the ability to fund those plans and activities. Movements in exchange rates can have a similar impact, as international prices of coal are denominated in United States dollars and the operational expenditure of Blackwood is largely incurred in Australian currency.

Coal prices fluctuate and are affected by numerous factors beyond the control of Blackwood. These factors include worldwide and regional supply and demand for coal, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. Similarly, demand and supply of capital and currencies, forward trading activities, relative interest rates and exchange rates and relative economic conditions can impact exchange rates.

These factors may have a positive or negative effect on Blackwood's project development and production plans and activities, together with the ability to fund its plans and activities.

6.10.7. Geographic risk

Blackwood’s primary business of coal exploration for, and commercial development of, mineral deposits and mines is currently located within Queensland, Australia. Blackwood’s current and future operations may be affected by Queensland government changes in regulation and attitudes to environmental, land care, cultural heritage and indigenous land rights issues, together with the nature of political process.

6.10.8. Coal industry risk

The coal exploration and mining industries in which Blackwood will be involved are subject to domestic and global competition. In addition, the coal industry competes against other forms of energy production such as natural gas, solar and others. Although Blackwood will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or action may, positively or negatively, affect the operating and financial performance of the Blackwood’s projects and business.

6.10.9. Exploration and operational risk

Blackwood's primary business is exploration for, and commercial development of mineral deposits and mines, which are activities that carry significant risks. Blackwood's projects are still in the exploration phase.

Current and future operations of Blackwood such as exploration, appraisal and possible production activities may be affected by a range of factors, including the following:

- adverse weather conditions over a prolonged period which might adversely affect exploration, mining and development activities;
- operational and technical difficulties encountered during exploration and mining activities including unexpected geological formations, rock falls, flooding and dam wall failures;
- inability for whatever reason to secure and maintain title to tenements and comply with the terms of those tenements;
- failure to obtain or maintain all consents and approvals necessary for the conduct of exploration, drilling, mining and processing;
- inability to successfully conclude a bankable feasibility study and secure adequate capital on acceptable terms for project development;
- access to infrastructure such as power or water;
- failure to design and construct mining and transport infrastructure within capital expenditure budgets;
- difficulties in commissioning, and operating, plant and equipment;
- mechanical failure or breakdown of operating plant and equipment;
- unanticipated metallurgical problems which may affect extraction costs;
- industrial and environmental accidents, industrial disputes or other force majeure events;

- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment;
- financial failure or default by a participant in any joint ventures or other contractual relationships to which Blackwood is, or may become, a party; and
- limited access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration depends on identifying economically viable mineral deposits, securing necessary mining and other approvals, the development of mine and transport infrastructure and the establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades, commodity prices and exchange rates all affect the commercial success of a project.

No assurances can be given that Blackwood will achieve commercial viability through the successful exploration and/or mining of its mining tenements. Until Blackwood is able to realise value from its projects it is likely to incur ongoing operating losses.

6.10.10. Resource estimates

Resource estimates (including those contained in this Target's Statement) are expressions of judgement based on knowledge, experience and industry practice. These estimates were appropriate when made, but may change significantly when new information becomes available.

There are risks associated with such estimates, including that the coal deposits may be of a different quality from the resource estimates. Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resource estimates could affect Blackwood's future plans and ultimately its financial performance and value.

6.10.11. Environmental

Blackwood’s operations and projects are subject to State and Federal laws and regulation regarding environmental hazards in each of Queensland, Western Australia and the Northern Territory. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on Blackwood for damages, clean up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by Blackwood or its subsidiaries, or non compliance with environmental laws or regulations. Blackwood proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.

6.10.12. Development risk

To date, Blackwood's projects are still in the exploration phase and it has not recorded any revenues from its operations nor has it commenced any development or commercial production. The commercial viability of a mineral deposit, once discovered, is dependent upon a number of factors, including the size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importation and exportation of minerals, and environmental protection.

6.10.13. Future capital requirements

Blackwood's ongoing activities may require substantial further financing in the future for its business activities. Any additional equity financing may be dilutive to Blackwood Shareholders, may be undertaken at lower prices than the current market price or may involve restrictive covenants which limit Blackwood's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to Blackwood or at all. If Blackwood is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse affect on Blackwood's activities and could affect Blackwood's ability to continue as a going concern. See also section 6.7 of this Target's Statement.

6.10.14. Operating history

While members of Blackwood's management team possess significant experience and have previously carried out or been exposed to exploration and production activities, Blackwood has a limited operating history with respect to coal projects. Its ability to achieve its objectives depends on the ability of its Directors and officers to implement current plans and respond to any unforeseen circumstances that require changes to those plans.

6.10.15. Economic factors

The operating and financial performance of Blackwood is influenced by a variety of general economic and business conditions, including levels of consumer spending, oil prices, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities, war or natural disasters. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have an adverse impact on Blackwood's operating and financial performance and financial position.

Blackwood's future possible revenues and Blackwood Share prices can be affected by these factors, which are beyond the control of Blackwood.

6.10.16. Reliance on key personnel

A number of key personnel are important to attaining the business goals of Blackwood. One or more of these key employees could leave their employment, and this may adversely affect the ability of Blackwood to conduct its business and, accordingly, affect the financial performance of Blackwood and the Blackwood Share price.

6.10.17. Market conditions

As with all stock market investments, there are risks associated with an investment in Blackwood. The market price of Blackwood Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and mining stocks in particular. Over the last 12 months, there has been dramatic volatility in global share markets and the market price of Blackwood Shares has been volatile over this period. Factors influencing the price of Blackwood Shares may include movements on international stock markets, interest rates and exchange rates, together with domestic and international economic conditions, inflation rates, commodity supply and demand, government taxation and royalties, war, global hostilities and acts of terrorism. The past performance of Blackwood is not necessarily an indication as to future performance of Blackwood as the trading price of Blackwood Shares can go up or down. Neither Blackwood nor the Directors warrant the future performance of Blackwood or any return on an investment in Blackwood.

6.10.18. Liquidity risk

There can be no guarantee that there will continue to be an active market in Blackwood Shares or that the price of Blackwood Shares will increase. There may be relatively few buyers or sellers of Blackwood Shares on the ASX at any given time. This may affect the volatility of the market price of Blackwood Shares. It may also affect the prevailing market price at which Blackwood Shareholders are able to sell their Blackwood Shares.

6.10.19. Competition

Blackwood competes with other companies, including major mining companies in Australia and internationally. Some of these companies have greater financial and other resources than Blackwood and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that Blackwood can compete effectively with these companies.

6.10.20. Insurance risks

Blackwood will endeavour to maintain insurance within ranges of coverage in accordance with industry practice. However, in certain circumstances Blackwood's insurance may not be of a nature or level to provide adequate cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of Blackwood.

Insurance of risks associated with minerals exploration and production is not always available and, where available, the costs can be prohibitive. There is a risk that insurance premiums may increase to a level where Blackwood considers it is unreasonable or not in its interests to maintain insurance cover or a level of coverage which is in accordance with industry practice. Blackwood will use reasonable endeavours to insure against the risks it considers appropriate for Blackwood's needs and circumstances. However, no assurance can be given that Blackwood will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage it arranges will be adequate and available to cover claims.

6.10.21. Volatility of mineral prices

The mining industry is competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for the sale of the same. There can be no assurance that coal prices will be such that Blackwood's properties can be mined at a profit. Factors beyond the control of Blackwood may affect the marketability of any minerals discovered. Coal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

6.10.22. Transaction expenses

The Cockatoo Offer has resulted in Blackwood incurring expenses that would not otherwise arise from trading in the current financial year. Expenses include fees and costs payable to legal and financial advisers engaged to assist with responding to the Cockatoo Offer and other transaction-related expenses which will have a negative impact on Blackwood's cash position of between $1 million and $2 million.

6.11. Taxation

The taxation consequences of accepting the Cockatoo Offer depend on a number of factors and will vary depending on your particular circumstances.

Section 12 of the Bidder's Statement contains a discussion of certain possible tax implications for Blackwood Shareholders. It is not intended to be an authoritative or complete statement of the tax position applicable to any given Blackwood Shareholder.

The following are general comments made in relation to Australian resident Blackwood Shareholders who are subject to Australian tax on the disposal of their Blackwood Shares and who acquired their Blackwood Shares after 20 September 1985 and hold their Blackwood Shares on capital account. This summary does not address the consequences for any other Blackwood Shareholder (in particular, it does not address the tax consequences for a Blackwood Shareholder who is a non-resident), and all Blackwood Shareholders should obtain independent taxation advice particular to their circumstances.

In general terms, Blackwood Shares held on capital account are Blackwood Shares that are held long term with the intention of deriving dividend income and ultimately realising any gain and are not held for the purposes of trading or resale at a profit.

If you accept the Cockatoo Offer, you will trigger an Australian Capital Gains Tax (CGT) event. This may result in a taxable capital gain where the market value of the Offer Consideration received exceeds your CGT cost base (or a capital loss where it is less than your reduced cost base).

Capital losses may only be applied against current or future year capital gains. Any net capital gain from disposal of Blackwood Shares that remains after application of capital losses may be discounted by 50% if the Blackwood Shareholder is an individual or trust or 33.33% if the Blackwood Shareholder is a complying superannuation fund. No discount is available for companies who are Blackwood Shareholders or trust beneficiaries.

In the event that Cockatoo acquires at least 80% of Blackwood Shares under the takeover offer (and the takeover offer complies with sections 612(a) to (g) of the *Corporations Act 2001*), then Blackwood Shareholders who make a capital gain may be eligible to claim CGT scrip-for-scrip rollover relief. This will allow those Blackwood Shareholders to disregard the capital gain and treat the Cockatoo Shares received as having the same acquisition time and cost base (reasonably apportioned) as the Blackwood Shares disposed of. No scrip for scrip rollover relief is available for a capital loss or for Blackwood Shareholders who are not eligible to, or do not claim, rollover relief.

In the event that Cockatoo does not acquire in excess of 80% of Blackwood Shares, then CGT scrip-for-scrip rollover relief will not be available to any Blackwood Shareholders.

Blackwood Shareholders should not be liable to GST or stamp duty on disposal of Blackwood Shares or acquisition of Cockatoo Shares.

Your income tax and CGT liabilities will depend on your personal circumstances and the decisions you make. The comments in this section are general and do not address all of the taxation consequences for any Blackwood Shareholder. This summary does not constitute, and should not be relied upon, as tax advice. This summary is based on Australian income tax law and practice applicable as at the date of this Target Statement. This may change at any time and without notice.

It is strongly recommended that you seek independent advice on the taxation consequences of accepting the Cockatoo Offer that is tailored to your personal situation.

Neither Blackwood nor any of its officers or advisers accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences themselves.

6.12. Ineligible Overseas Shareholders

If you are an Ineligible Overseas Shareholder (that is, any Blackwood Shareholder whose address is in a place outside Australia and its external territories and New Zealand, unless Cockatoo otherwise determines that:

a) it is lawful and not unduly onerous and not unduly impracticable to make the Cockatoo Offer to you and to issue you with Cockatoo Shares on acceptance of the Cockatoo Offer; and

b) it is not unlawful for you to accept the Cockatoo Offer by the law of the relevant place outside Australia and its external territories and New Zealand,

then you will not be entitled to receive Cockatoo Shares as consideration for your Blackwood Shares under the Cockatoo Offer.

Instead, Cockatoo will:

a) arrange for the issue to a nominee approved by ASIC as Sale Nominee of the number of Cockatoo Shares to which you and all other Ineligible Overseas Shareholders would have been entitled but for section 14.2.7 of the Bidder's Statement;

b) cause those Cockatoo Shares to be offered for sale on the ASX as soon as practicable and in any event within 21 Business Days after the expiry of the Offer Period for the Cockatoo Offer in such a manner, at such price and on such other terms and conditions as are determined by the Sale Nominee acting in good faith; and

c) promptly pay, or procure that the Sale Nominee pays, to you the amount calculated in accordance with section 14.2.7(c) of the Bidder's Statement.

Please refer to section 14.2.7 of the Bidder's Statement for further details.

7. Information relating to Blackwood Directors

7.1. Details of Directors

The Directors of Blackwood as at the date of this Target's Statement are:

- Mr Barry Bolitho (Chairman)
- Mr Rex Littlewood (Non-Executive Director)
- Mr William Randall (Non-Executive Director)
- Mr Andrew Simpson (Non-Executive Director).

7.2. Directors' interests in Blackwood Shares, Options and Performance Rights

At the date of this Target's Statement, the Directors have the following interests in Blackwood Shares, Options and Performance Rights:

Director	Number of Blackwood Shares	Number of Blackwood Performance Rights
Barry Bolitho	6,484,323	-
Rex Littlewood	-	-
William Randall	-	-
Andrew Simpson	1,000,000	-
Total	7,484,323	-

7.3. Recommendation of Directors

Each Director recommends that Blackwood Shareholders accept the Cockatoo Offer in respect of their Blackwood Shares, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders and the Cockatoo Equity Raising completing, for the reasons set out in this Target's Statement (particularly the matters discussed in Section 1).

7.4. Directors' intentions in relation to personal holdings

Each Director who holds or controls Blackwood Shares states that he or she intends to accept the Cockatoo Offer, in the absence of a superior proposal and subject to an the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders and the Cockatoo Equity Raising completing.

7.5. Recent dealings in Blackwood securities by Directors

There have been no acquisitions or disposals of Blackwood securities by Directors or any of their respective associates in the 4 months preceding the date of this Target's Statement.

7.6. Interests or dealings in Cockatoo securities

Except as disclosed below, none of the Directors nor any of their respective associates have a Relevant Interest in any of the securities of Cockatoo or any related body corporate of Cockatoo, or have acquired or disposed of any securities of Cockatoo or any related body corporate of Cockatoo in the 4 months preceding the date of this Target's Statement.

Rex Littlewood has a Relevant Interest in 10,933 Cockatoo Coal Shares[34] purchased on or about 31 January 2008.

7.7. No agreement with any Director in connection with the Cockatoo Offer

There is no agreement or arrangement made between any Director and any other person in connection with or conditional on the outcome of the Cockatoo Offer.

7.8. No interest in contracts

No Director has any interest in any contract entered into by Cockatoo.

7.9. Benefits

No Director has agreed to receive, or is entitled to receive, any benefit from Cockatoo which is conditional on, or is related to the Cockatoo Offer, other than in their capacity as a holder of Blackwood Shares.

No Director has agreed to receive, or is entitled to receive, any benefit from Cockatoo which is conditional on, or is related to, the Cockatoo Offer, other than in their capacity as a holder of Blackwood Shares.

Blackwood does not propose and, except as otherwise disclosed in this Target's Statement, is not aware of any proposal in connection with the Cockatoo Offer that will confer a benefit:

- on any person in connection with the retirement of that person from a board or managerial office of Blackwood or related body corporate of Blackwood; or
- that will or may be given to any person in connection with the transfer of the whole or any part of Blackwood's undertaking or property.

7.10. Further disclosures

William Randall is a director of Blackwood and Noble. Noble and/or its subsidiaries are parties to various agreements in connection with the Cockatoo Recapitalisation, including the Noble Subscription Deed and the Noble Marketing Agreement. Further details of these arrangements can be found in Schedule B of the Bidder's Statement. Further, completion of the Noble Placement pursuant to the Noble Subscription Deed is a condition to the Offer (see section 9.2 of this Target's Statement). As discussed in section 10.10 of the Target's Statement, the Blackwood Board has commissioned the Independent Expert's Additional Report in respect of the Noble Subscription Deed and the Noble Marketing Agreement.

[34] Held through Big Sticks Pty Ltd atf The R A Littlewood Superannuation Fund.

8. Your choice as a Blackwood Shareholder

If you are a Blackwood Shareholder, you have 3 choices available to you:

- accept the Cockatoo Offer;
- sell your Blackwood Shares on-market; or
- do nothing.

The Directors encourage you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your Blackwood Shares.

8.1. Accept the Cockatoo Offer

Each of the Directors unanimously recommends that you accept the Cockatoo Offer in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders and the Cockatoo Equity Raising completing.

Each of the Directors intends to accept the Cockatoo Offer in respect of all of the Blackwood Shares they own or control, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders and the Cockatoo Equity Raising completing.

Details of how to accept the Cockatoo Offer are set out in sections 1 and 14.3 the Bidder's Statement.

The Independent Expert has concluded that the Cockatoo Offer is fair and reasonable to Blackwood Shareholders who are not associated with Cockatoo. The Directors recommend that you read the Independent Expert's Report which is included as Attachment 1.

If you accept the Cockatoo Offer, you will not be able to sell your Blackwood Shares to anyone else, or accept any superior proposal that might emerge, unless either the Cockatoo Offer is unsuccessful or the Cockatoo Offer is extended by a period of more than 1 month while it is still conditional (refer to Section 9.8 of this Target's Statement).

The taxation implications of accepting the Cockatoo Offer depend on a number of factors and will vary according to your particular circumstances. A general outline of the Australian tax consequences of accepting the Cockatoo Offer is set out in section 12 of the Bidder's Statement. You should seek your own specific professional advice regarding the taxation consequences for you of accepting the Cockatoo Offer.

The Bidder's Statement states that if you accept the Cockatoo Offer you will not incur any brokerage charges (except if you are an Ineligible Overseas Shareholder - refer to section 14.2.7 of the Bidder's Statement).

8.2. Sell your Blackwood Shares on-market

During a takeover, shareholders in a target company may still sell their shares on-market for cash provided that they have not accepted a takeover offer for those shares. Accordingly, Blackwood Shareholders remain free to sell their Blackwood Shares on-market on the ASX at any time, provided they have not already accepted the Cockatoo Offer.

The latest price for Blackwood Shares on the ASX may be obtained from ASX's website www.asx.com.au under the code 'BWD'.

Blackwood Shareholders who sell their Blackwood Shares on-market:

- will lose the ability to accept the Cockatoo Offer, or to participate in any other superior proposal that may emerge;
- may receive more or less value for their Blackwood Shares than the consideration under the Cockatoo Offer of 2 Cockatoo Share for every 1 Blackwood Share;
- are likely to incur a brokerage charge; and
- will be paid the net proceeds of sale some time after the third business day after the date of trade.

Blackwood Shareholders who wish to sell their Blackwood Shares on-market should contact their stockbroker on how to effect that sale.

The taxation implications of selling your Blackwood Shares on-market depend on a number of factors and will vary according to your particular circumstances, in the same way as if you accept the Cockatoo Offer. You should seek your own specific professional advice regarding the taxation consequences for you of selling your Blackwood Shares on-market.

8.3. Do nothing

If you do not wish to accept the Cockatoo Offer and wish to retain your Blackwood Shares, you do not need to take any action.

If you do not accept the Cockatoo Offer and Cockatoo becomes entitled to compulsorily acquire your Blackwood Shares under the Corporations Act (as it intends to do, as discussed in section 9.3 of the Bidder's Statement), you may receive your consideration later than Blackwood Shareholders who choose to accept the Cockatoo Offer. Refer to Section 9.11 for details on compulsory acquisition.

Further, if the Cockatoo Offer is successful (i.e. if the defeating Conditions attached to the Cockatoo Offer are satisfied or not triggered as appropriate, or are waived) but Cockatoo does not become entitled to compulsorily acquire your Blackwood Shares, you will become a minority shareholder in Blackwood, with potential adverse implications, including those described in Sections 1.8, 6.2 and 6.3.

9. Important information about the Cockatoo Offer

9.1. Cockatoo Offer consideration

Cockatoo announced a takeover offer on 17 October 2013 for all Blackwood Shares. The consideration under the Cockatoo Offer is 2 Cockatoo Shares for every 1 Blackwood Share held.

Blackwood Shareholders who are Ineligible Overseas Shareholders who accept the Cockatoo Offer will receive the net cash proceeds of the sale of the Cockatoo Shares which they would otherwise have received, if the Cockatoo Offer is successful.

9.2. Conditions of the Cockatoo Offer

The Conditions of the Cockatoo Offer are set out in full in section 14.7.1 of the Bidder's Statement.

The following is a summary of the Conditions:

- Successful completion of Noble's subscription for Cockatoo Shares pursuant to the terms of the Noble Subscription Deed (as part of the Cockatoo Recapitalisation);
- Minimum acceptances in respect of 52.1% of Blackwood Shares;
- Approval for quotation of Cockatoo Shares issued under the Cockatoo Offer on ASX;
- No Prescribed Occurrences occurring in respect of Blackwood (see section 14.7.1(a) of the Bidder's Statement regarding Prescribed Occurrences);
- No Material Adverse Change occurring in respect of Blackwood;
- No material acquisitions or disposals by Blackwood;
- No unbudgeted capital expenditure by Blackwood in excess of A$1 million; and
- No regulatory actions in consequence of or in connection with the Cockatoo Offer.

We note that there are a are a number of conditions in order for the Noble Placement to complete. These are set out in section 1.2 of Schedule B of the Bidder's Statement and following is a summary of the conditions:

- the independent expert appointed by Cockatoo in respect of the Noble Placement (and certain related transactions) continues to conclude that the Noble Placement and related transactions are reasonable to Cockatoo shareholders;
- Cockatoo obtaining the approval of its shareholders for the Noble Placement and certain other aspects of the Cockatoo Equity Raising;
- Cockatoo obtaining certain confirmations and/or waivers from ASX in respect of the Noble Marketing Agreement;
- ASX granting quotation to the shares to be issued to Noble pursuant to the Noble Placement;
- no material adverse change occurring in respect of Cockatoo;
- the offer management agreement between Cockatoo and Credit Suisse (Australia) Limited in respect of certain aspects of the Cockatoo Equity Raising not having been terminated;
- no insolvency events (or default events under material financing documents) in respect of Cockatoo;
- Cockatoo being entitled to issue a "cleansing statement" or similar in respect of the shares issued under the Noble Placement;
- Cockatoo's subscription arrangements with Harum and SKN in respect of the Cockatoo Equity Raising having not been terminated;
- no regulatory action or similar including those associated with the Cockatoo Offer, that could prohibit the Cockatoo Equity Raising placements and / or related transactions; and
- the Project Finance Facilities Commitment Letter having not been terminated.

9.3. Likelihood of satisfaction of the Conditions

As at the date of this Target's Statement, Blackwood is not aware of any act, omission, event or fact that would result in the breach or non-satisfaction of a condition to the Cockatoo Offer and that has not been waived by Cockatoo.

While the Directors have no reason to believe that the Conditions of the Cockatoo Offer will not be satisfied, Blackwood is not in a position to state whether the Conditions of the Cockatoo Offer will be satisfied.

9.4. Implications of the Conditions not being satisfied

Except for the Condition in respect of the Noble Placement described in Section 9.2, any Conditions of the Cockatoo Offer which are not satisfied (or triggered, as appropriate) may be waived by Cockatoo at any time.

If any Condition is unsatisfied (or has been triggered) and has not been waived, Cockatoo will have a choice either to proceed with the acquisition of Blackwood Shares under the Cockatoo Offer or to allow the Cockatoo Offer to lapse with unsatisfied Conditions.

9.5. Offer Period

The Offers will be open for acceptance from [•] until 7pm (Sydney, Australia time) on [•], unless extended or withdrawn.

The circumstances in which Cockatoo may extend or withdraw the Cockatoo Offer are set out in section 14.1.5 of the Bidder's Statement.

9.6. Extension of the Offer Period

Cockatoo may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in Section 9.10) while the Cockatoo Offer is subject to Conditions. However, if the Cockatoo Offer is unconditional (that is, all the Conditions are satisfied or waived), Cockatoo may extend the Offer Period at any time before the end of the Offer Period. The maximum Offer Period is 12 months, however Cockatoo must not extend the Offer Period beyond a period of 3 months after [•] without the prior written consent of Blackwood.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- Cockatoo improves the consideration offered under the Cockatoo Offer; or
- Cockatoo's voting power in Blackwood increases to more than 50%.

If either of these events occur, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

9.7. Withdrawal of the Cockatoo Offer

Cockatoo may not withdraw the Cockatoo Offer if you have already accepted it. However, if the Conditions have not been satisfied or waived at the end of the Offer Period, then all acceptances will be void.

Before you accept the Cockatoo Offer, Cockatoo may withdraw the offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

9.8. Withdrawal of your acceptance

Once you accept the Cockatoo Offer (even while it remains subject to defeating Conditions) you will not be able to sell or otherwise deal with your Blackwood Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.

Blackwood Shareholders may only withdraw their acceptance of the Cockatoo Offer if:

- the Cockatoo Offer Conditions are not satisfied or waived by the end of the relevant Offer Period. In that situation, you will be free to deal with your Blackwood Shares; or
- Cockatoo varies the relevant Cockatoo Offer in a way that postpones the time when Cockatoo is required to satisfy its obligations by more than 1 month, for example, if Cockatoo extends the relevant Offer Period by more than 1 month, while the relevant Cockatoo Offer is still conditional.

Blackwood Shareholders who accept the Cockatoo Offer (even while it is still subject to Conditions) will give up their rights to sell or otherwise deal with their Blackwood Shares, until withdrawal rights are exercised.

9.9. When you will receive payment

If you accept the Cockatoo Offer, Cockatoo will issue you the Offer Consideration to which you are entitled on or before the earlier of:

- 1 month after the later of the Cockatoo Offer being validly accepted by you and the Cockatoo Offer becoming unconditional; and
- 21 days after the end of the Offer Period for the Cockatoo Offer.

9.10. Notice of status of conditions

The Bidder's Statement indicates that Cockatoo will give a Notice of Status of Conditions for the Cockatoo Offer to the ASX and Blackwood not later than 7 days before the end of the Offer Period for the Cockatoo Offer.

Cockatoo is required to set out in its Notice of Status of Conditions:

- whether the Cockatoo Offer is free of any or all of the Conditions;
- whether, so far as Cockatoo knows, the Conditions have been fulfilled on the date the Notice of Status of Conditions is given; and
- Cockatoo's voting power in Blackwood (including voting power acquired as a result of acceptances received under the Cockatoo Offer).

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Cockatoo is required, as soon as practicable after the extension, to give a notice to the ASX and Blackwood that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the Cockatoo Offer becomes free of that condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Cockatoo must, as soon as practicable, give the ASX and Blackwood a notice that states that the particular condition has been fulfilled.

9.11. Compulsory acquisition

Cockatoo has stated in section 9.3 of the Bidder's Statement that it intends to compulsorily acquire all outstanding Blackwood Shares if it is entitled to do so.

The 2 types of compulsory acquisition under Chapter 6A of the Corporations Act are discussed below.

9.11.1. Follow on compulsory acquisition

Under Part 6A.1 of the Corporations Act, if, at the end of the Offer Period, Cockatoo has (together with its associates):

- a Relevant Interest in at least 90% (by number) of Blackwood Shares; and
- acquired at least 75% (by number) of Blackwood Shares for which it has made an offer,

then Cockatoo will be entitled to compulsorily acquire any outstanding Blackwood Shares for which it did not receive acceptances, on the same terms as the Cockatoo Offer.

If these thresholds are met, Cockatoo will have up to 1 month after the end of the Offer Period within which to give compulsory acquisition notices to Blackwood Shareholders who have not accepted the Cockatoo Offer. Blackwood Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Blackwood Shareholders to establish to the satisfaction of a court that the terms of the Cockatoo Offer do not represent "fair value".

Blackwood Shareholders should be aware that if they do not accept the Cockatoo Offer and their Blackwood Shares are compulsorily acquired, those Blackwood Shareholders will face a delay in receiving the Offer Consideration compared with Blackwood Shareholders who have accepted the Cockatoo Offer, however they will be paid the last price offered by Cockatoo for Blackwood Shares before compulsory acquisition began.

Cockatoo must offer to buy out remaining Blackwood Shares held by Blackwood Shareholders if Cockatoo (and its associates) have a Relevant Interest in at least 90% of Blackwood Shares (by number) at the end of the Offer Period.

9.11.2. General compulsory acquisition

Blackwood Shareholders should also be aware that if Cockatoo does not become entitled to compulsorily acquire Blackwood Shares in accordance with Part 6A.1 of the Corporations Act, Cockatoo may nevertheless become entitled to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act.

10. Additional information

10.1. Notice of Cockatoo's voting power

As at 21 November 2013 (being the day prior to the printing of this Target's Statement), Cockatoo held a Relevant Interest of nil in Blackwood's issued capital. Cockatoo is required to notify ASX and Blackwood before 9.30am on each trading day during the Offer Period where there is a movement of at least 1% in its holding of Blackwood Shares.

10.2. Consents

10.2.1. Independent Expert

The Independent Expert has given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent to:

- be named as Independent Expert;
- the inclusion of the Independent Expert's Report as Attachment 1 to this Target's Statement;
- the inclusion of the Independent Expert's Additional Report as Attachment 2 to this Target's Statement; and
- the inclusion in this Target's Statement of statements made by the Independent Expert, or said to be based on the Independent Expert's Report or the Independent Expert’s Additional Report, and to all references to those statements, in the form and context in which they are respectively included.

The Independent Expert:

- has not caused or authorised the issue of this Target's Statement;
- does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than as included in the Independent Expert's Report or the Independent Expert's Additional Report and statements in this Target's Statement based on the Independent Expert's Report or the Independent Expert's Additional Report; and
- takes no responsibility for any part of it other than the Independent Expert's Report or the Independent Expert's Additional Report and the references to its name.

10.2.2. Other persons

Clayton Utz has given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Blackwood's Australian legal adviser in the form and context in which it is named.

Morgans Corporate Limited has given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Blackwood's financial adviser in the form and context in which it is named.

Computershare Investor Services Pty Ltd has given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Share Registry in the form and context in which it is named.

Each person named in this Section 10.2.2 as having given its consent to the inclusion of a statement or being named in this Target's Statement:

- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than those statements which have been included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and any statements or report which have been included in this Target's Statement with the consent of that person.

10.2.3. Directors

The Directors have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to be named in this Target's Statement in the form and context in which they appear.

10.2.4. Competent persons statements

The information in this Target's Statement that relates to Blackwood's Exploration Results, Exploration Targets and Minerals Resources is based on information:

- extracted from the reports entitled:
  - JORC Exploration Target at South Pentland Project – 21/11/2011 & 08/10/2012
  - JORC Exploration Target at Chinchilla Project – 20/02/2012
  - JORC Exploration Target at Taroom Project – 19/03/2012
  - JORC Exploration Target at Bymount Project – 20/08/2012
  - Maiden JORC Resources at South Pentland & Taroom Projects – 12/09/2013

which are available to view at Blackwood's website www.bwdcorp.com.au and on Blackwood's company announcement platform at www.asx.com.au. Blackwood confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of the estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

Blackwood confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement:

- in respect of the Inferred Resources stated for the Lauderdale Project at South Pentland, that has been compiled by Mr Mark Winsley and Mr Lyon Barrett;
- in respect of the Exploration Targets on the South Pentland Project, that has been compiled by Mrs Merryl Peterson and Mr Lyndon Pass;
- in respect of the Taroom Exploration Target and the Inferred Resources stated for the Broadmere Project at Taroom, that has been compiled by Mr Mark Winsley and Mr Lyndon Pass;
- in respect of the Exploration Target on the Chinchilla Project, that has been compiled by Mr Mark Winsley and Mrs Merryl Peterson (noting that Mrs Peterson and Mr Winsley are Competent Persons are responsible only for information relating to the resources of Blackwood Corporation in respect of the Exploration Target on the Chinchilla Project, and that the information presented in Table 2 within the Chinchilla Exploration Target announcement is based on information taken from the documents listed in that table, and is subject to the respective Competent Persons' Statements contained in each document); and
- in respect of the Exploration Targets on the Bymount Project, that has been compiled by Mr Mark Winsley.

Mr Winsley is the General Manager – QLD Exploration, a full time employee of Blackwood Corporation Limited and holds Blackwood Shares. He has sufficient experience which is 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 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Barrett is engaged as Principal Resource Geologist/Director at Measured Resources Pty Ltd and has sufficient experience which is 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 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mrs Peterson is engaged as Principal Geologist at Runge Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Mr Pass is engaged as Principal Resource Geologist/Director at Encompass Mining Pty Ltd and has sufficient experience which is 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

10.2.5. Public information

ASIC has published various Class Orders that modify, or exempt parties from compliance with, the operation of various provisions of Chapter 6 of the Corporations Act. Blackwood has relied on this Class Order relief.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to the operator of a prescribed financial market in compliance with the listing rules of the prescribed financial market (including ASX). Pursuant to this Class Order, the consent of persons to whom such statements are attributed is not required for the inclusion of these statements in this Target's Statement.

Blackwood Shareholders are entitled to obtain from Blackwood free of charge any document which contains such a statement. If you would like to receive a copy of any of those documents, or the relevant part of the documents containing the statements (free of charge) during the Offer Period, please contact Blackwood on 1300 356 497 (for calls made from within Australia) or +61 3 9415 4067 (for calls made from outside Australia) between 8.30am and 5.30pm Monday to Friday.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements that:

- fairly represents what purports to be a a statement by an official person;
- are a correct and fair copy of, or extract from, what purports to be a public official document; or
- are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

Pursuant to this Class Order, the consent of such persons to whom statements are attributed is not required for the inclusion of those statements in this Target's Statement.

This Target's Statement includes references to the Bidder's Statement. Cockatoo has not consented to these references being included in, or referred to, in the form and context in which they are included.

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains share price trading data sourced from IRESS without its consent.

10.2.6. Continuous disclosure

Blackwood is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Blackwood to notify the ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Blackwood has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Blackwood Shares.

Copies of the documents filed with the ASX may be obtained from the ASX website at www.asx.com.au and Blackwood's website at www.bwdcorp.com.au.

Copies of documents lodged with ASIC in relation to Blackwood may be obtained from, or inspected at, an ASIC office. Blackwood Shareholders may obtain a copy of:

- the Annual Report;
- Blackwood's constitution; and
- any document lodged by Blackwood with the ASX between the release of the Annual Report and the date of this Target's Statement,

free of charge upon request by contacting Blackwood or from the ASX website at www.asx.com.au. The Annual Report, and this Target's Statement are also available on Blackwood's website at www.bwdcorp.com.au.

Blackwood Shareholders are also encouraged to monitor the Blackwood website at www.bwdcorp.com.au for any updates on the Cockatoo Offer.

10.3. Insurance and indemnities

Blackwood has entered into standard form of deeds of indemnity with Directors against all liabilities which they may incur in the performance of their duties as Directors or officers or Blackwood, except liability to Blackwood or a related body corporate, liability for a pecuniary penalty or compensation order under the Corporations Act, and liabilities arising from conduct involving a lack of good faith. Blackwood is obliged to meet the full amount of all such liabilities in accordance with the terms of the deeds of indemnity.

In addition, each Director is indemnified, as authorised by Blackwood's constitution, against personal liability arising from their respective positions within Blackwood and its related bodies corporate.

Blackwood holds a Directors' and Officers' Liability Insurance Policy on behalf of current Directors and officers of Blackwood and its controlled entities.

10.4. Impact on Blackwood employee incentive plans and securities issued under those plans

This Section outlines the effect the Cockatoo Offer will have on Blackwood Options and Blackwood Performance Rights. Blackwood currently operates two employee incentive plans: the Blackwood Employee Share Option Plan and the Blackwood Performance Rights Plan.

Under the Blackwood Employee Share Option Plan, where an announcement of a takeover bid is made or a bidder's statement is received by Blackwood, the Directors may determine that the Blackwood Options may be exercised at any time before that date, and in any number until the date determined by the Blackwood Board (acting in good faith) so as to permit the holder to participate in any change of control, or to use their reasonable endeavours to procure that an offer is made to holders of the Blackwood Options on like terms to the terms proposed under the change of control event.

No Blackwood Options have been issued under the Blackwood Employee Share Option Plan by Blackwood.

Under the Blackwood Performance Rights Plan, the Blackwood Board may in its absolute discretion determine that all or a specified number of a participant's unvested Blackwood Performance Rights shall vest where a takeover bid for Blackwood Shares is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of Blackwood Shares.

If within 30 days the Blackwood Board determines that any Blackwood Performance Right shall not vest, or no determination is made, the Performance Rights will lapse, unless the Blackwood Board determines otherwise.

If a company (**Acquiring Company**) obtains control of Blackwood as a result of the takeover bid, and both Blackwood and the Acquiring Company agree, a participant may, in respect of any vested and exercised Blackwood Performance Rights, be provided with shares of the Acquiring Company or its parents in lieu of Blackwood Shares, on substantially the same terms and subject to substantially the same conditions as the Blackwood Shares but with appropriate adjustments to the number and kind of shares, as well as to any Cash Payment payable in lieu of issue or transfer of the shares.

With respect to the Blackwood Performance Rights, the Blackwood Board has determined that as soon as reasonably practicable after the Cockatoo Offer is declared unconditional and Cockatoo has acquired a relevant interest in at least 50.1% of Blackwood's Shares, the Blackwood Board will make a determination that all unvested Blackwood Performance Rights will vest and become exercisable, and the Blackwood Board will release all Blackwood Shares issued and to be issued in respect of those vested Blackwood Performance Rights from any restrictions or holding locks, only for the purpose of enabling those holders of Blackwood Performance Rights or Shares to accept the Cockatoo Offer.

10.5. Litigation

There is no current litigation of a material nature against Blackwood or any controlled entity of Blackwood. The Directors have no knowledge of any potential material litigation.

10.6. Bid Implementation Agreement

Blackwood and Cockatoo have entered into the Bid Implementation Agreement which governs their relationship in relation to the Cockatoo Offer. A full copy of the Bid Implementation Agreement was attached to Blackwood's announcement on 17 October 2013 (a copy of which is available at Blackwood's website www.bwdcorp.com.au or www.asx.com.au).

A summary of the Bid Implementation Agreement appears as Schedule A to the Bidder's Statement.

Set out below are some of the key terms of the Bid Implementation Agreement.

10.6.1. Termination rights

Blackwood may terminate the Bid Implementation Agreement where, among other events, the following occurs:

- Cockatoo is in material breach of any provision of the Bid Implementation Agreement, Blackwood has given notice to Cockatoo setting out details of the material breach and stating an intention to terminate the Bid Implementation Agreement, and the material breach has not been remedied by Cockatoo within 5 Business Days from the time such notice is given;
- Cockatoo does (or omits to do) anything which does, will, or is likely to, result in any of the Conditions of the Bid Implementation Agreement being breached;
- a Material Adverse Change (as defined in the Bid Implementation Agreement) occurs in respect of the Cockatoo Group;
- the Independent Expert concludes that the commercial transactions entered into by Cockatoo and Noble (being the Noble Placement and the grant of marketing rights to Noble) constitute a net benefit to Noble for the purposes of Takeovers Panel Guidance Note 21 or having given a report that, in the opinion of the Independent Expert, those transactions do not constitute a net benefit to Noble for the purposes of Takeovers Panel Guidance Note 21, gives a report changing that opinion for any reason;
- the Cockatoo board determines, after Blackwood has exhausted its rights in respect of making counterproposals (summarised under the heading "Matching Right" below), that a Competing Proposal in respect of Cockatoo constitutes a Superior Proposal; or
- the Cockatoo Equity Raising is not completed in accordance with its terms, (other than solely due to a Noble breach of the related agreements it is a party to);

Either Blackwood or Cockatoo may terminate this agreement at any time by notice in writing to the other if:

- the Closing Date has passed before the Offer has been freed from all conditions under the Bid Implementation Agreement (other than as a result of a breach by the terminating party of its obligations under the Bid Implementation Agreement); or
- Cockatoo withdraws the Offer for any reason including due to breach of a Condition.

10.6.2. Exclusivity provisions

Blackwood and Cockatoo have agreed to the following exclusivity arrangements:

- *No shop:* Blackwood and Cockatoo have agreed each party must not directly or indirectly solicit or invite any Competing Proposal or expression of interest or offer in respect of Blackwood which may lead to a Competing Proposal, or initiate discussions with any third party which may reasonably be expected to lead to a Competing Proposal;
- *No talk*: Blackwood and Cockatoo have agreed each party must not:
  - a) participate in any discussions or negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal;
  - b) provide any information to a third party for the purposes of enabling that party to make a Competing Proposal; or
  - c) communicate any intention do to either (a) or (b).
- *No commitments*: Blackwood and Cockatoo have agreed each party must not enter into any agreement, arrangement or understanding in relation to a Competing Proposal requiring that party to abandon, or otherwise fail to proceed with, the transactions the subject of the Bid Implementation Agreement.
- *Exceptions*: The no talk and no commitments restrictions do not apply to the extent that they restrict a party from taking or refusing to take any action with respect to a bona fide Competing Proposal (which was not encouraged, solicited or invited, facilitated or initiated by that party or its respective Representatives in contravention of the no shop restriction) provided that the party's respective board of directors has determined, in good faith, that:
  - a) such bona fide Competing Proposal could reasonably be expected to lead to a Superior Proposal; and
  - b) after receiving legal advice, failing to respond to such bona fide Competing Proposal would constitute or would be likely to constitute a breach by that party's board of directors' fiduciary or statutory obligations.
- *Notification of approaches:* Blackwood and Cockatoo have agreed that a party must promptly notify the other party:
  - a) of any approach or attempt to initiate, resume or continue discussions or negotiations with the notifying party or any of its representatives which may reasonably be expected to lead to a Competing Proposal; and
  - b) of any request for information relating to the notifying party or its subsidiaries or any of its businesses or operations or any request for access to the books or records of the notifying party or its subsidiaries, other than requests occurring in the ordinary course of business.
- *Matching Right:* If a party notifies the other party of a Competing Proposal and of its intention to enter into an agreement, commitment, arrangement or understanding in respect of that Competing Proposal:
  - a) the other party will have the right, but not the obligation, at any time during the period of 3 Business Days following receipt of such notice, to make an offer to the notifying party that delivers a benefit to the notifying party's shareholders that is at least equal to that of the Competing Proposal (**Counterproposal**);
  - b) if the other party makes a Counterproposal, the notifying party and its board must consider it in good faith; and
  - c) if the notifying party's board, acting reasonably, considers that the Counterproposal would provide a benefit to the Notifying Party's shareholders that is at least equal to that of the Competing Proposal, then the Notifying Party and the other party must use reasonable endeavours to agree to amendments to this agreement that are reasonably necessary to reflect the Counterproposal and to enter into an amended agreement to give effect to those amendments and to implement the Counterproposal as soon as reasonably practicable.

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10.6.3. Funding support

Cockatoo has agreed that, as soon as reasonably practicable after the date that Cockatoo acquires a Relevant Interest in excess of 50% of the Blackwood Shares, Cockatoo will execute an agreement with Blackwood under which Cockatoo offers Blackwood a A$4 million loan facility (**New Facility**), which New Facility is repayable in full 3 months after the date of first draw down, and otherwise must be on materially the same terms as the terms of the Noble Facility Agreement other than the repayment period and amount.

Blackwood and Cockatoo have agreed that the New Facility will be able to be drawn down immediately upon the Blackwood Directors having taken all actions necessary to ensure nominees of Cockatoo are appointed as a majority of the Blackwood Board, and that Blackwood will draw down and use the amounts drawn down under the New Facility to repay A$4 million of the Noble Loan in accordance with its terms immediately upon the occurrence of certain events under the Noble Facility Agreement.

10.7. Regulatory Approval

Blackwood has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Cockatoo Offer. Nor has Blackwood been granted any waivers from the ASX in relation to the Cockatoo Offer.

10.8. No material change to the financial position of Blackwood

The financial position of Blackwood has not, so far as is known by the Directors, materially changed since 30 June 2013, being the date to which the Annual Report relates, other than:

- in respect of the incurring of actual and contingent transaction costs (including legal and financial advisory fees) associated with the Cockatoo Offer, as described in Section 6.10.22; and
- as described elsewhere in this Target's Statement.

10.9. Effect of the Cockatoo Offer on Blackwood's material contracts

For a summary of the effect of the Cockatoo Offer on Blackwood's material contracts see Section 6.7 regarding the funding arrangements and Section 10.6.3.

10.10. Independent Expert's Additional Report

The Directors considered it appropriate to engage Grant Thornton as independent expert to provide the Independent Expert's Additional Report as to whether:

- the Noble Marketing Agreement and Noble Placement are on an arm's length basis; and
- the terms of the Noble Marketing Agreement and/or Noble Placement constitute the receipt of a collateral benefit for the purpose of the Corporations Act as interpreted in the Takeovers Panel Guidance Note 21.

In the Independent Expert's Additional Report the Independent Expert concluded that:

- Cockatoo and Noble are dealing at arm's length in relation to the Noble Placement and the Noble Marketing Agreement; and
- nothing has come to the attention of the Independent Expert that would cause the Independent Expert to believe that the terms of the Noble Placement or the Noble Marketing Agreement would constitute the receipt by Noble of a net benefit.

The Independent Expert's Additional Report is included as Attachment 2 to this Target's Statement.

10.11. No other material information

This Target's Statement is required to include all the information that Blackwood Shareholders and their respective professional advisers would reasonably require to make an informed assessment whether to accept the Cockatoo Offer, but only to the extent to which it is reasonable for Blackwood Shareholders and their respective professional advisers to expect to find this information in this Target's Statement, and only if the information is known to any Director.

The Directors are of the opinion that the information that Blackwood Shareholders and their respective professional advisers would reasonably require to make an informed assessment whether to accept the Cockatoo Offer is in:

- the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- Blackwood's annual reports and releases to ASX before the date of this Target's Statement;
- documents lodged by Blackwood with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate. However, the Directors and their advisers do not take any responsibility for the contents of the Bidder's Statement, and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of Blackwood Shares;
- the matters that Blackwood Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers of Blackwood Shareholders; and
- the time available to Blackwood to prepare this Target's Statement.

11. Definitions and Interpretation

11.1. Definitions

Term	Meaning
$	Australian dollars unless otherwise stated
Acceptance Form	an acceptance form accompanying the Bidder's Statement
Announcement Date	17 October 2013, being the date of announcement of the Cockatoo Offer
Annual Report	Blackwood's 2013 Annual Report
ASIC	the Australian Securities and Investments Commission
Associate	has the meaning given in the Corporations Act
ASX Settlement	ASX Settlement Pty Ltd ACN 008 504 532, the body that administers the CHESS System in Australia
ASX	ASX Limited ACN 008 624 691 or, as the context requires, the financial market known as the Australian Securities Exchange operated by it
Baralaba Complex	Cockatoo's existing mine complex at Baralaba, in the Bowen Basin, Queensland Australia
Baralaba Expansion	the expansion of the Baralaba Complex
Bid Implementation Agreement	the implementation agreement between Blackwood and Cockatoo dated 17 October 2013, the material terms of which are set out in Schedule A of the Bidder's Statement
Bidder's Statement	Cockatoo's bidder's statement dated 25 November 2013
Blackwood	Blackwood Corporation Limited ACN 103 651 538
Blackwood Board	the board of directors of Blackwood
Blackwood Employee Share Option Plan	the employee share option plan of Blackwood as approved by Blackwood Shareholders in general meeting on 14 December 2011
Blackwood Option	an option to subscribe for an Blackwood Share
Blackwood Performance Rights	the performance rights granted under the Blackwood Performance Rights Plan
Blackwood Performance Rights Plan	the Blackwood performance rights plan approved by shareholders at the general meeting on 29 October 2010
Blackwood Product Sales Agreement	the product sales heads of agreement between Blackwood, Matilda Coal Pty Ltd and Noble Resources Pte Ltd dated 10 September 2010
Blackwood Share	a fully paid ordinary share in the capital of Blackwood
Blackwood Shareholder	a holder of Blackwood Shares

11. Definitions and Interpretation

Term	Meaning
Business Days	a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney, Australia
Cash Payment	a cash amount equal to the market value of a single Blackwood Share, calculated as the 5 day volume weighted average price of Blackwood's Shares on the ASX up to and including the date the Performance Right is exercised (less any PAYG withholding the Company is required to withhold under Schedule 1 of the Taxation Administration Act 1953)
CGT	Capital Gains Tax
CHESS	Clearing House Electronic Subregister System, which provides for electronic security transfer in Australia
Cockatoo	Cockatoo Coal Limited ACN 112 682 158
Cockatoo Offer	the offer by Cockatoo to acquire Blackwood Shares on the terms and conditions contained in the Bidder's Statement
Cockatoo Equity Raising	comprises, as announced to ASX by Cockatoo on 17 October 2013 a) three inter-conditional placements to raise A$153 million: ■ A$50 million placement to SKN; ■ A$43 million placement to Noble; ■ A$60 million placement to institutional and sophisticated investors, which is cornerstoned by Harum with a A$20 million investment; and b) the SPP. The three placements are inter-conditional, and along with the SPP, are subject to the approval of Cockatoo Shareholders at an Extraordinary General Meeting to be held on 12 December 2013.
Cockatoo Recapitalisation	the Cockatoo recapitalisation, which was announced to ASX on 17 October 2013, is an equity and debt financing solution under which Cockatoo will raise funds under the Cockatoo Equity Raising and a A$255 million senior secured project finance package for the Baralaba Expansion fully underwritten by ANZ Bank Limited
Cockatoo Share	a fully paid ordinary share in the capital of Cockatoo
Cockatoo Shareholder	a holder of Cockatoo Shares
Competing Proposal	means, in relation to Blackwood or Cockatoo, any proposed transaction or arrangement (including any expression of interest, proposal or offer in relation to a takeover bid, scheme of arrangement, share or asset sale or purchase, capital reduction or buy back, joint venture or dual listed company structure) by any person (other than the other party or its Related Bodies Corporate) under which that person (together with the person's Associates) would subject to satisfaction of conditions: ■ acquire control (as defined in section 50AA of the Corporations Act) of that party; ■ become the holder of a Relevant Interest in 20% or more of the shares in that party; ■ acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in all or a

Term	Meaning
	substantial part of the assets or business of that party and its Subsidiaries; ■ otherwise acquire or merge with that party; or ■ enter into any agreement or understanding requiring the respective board of directors of that party to recommend a proposal referred to in paragraphs (a) to (d), but excludes certain transactions or arrangements contemplated under the Bid Implementation Agreement related to the Cockatoo Recapitalisation, as set out in the Bid Implementation Agreement
Conditions	the Conditions of the Cockatoo Offer as set out in section 14.7.1 of the Bidder's Statement
Corporations Act	Corporations Act 2001 (Cth)
Closing Date	[•] (or such other date as the Offer is extended until)
Director	a director of Blackwood
Financial Adviser to Blackwood	Morgans Corporate Limited ACN 010 539 607.
Harum	Harum Energy Australia Limited, incorporated in the British Virgin Islands
Independent Expert	Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987)
Independent Expert's Report	the report by the Independent Expert included as Attachment 1
Independent Expert's Additional Report	the report by the Independent Expert included as Attachment 2
Ineligible Overseas Shareholder	an Blackwood Shareholder whose address, as shown on the Blackwood Share register, is in a jurisdiction other than Australia and its external territories and New Zealand.
IRESS	IRESS Market Technology Limited (ACN 060 313 359)
JORC Code	the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves (4th Edition)
Last Trading Date	16 October 2013, being the last day on which Blackwood Shares traded on the ASX prior to the announcement of the Cockatoo Offer
Listing Rules	the official listing rules of ASX, as amended from time to time
Material Adverse Change	any event that occurs after the date of the Bid Implementation Agreement, or of which Blackwood or Cockatoo (as the case may be) becomes aware after the date of this agreement, that individually or when aggregated with all such events has had, or is reasonably likely to have, a materially adverse effect on the assets, liabilities, financial condition, results of operations, profitability or prospects of the Cockatoo and its subsidiaries (as a whole), including any material default by a Cockatoo and/or its subsidiaries under their existing financing facilities, or the Blackwood and its subsidiaries (as a whole) (as the case may be), including any material default by a Blackwood and/or its subsidiaries under their existing financing facilities, other than: ■ an event which relates to commodity prices, exchange rates or financial markets;

Term	Meaning
	■ a general change in economic, political or business conditions; ■ a change in law or regulation or the practice or policy of any government agency; ■ an event which has been disclosed by Cockatoo to the ASX or Blackwood in writing prior to the date of the Bid Implementation Agreement; ■ an event which has been disclosed by Blackwood to the ASX or Cockatoo in writing prior to the date of the Bid Implementation Agreement (including, for the avoidance of doubt, repayment of the Noble Loan in accordance with its terms); ■ the occurrence of an certain events the Noble Facility Agreement, or an event in respect of Blackwood which results from Cockatoo not complying with its obligations in the Bid Implementation Agreement; or ■ an event which occurs with the written consent of Blackwood or Cockatoo (as the case may be).
Merged Group	the combined Cockatoo / Blackwood group of companies upon completion of the Cockatoo Offer
Noble	Noble Group Limited and each of its subsidiaries
Noble Facility Agreement	the facility agreement between Blackwood as borrower, Matilda Coal Pty Ltd as guarantor and Noble as lender dated 31 July 2012
Noble Loan	means amounts drawn down under the Noble Facility Agreement
Noble Marketing Agreement	the Sale and Marketing Agreement (Coal) between Noble Resources International Pte Ltd and Cockatoo executed on 30 September 2013
Noble Placement	means proposed acquisition Cockatoo Shares by Noble pursuant to the Noble Subscription Deed as announced to the market on 17 October 2013
Noble Subscription Deed	means the subscription deed between Maylion Pty Limited, Noble and Cockatoo dated 17 October 2013
Notice of Status of Conditions	Cockatoo's notice disclosing the status of Conditions which is required to be give by section 630(3) of the Corporations Act
Offer Consideration	the consideration to be provided to Blackwood Shareholders under the terms and conditions of the Offer and stated in Section 14 of the Bidder's Statement
Offer Period	the period from [•] until 7pm (Sydney time) on [•], unless the Cockatoo Offer is extended
Prescribed Occurrence	has the meaning given in the Bidder's Statement at section 14.7.1(a)
Project Finance Facilities Commitment Letter	a commitment letter (and accompanying term sheet) executed by Cockatoo, JFE Shoji Trading Australia Pty Limited and ANZ on or before the date of Noble Subscription Deed
Quarterly Report	Blackwood's latest quarterly activities report for the period ended 30 September 2013
Relevant Interest	has the meaning given in section 9 of the Corporations Act

Term	Meaning
Sale Nominee	a nominee appointed by Cockatoo to receive Cockatoo Shares on behalf of Ineligible Overseas Shareholders
Section	a section of the Target's Statement
SKN	SK Networks, Co., Ltd
SPP	as announced to the ASX by Cockatoo on 17 October a share purchase plan to enable eligible Cockatoo Shareholders to subscribe for up to A$15,000 worth of new Cockatoo Shares each (capped at A$35 million)
subsidiary	has the meaning given in the Corporations Act
Superior Proposal	means a Competing Proposal which: ■ is bona fide and in writing and in the determination of the party's respective board of directors (or in the case of Cockatoo its independent directors), acting in good faith after consultation with the party's respective legal and financial advisers, is capable of being valued and completed, taking into account all aspects of the Competing Proposal (including its terms and conditions and the identity of the person or persons making it); and ■ in the determination of the party's respective board of directors (or in the case of Cockatoo its independent directors), acting in good faith and in order to satisfy what the board (or in the case of Cockatoo its independent directors) considers to be its fiduciary or statutory duties after receiving specific written legal advice, would be likely to, if completed substantially in accordance with its terms, result in a transaction more favourable to either Blackwood Shareholders or Cockatoo Shareholders (as the case may be) than the Bid.
Target's Statement	this document, being Blackwood's target statement
VWAP	volume weighted average price calculated as the total dollar value of Blackwood Shares traded divided by the total number of Blackwood Shares traded during the relevant period

11.2. Interpretation

In this Target's Statement, unless the context requires otherwise:

- all words and phrases in this Target's Statement have the meaning given to them, if any, in the Corporations Act;
- the singular includes the plural and vice versa;
- a gender includes all genders;
- a reference to a person includes a corporation, other body corporate, unincorporated body, partnership, joint venture or association and vice versa;
- headings are for ease of interpretation and do not affect meaning or interpretation;
- where a term is defined, its other grammatical forms have a corresponding meaning; and
- a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

12. Approval of Target's Statement

This Target's Statement is dated 25 November 2013 (being the date on which this Target's Statement was lodged with ASIC) and has been approved by a resolution of the Directors of Blackwood.

Signed for an on behalf of Blackwood Corporation Limited.

Barry Bolitho

Chairman

Attachment 1 – Independent Expert's Report

Blackwood Corporation Limited

Independent Expert's Report and Financial Services Guide

25 November 2013

The Directors
Blackwood Corporation Limited
Level 9, 288 Edward Street
Brisbane QLD 4000

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

Level 19
2 Market Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
T + 61 2 8297 2400
F + 61 2 9299 4445
E info@gtnsw.com.au
W www.grantthornton.com.au

25 November 2013

Dear Sirs

Introduction

Blackwood Corporation Limited ("BWD" or "the Company") is listed on the Australian Securities Exchange ("ASX") and is engaged in early-stage coal exploration primarily in the Galilee, Surat, Bowen, and Clarence-Moreton Basins of Queensland. Noble Group Limited ("Noble")[1] is BWD's largest shareholder, with a 51.2% interest in the undiluted share capital of BWD.

Cockatoo Coal Limited ("COK") is listed on the ASX and has a large portfolio of producing, development and exploration stage coal assets in the Bowen and Surat Basins of Queensland. COK is currently focused on the operation and expansion of its ULV PCI[2] coal mine located in the Bowen Basin of Queensland near Baralaba ("Baralaba Complex").

On 17 October 2013, BWD and COK jointly announced that they had entered into a Bid Implementation Agreement ("BIA") under which COK has agreed to make an off-market takeover offer ("the Proposed Takeover") to acquire all of the issued share capital in BWD ("BWD Shares"). The consideration offered under the Proposed Takeover is 2 newly issued ordinary shares in COK ("COK Shares") for every 1 BWD Share ("Consideration").

Among other conditions, the Proposed Takeover is subject to the following:

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[1] Through its wholly owned subsidiary Janvel Pty Limited.
[2] Ultra-low volatile pulverised coal injection.

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- A minimum acceptance condition of 52.1% on an undiluted basis[3]. In this regard, we note that Noble and each director of BWD ("BWD Director") who holds BWD Shares have indicated their intention to accept the Proposed Takeover, in the absence of a superior proposal and subject to an independent expert continuing to opine that the Proposed Takeover is fair and reasonable and subject to completion of the Proposed Recapitalisation (as defined below). Collectively, these shareholders and their related parties hold a 55.2% interest in BWD on an undiluted basis.

- The successful completion of equity raisings being undertaken by COK to raise A$153 million in order to extinguish existing COK debt obligations and fund the development of the Baralaba North Expansion Project[4] ("Proposed Recapitalisation"). The COK equity raisings consist of three inter-conditional placements, which are subject to COK Shareholder approval at an extraordinary general meeting to be held on 12 December 2013.

The Directors unanimously recommend that shareholders of BWD ("BWD Shareholders") accept the Proposed Takeover in the absence of a superior proposal and subject to an independent expert concluding that the Proposed Takeover is fair and reasonable and subject to completion of the Proposed Recapitalisation.

Proposed Recapitalisation

In conjunction with the Proposed Takeover, COK announced the Proposed Recapitalisation on 17 October 2013. The Proposed Recapitalisation comprises the following:

- Issue of 866.0 million and 1,000 million COK Shares to Noble and SK Networks Co., Limited ("SK") at an issue price of A$0.050 per share to raise A$43.3 million ("Noble Subscription") and A$50 million ("SK Subscription"), respectively.

- Issue 1,333.3 million COK Shares to institutional and sophisticated investors at an issue price of A$0.045 per share to raise A$60.0 million ("Institutional Placement").

In conjunction and subject to the Proposed Recapitalisation being completed, COK has also announced the following ancillary transactions:

- Launch of a Share Purchase Plan ("SPP") at A$0.045 per share to enable existing COK Shareholders[5] to participate in the equity raising. The total maximum raising under the SPP is A$35 million. The SPP offer is scheduled to close on 20 December 2013 (unless extended).

- COK has granted exclusive coal marketing rights to SK for Korea and Taiwan ("SK Marketing Agreement") and to Noble for the rest of the world ("Noble Marketing Agreement"). COK will pay a marketing fee of 2.5% of the final invoiced sale price per tonne (refer to section 1.2.1 for details).

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[3] Equal to 50.1% on a fully diluted basis assuming the conversion of all of the existing 7,225,000 performance rights in BWD.
[4] The Baralaba North Expansion Project is part of COK's Baralaba Complex consisting of a number tenements to the North (Baralaba North Expansion Project) and South of the Baralaba Mine mainly prospective for PCI coal and held by COK's 80% owned subsidiary, Wonbindi Coal Pty Limited. The expansion of the Baralaba Mine to the north is currently COK's primary focus.
[5] Record date for the SPP is 16 October 2013.

- In October 2013, COK and its joint venture partner in relation to the Baralaba North Expansion Project signed a credit approved term sheet with the Australia & New Zealand Banking Group Limited ("ANZ") for a fully underwritten A$255 million senior secured project finance package ("ANZ Facilities") which will provide the funding required for the expansion of the Baralaba Mine[6].

- After completion of the Proposed Recapitalisation, COK intends to seek proposals from potential investors to provide a mezzanine financing facility[7] of up to A$50 million ("Mezzanine Facility") to ensure one of the key conditions precedent[8] to the drawdown of the ANZ Facilities is met. Depending on the amount raised under the SPP and future asset sales, the amount raised under the Mezzanine Facility will be reduced accordingly.

As discussed above, completion of the Proposed Recapitalisation is one of the key conditions precedent for the Proposed Takeover to become unconditional.

Purpose of the report

The directors of BWD have commissioned Grant Thornton Corporate Finance to prepare an independent expert's report to assess whether the Proposed Takeover is fair and reasonable to BWD Shareholders.

For the purpose of this report, an independent technical specialist, Behre Dolbear Group Pty Ltd ("BDA"), was engaged to conduct an independent review and assessment of the coal assets held by BWD ("BDA BWD Report") and to conduct an independent geological and technical assessment of the Baralaba Complex and other tenements held by COK ("BDA COK Report"). BDA's reports have been specifically commissioned and prepared in relation to the Proposed Takeover[9].

The BDA BWD Report and BDA COK Report are included as Appendix G and Appendix H to this report respectively.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Takeover is fair and reasonable to BWD Shareholders.

Fairness Assessment

In forming our opinion in relation to the fairness of the Proposed Takeover, Grant Thornton Corporate Finance has compared the fair market value per share of BWD on a control basis before the Proposed Takeover to the fair market value of the Consideration received on a minority basis.

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[6] In conjunction with the Proposed Recapitalisation and Mezzanine Facility.
[7] The Company has already received a number of indicative term sheets and expressions of interest, including from Noble, and will look to run a formal process after completion of the Proposed Recapitalisation.
[8] The Company is fully funded for the Baralaba North Expansion Project.
[9] We note that the BDA COK Report has also been included in the COK IER in relation to the Proposed Recapitalisation.

The fair market value of BWD before the Proposed Takeover is predominantly based on BDA's assessment of BWD's exploration assets. The broad valuation range for BWD is due to the lower confidence level surrounding the value of early stage assets.

In our valuation assessment of the Consideration received by BWD Shareholders, we have aggregated the following ("Merged Group"):

- The fair market value of BWD before the Proposed Takeover on a minority basis.
- The fair market value of COK assuming completion of the Proposed Recapitalisation on a minority basis.
- Other terms and conditions of the Proposed Takeover.

The following table summarises our assessment:

Fairness assessment	Section reference	Low (cents)	High (cents)
Fair value of BWD Share (control basis)	8.6	7.06	10.79
Fair value of COK Consideration (minority basis)	10.5	11.55	13.93
Premium		**4.48**	**3.14**
Premium%		**63.5%**	**29.1%**

Source: GTCF calculations

We have assessed the value of a BWD share on a control basis to be in the range between 7.06 cents and 10.79 cents before the Proposed Takeover. We have assessed the value of the Consideration received on a minority basis in the range of 11.55 cents and 13.93 cents. Accordingly, we have concluded that the Proposed Takeover is fair to BWD Shareholders.

BWD Shareholders should be aware that our assessment of the value per share of the Merged Group does not reflect the price at which the shares in COK will trade if the Proposed Takeover is implemented. The price at which COK Shares will ultimately trade depends on a range of factors including the liquidity of COK Shares, macro-economic conditions, coal price, exchange rate and the underlying performance of the Merged Group.

Sensitivity analysis

Our valuation assessment of the Consideration is based on the following assumptions:

- COK purchases 100% of the issued capital of BWD.
- Disregarding the potential dilutionary impact of the SPP given at the time of this report, the COK existing Shareholders take-up of the SPP is unknown and uncertain. In addition, the SPP is required to be approved by COK Shareholders at the extraordinary general meeting to be held on the 12 December 2013.

In the sensitivity table below shows the impact on our mid-point assessment of the value of the Consideration received of the following:

- Assuming that COK acquires less than 100% of the issued capital of BWD.
- Assuming different level of take-up of the SPP.

Sensitivity analysis - consideration received per BWD Share (cents) (mid-point)					
		% of BWD Acquired (fully diluted basis)			
		49.2% [1]	53.1% [2]	75.0%	100.0%
Amount raised under SSP (A$m)[3]	0.0	13.04	13.02	12.87	12.74
	10.0	12.84	12.82	12.69	12.56
	20.0	12.66	12.64	12.52	12.40
	30.0	12.49	12.48	12.36	12.25
	35.0	12.42	12.40	12.29	12.19

Note (1): Assumes only Noble disposes it's BWD Shares under the Proposed Takeover.
Note (2): Assumes only Noble and BWD Directors dispose their BWD Shares under the Proposed Takeover.
Note (3): Refer to section 1.2.4 for further details.
Source: GTCF calculations

As set out above, under all the scenarios above, the mid-point valuation assessment of the Consideration received on a minority basis is above the high-end of our assessment of the fair market value of BWD before the Proposed Takeover on a control basis. Accordingly, our opinion on the fairness for the Proposed Takeover is not affected by the above sensitivity.

Value of the Consideration received having regard to recent COK share price

In our assessment of the Consideration offered, we have not relied on the trading prices of COK Shares following announcement of the Proposed Takeover and Proposed Recapitalisation as COK trading prices may incorporate an element of uncertainty in relation to the successful completion of the Proposed Recapitalisation. BWD Shareholders do not share this risk as completion of the Proposed Recapitalisation is one of the key conditions precedent for the Proposed Takeover to become unconditional.

As set out in the Notice of Meeting and Explanatory Memorandum released by COK on 8 November 2013, if COK Shareholders do not approve the Proposed Recapitalisation at the Extraordinary General Meeting to be held on 12 December 2013, COK may have limited time available to renegotiate/extend its existing debt facilities and the directors of COK ("COK Directors") may be required to place COK into voluntary administration. This uncertainty and risk may still be incorporated into the share price of COK post announcement of the Proposed Recapitalisation and the Proposed Takeover. Accordingly, we have not relied on the trading prices of COK as our primary methodology in assessing the value of the Consideration.

Notwithstanding the limitation above, we are of the opinion that it is relevant to show to BWD Shareholders the value of the Consideration offered, if COK trading prices after the announcement of the Proposed Takeover and the Proposed Recapitalisation are adopted. Our calculations are set out in the table below:

Fairness assessment sensitivity based on COK VWAP after announcement of the Proposed Takeover and Proposed Recapitalisation	Section reference	1 day VWAP (cents)	5 days VWAP (cents)	10 days VWAP (cents)	15 days VWAP (cents)	days to date VWAP (cents)
COK VWAP before 22 Nov 13		5.419	5.525	5.704	5.616	5.522
Share Exchange Ratio		2.00 x	2.00 x	2.00 x	2.00 x	2.00 x
COK Consideration on a minority basis		10.838	11.050	11.407	11.232	11.044
Assessed fair value of BWD Share (control basis) (mid-point)	8.6	8.928	8.928	8.928	8.928	8.928
Premium (cents)		1.910	2.122	2.479	2.304	2.116
Premium%		21.4%	23.8%	27.8%	25.8%	23.7%

Source: GTCF calculations
Note: "Days to date" refer to the period from 17 October 2013 to 20 November 2013

As indicated in the table above, the value of the consideration offered on a minority basis is consistently above the fair market value of BWD on a control basis before the Proposed Takeover.

Reasonableness Assessment

In accordance with Regulatory Guide 111 "Content of expert reports" ("RG 111") issued by Australian Securities and Investments Commission ("ASIC"), if the Proposed Takeover offer is fair, it is also reasonable. However, we have also considered the following likely advantages, disadvantages and other factors associated with the Proposed Takeover.

Advantages

Premium for control

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- The ability to realise synergistic benefits.
- Access to cash flows.
- Access to tax benefits.
- Control of the board of directors of the company.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% in Australia and that the premiums vary significantly from transaction to transaction.

The midpoint value of the Consideration of 12.74 cents per BWD share represents a premium of:

- 70% compared with the closing share price of BWD up to and including 16 October 2013 (last trading day before the announcement of the Proposed Takeover).
- 54% compared with the 1 month volume weighted average price ("VWAP") of BWD up to and including 16 October 2013.

- 78% compared with the 3 month VWAP of BWD up to and including 16 October 2013.

This premium for control is unlikely to be available to BWD Shareholders in the absence of the Proposed Takeover.

Creation of a more diversified Australian coal production and exploration company

If the Proposed Takeover becomes unconditional, BWD Shareholders accepting the Proposed Takeover may benefit from being part of a larger, more diversified and advanced company with coal assets spread across Queensland spanning from production, development to exploration. In particular, COK after completion of the Proposed Takeover of BWD ("the Merged Group") will have ownership of production and development assets at Baralaba in Queensland (COK's assets) with current saleable ULV PCI coal production of approximately 0.75 Mt per annum from the Baralaba Mine, and the potential to produce up to 3.5 Mt per annum ULV PCI coal from the brownfield Baralaba North Expansion Project.

The Merged Group will have a total attributable JORC compliant mineral[10] resource of approximately 2,039 Mt of coal resources and reserves of 266 Mt.

Synergies from consolidation of corporate overheads and operations

BWD currently incurs overhead expenses such as audit, directors' fees, insurance, printing, accounting, share registry and stock exchange listing fees. Following the completion of the Proposed Takeover, it is expected that a proportion of these overhead expenses would be rationalised as BWD will become a wholly owned subsidiary of COK (assuming COK acquires all the issued capital of BWD). Further, the integration of the similar mineral portfolios currently held by the two entities may reduce certain operating costs through the streamlining of exploration activities, particularly in the Bowen Basin and Surat Basin. Further, the Merged Group should be able to realise cost savings in the back office function of the enlarged group.

Potential funding requirements

It is noted that BWD has a net cash balance of approximately A$2.3 million[11] as at 30 September 2013. In the absence of the Proposed Takeover, BWD will be required to raise additional funds in the short term through debt and / or equity financing to fund its exploration activities. In addition, we note that all of BWD's projects are at relatively early exploration stages and will require significant funding before reaching production and cash flow generating stage.

Based on the market capitalisation of BWD before the Proposed Takeover, the current market conditions, the inherent high levels of risk and uncertainty associated with early stage exploration assets, and the specific risks of BWD, it is our opinion that any equity raisings will result in significant dilution for existing BWD Shareholders.

At completion of the Proposed Recapitalisation, COK will have sufficient funding (including the Mezzanine Facility) to continue to develop the Baralaba North Expansion Project which is expected

[10] Joint Ore Reserves Committee is a standard used for the public disclosure of information relating to mineral properties in Australasia.
[11] Net cash balance includes A$10.0 million in cash and A$7.7 million in drawn short term debt ("Noble Loan") due on 31 December 2013.

to commence coal production in mid-2014. Cash flows generated by the Baralaba North Expansion Project will be able support the broader exploration and development activities of the Merged Group.

Accordingly, the Proposed Takeover removes to a large extent any potential financial, funding and dilutionary risks for BWD Shareholders.

Trading in BWD Shares

As set out in the Target's Statement, Noble already has a relevant interest in 51.2% of the issued capital of BWD. If BWD Shareholders do not accept the Proposed Takeover and COK do not become entitled to compulsorily acquire all outstanding BWD Shares, it is likely that the liquidity of BWD Shares will decrease even further.

If the Proposed Takeover becomes unconditional, but COK does not reach a 90% interest in BWD to compulsorily acquire all outstanding BWD Shares, BWD will remain a listed company with COK as its majority shareholder. In this scenario, the liquidity of BWD Shares may reduce for non-accepting BWD Shareholders.

Combined expertise and skills of the management teams

The Merged Group will enable BWD and COK to combine the expertise and skills of both sets of management teams and general workforce, and enable the deployment of the most qualified personnel and skills across the two companies' portfolio of assets.

The Proposed Recapitalisation and Proposed Takeover will introduce Noble, SK and Harum as cornerstone investors of the Merged Group

If the *Proposed Recapitalisation and* Proposed Takeover are completed, SK, Noble and Harum Energy Australia Limited ("Harum") will become cornerstone/strategic investors in the Merged Group and they may provide further financial and operational support going forward if required. The SK and Noble Marketing Agreements further align the interests of the Merged Group with Noble and SK.

Disadvantages

Limited influence over investment in the Merged Group

Upon completion of the Proposed Takeover, BWD Shareholders (excluding Noble) will collectively hold approximately 4.4%[12] of the enlarged share capital of the Merged Group.

BWD Shareholders (excluding Noble) will have limited ability to influence the operating, financing and strategic decisions of the Merged Group.

Risks in integration of companies

There is a risk that the integration of the businesses of BWD and COK may take longer than

[12] Assuming COK acquires 100% interest in BWD and disregarding the SPP.

expected and the expected synergies may not be realised within the anticipated timeframe, to their full extent or at all.

Other factors

Relative contribution to the Merged Group

If the Proposed Takeover becomes unconditional and COK acquires 100% of the issued capital of BWD, existing BWD Shareholders (including Noble) will hold approximately 8.6% of the enlarged share capital of COK on an undiluted basis. Set out below, we have considered the relative contribution to the Merged Group in relation to certain key items including inferred resources, measured and indicated resources, reserves, market capitalisation before the announcement of the Proposed Takeover and net cash balance.

Comparative contribution Shareholder allcoation of the Merged Group after completion of the Proposed Takeover	BWD	COK	BWD % contribution	COK % contribution
Shareholders' interest in Merged Group			8.6%	91.4%
Attributable resources and reserves (Mt)				
Inferred resources	373.8	827.0	31%	69%
Indicated and measured resources	-	838.2	0%	100%
Total resources	373.8	1,665.1	18%	82%
Reserves	-	265.9	0%	100%
Other				
Market capitalisation (A$m)[1]	16.5	271.9	6%	94%
Net cash[2]	2.3	30.0	7%	93%

Note (1): Market capitalisation for BWD is as at 16 October 2013 before the announcement of the Proposed Takeover, and market capitalisation for COK is based on mid-point of GTCF's assessed equity value of COK after completion of the Proposed Recapitalisation as set out in section 9.10.
Note (2): Net cash for BWD is as at 30 September 2013, and net cash for COK is based on the pro forma balance sheet after completion of the Proposed Recapitalisation and repayment of the A$95 million KEBA loan facility ("KEBA Facility") as set out in section 6.7.
Source: Grant Thornton Corporate Finance calculations

In regards to the analysis above, the relative contribution provided by BWD in terms of resources is greater than BWD Shareholders' interest in the Merged Group following completion of the Proposed Takeover. Whilst this ratio appears high, in our opinion, it is driven by the early exploration nature of BWD's resources compared with COK's higher proportion of more advanced production and development stage resources. In particular, we note that BWD will contribute nil reserves or indicated/measured resources to the Merged Group.

In terms of the other relative inputs such as net cash and market capitalisation, BWD's contribution to the Merged Group is relatively less than the interest BWD Shareholders (including Noble) will collectively hold.

BWD share price in the absence of the Proposed Takeover

The share price of BWD has increased by 21.3%[13] since the announcement of the Proposed Takeover. Whilst we are not in a position to predict or anticipate performance of the BWD share price in the absence of the Proposed Takeover, it is likely that BWD Shares will trade at prices lower than the prices achieved in the trading period since the announcement of the Proposed Takeover on 17 October 2013.

[13] Based closing share price of BWD as at 22 November 2013 of A$0.015.

Change in risk profile and financing risk

If the Proposed Takeover is completed, BWD will become a wholly owned subsidiary of COK and be exposed to new risks in relation to COK's operations and assets, and certain additional risks in relation to the integration of the two businesses. In particular, we note that BWD is an early stage exploration company mainly focused on thermal coal whilst COK is a production and development company mainly focused on ULV PCI coal.

In addition, we note that COK needs to fulfill a number of condition precedents before being able to draw down on its ANZ Facilities to fully fund the Baralaba North Expansion Project. Conditions include granting of a 3.5 Mtpa mining lease and securing off-take agreements for 75% of production. There is no certainty that these conditions will be met.

Special value to COK

COK and BWD have some adjacent tenement holdings in the Bowen and Surat Basins which may represent special value to COK in relation to the acquisition of BWD. However, given the early stage nature of the underlying assets, we do not believe this special value to be material or quantifiable at this point in time.

Sensitivity of our valuation assessment to future assumptions

As outlined in section 9.1.7, our assessed value of COK is particularly sensitive to changes in the coal price, exchange rate and discount rate. Commodity price and exchange rate have recently been affected by a significant degree of volatility and there are a broad range of views in relation to future trends. Our assessment of these variables in our valuation of COK is broadly based on analysts' consensus estimates. However, other credible assumptions could be adopted which could impact our valuation assessment positively or adversely.

Whilst, we are of the opinion that our assumptions are reasonable, depending upon the views taken by individual shareholders in relation to these assumptions, it is possible that individual shareholders could form a different view on the appropriate range of values for COK.

Prospect of a superior offer or alternative transaction

Whilst BWD has agreed not to solicit any competing proposals or to participate in discussions or negotiations in relation to any competing proposals, there are no impediments to an alternative proposal being submitted by potential interested parties. The transaction process should act as a catalyst for potential interested parties and it will provide significant additional information in the Target's Statement and Independent Expert's Report to assess the merits of potential alternative transactions.

If an alternative proposal on better terms were to emerge, it is expected that this would occur before the Proposed Takeover becoming unconditional. In the event that an alternative offer on better terms emerge, shareholders will be entitled to not accept the Proposed Takeover.

Furthermore, we understand that BWD Directors have already taken into consideration a range of other potential transactions including equity raisings, asset sales, joint ventures and other merger opportunities, and the BWD Directors believe the Proposed Takeover is the most value enhancing option available to BWD Shareholders at the current time.

Tax implications

The taxation consequences for accepting BWD Shareholders will vary according to their individual circumstances. If appropriate or required, BWD Shareholders should seek independent financial and tax advice on the implications of accepting the Proposed Takeover.

Implications for non-accepting BWD Shareholders

If the Proposed Takeover becomes unconditional but COK is not entitled to compulsorily acquire all outstanding BWD shares, all other things being equal, BWD shares may trade at prices materially below the value of the consideration offered by COK.

We also note that the BWD Shares have limited liquidity and non-accepting BWD Shareholders may have a reduced ability to sell their shares. In addition, BWD Shareholders will likely be required to fund their respective share of BWD's funding commitment for the development of its priority projects or be diluted.

Directors' recommendations and intentions

As set out in the Target's Statement, at the date of this report, the Directors of BWD have, in the absence of a superior proposal and subject to an independent expert continuing to opine that the Proposed Takeover is fair and reasonable and subject to completion of the Proposed Recapitalisation, unanimously recommended acceptance of the Proposed Takeover.

The Directors of BWD have also indicated their intention to accept the Proposed Takeover in respect of their own shareholdings in BWD Shares subject to an independent expert continuing to opine that this Proposed Takeover is fair and reasonable and subject to completion of the Proposed Recapitalisation. The Directors of BWD currently hold approximately 4.0% interest in BWD on an undiluted basis.

Noble's intentions

BWD's largest shareholder, Noble, has indicated its intention to accept the Proposed Takeover in respect of its entire shareholding in BWD in the absence of a superior proposal, subject to an Independent Expert continuing to conclude that the Proposed Takeover is fair and reasonable, and subject to completion of the Proposed Recapitalisation. Noble currently holds approximately 51.2% interest in BWD on an undiluted basis.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Takeover is **REASONABLE to BWD Shareholders**.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors relevant to BWD Shareholders, we have formed our opinion that the Proposed Takeover is **FAIR AND REASONABLE** to BWD Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision as to whether or not to accept the Proposed Takeover is a matter for each shareholder of BWD based on their own views of value of BWD and COK and expectations about future market conditions, BWD and COK's performance, risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Proposed Takeover, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

PHILLIP RUNDLE
Director

25 November 2013

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by BWD to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Takeover of BWD by COK. This report is included in the Target's Statement outlining the Proposed Takeover.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from BWD a fee in the range around A$135,000 plus GST, which is based on commercial rates plus reimbursement of out-of-pocket expenses in relation to the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of BWD and COK in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("**ASIC**"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with BWD and COK (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Takeover .

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Takeover, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Takeover. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC.

Grant Thornton Corporate Finance was also engaged by COK to prepare an independent expert's report setting out an opinion on the fairness and reasonableness of the Noble Subscription to shareholders of COK for the purposes of item 7 of section 622 of the Corporations Act.

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Industry Complaints Services Complaints Handling Tribunal, No F-3986. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and this FSG. Complaints or questions about the Target Statement should not be directed to Grant Thornton Corporate Finance.

Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Takeover

1.1 Proposed Takeover

COK and BWD entered into a BIA on 17 October 2013 under which COK has agreed to acquire all of the issued share capital of BWD (i.e. the Proposed Takeover). The Consideration offered is 2 COK Shares for every 1 BWD Share.

If the Proposed Takeover becomes unconditional and COK acquires all the issued capital of BWD, BWD Shareholders will hold 8.6% of the share capital of the Merged Group assuming completion of the Proposed Recapitalisation but no COK Shares are issued under the SPP. The collective holding of BWD Shareholders will reduce to 7.3% of the enlarged share capital of the Merged Group if the maximum number of COK Shares (777.8 million) is issued under the SPP.

Set out below is a summary of the other key terms of the Proposed Takeover:

- COK has agreed that if it acquires in excess of 52.1% of BWD (undiluted basis), COK will execute an A$4.0 million loan agreement with BWD ("New Facility") to enable BWD to repay A$4.0 million of its existing A$7.7 million loan with Noble ("Noble Loan"). The New Facility will be repayable in full 3 months after the date of the first draw down, and will be on materially the same terms as the Noble Loan other than repayment period and amount[14].

- If the Proposed Takeover becomes unconditional and COK acquires in excess of 52.1% of BWD (undiluted basis), all unvested performance rights in BWD ("Performance Rights")[15] will vest and become exercisable for the purpose of enabling holders of BWD Performance Rights to accept the Proposed Takeover.

- BWD and COK have entered into an exclusivity arrangement which applies from the date of the BIA until the earlier of the termination of the BIA or the close of the offer period in relation to the Proposed Takeover ("Exclusivity Period"). During the exclusivity period BWD and COK are bound by customary no-talk, no-shop and no-due diligence provisions.

- There is no break fee payable under the BIA.

1.1.1 Conditions of the Proposed Takeover

The Proposed Takeover Offer is subject to a number of conditions, including but not limited to the following:

- COK obtaining a relevant interest in at least 52.1% of all the BWD Shares on an undiluted basis.

- The Noble Subscription[16] under the Proposed Recapitalisation is successfully completed. We note that the Proposed Recapitalisation comprises 3 inter-conditional placements (Noble

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[14] The Noble Loan is due to expire on 31 December 2013. For further details refer to section 4.5.3.
[15] Currently there are 7,225,000 Performance Rights on issue.
[16] Issue of 866.0 million COK Shares to Noble (or its nominee) at an issue price of A$0.05 per share to raise A$43.3 million (Noble Subscription).

Subscription, SK Subscription and Institutional Placement). Accordingly, the Noble Subscription can be completed only if the Proposed Recapitalisation as a whole is completed.

- No material adverse changes to BWD's operations.
- No material acquisitions, disposals or new commitments by BWD without COK's prior written consent.
- No prescribed occurrences.

Refer to section 9.2 of the Target's Statement for further details in relation to the conditions of the Proposed Takeover.

1.1.2 COK's intention in relation to the Proposed Takeover

COK's intention upon acquisition of a controlling stake (equal to or greater than 50.1% but less than 90%) of the BWD shares are summarised below:

- Seek reconstitution of the BWD Board and appointment of its nominees as BWD Directors to reflect COK's majority ownership of BWD.
- Review the benefits and suitability of BWD's listing on the ASX.
- Review of BWD's operations, assets, structure and employees to identify any business opportunities, improve performance and realise any potential synergies.

COK's intention upon acquisition of 90% or more of the BWD shares are summarised below:

- Compulsory acquisition of any BWD Shares not acquired under the Proposed Takeover.
- Delisting of BWD from ASX.
- Appoint COK's nominees to the BWD Board and seek the retirement of some or all current board members of BWD and associated entities.
- Review of BWD's operations, assets, structure and employees to identify any business opportunities, improve performance and realise any potential synergies.

1.2 The Proposed Recapitalisation

On 17 October 2013, COK announced the Proposed Recapitalisation in order to extinguish existing debt obligations and provide funding for the development of the Baralaba North Expansion Project. As discussed above, completion of the Proposed Recapitalisation is one of the key conditions precedent of the Proposed Takeover.

The Proposed Recapitalisation comprises the following:

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- Noble Subscription – issue of 866.0 million new COK Shares to Noble at an issue price of A$0.050 per share to raise A$43.3 million.

- SK Subscription – issue of 1,000 million new COK Shares to SK at an issue price of A$0.050 per share to raise A$50 million.

- Institutional Placement – issue 1,333.3 million new COK Shares to institutional and sophisticated investors at an issue price of A$0.045 per share to raise A$60.0 million. The book-build for the Institutional Placement was completed on 23 October 2013 and was cornerstoned by Harum. Harum committed A$20.2 million under the Institutional Placement.

The funds raised under the Proposed Recapitalisation will be used by COK for the following:

- Repaying the existing KEBA Loan[17] of A$95 million.

- Funding the development of the Baralaba North Expansion Project.

- Transaction costs.

The SK Subscription, Noble Subscription and the Institutional Placement are inter-conditional but interdependent of each other.

In conjunction and subject to the Proposed Recapitalisation being completed, COK has also announced certain ancillary transactions comprising the SPP, the Noble/SK Marketing Agreements, the ANZ Facilities[18] and the Mezzanine Facility. These ancillary transactions are briefly described below.

1.2.1 Noble and SK Marketing Agreements

In conjunction with the Noble Subscription, COK has granted exclusive worldwide (excluding Korea and Taiwan) coal marketing rights to Noble. The key terms of the Noble Marketing Agreement are summarised below:

- *Marketing fee* – marketing fee equal to 2.5% of the final invoiced sales price per tonne (this will be reduced to take into account marketing fees payable by COK to third parties under certain existing agency agreements)("Marketing Fee"). However, no marketing fee will be payable for coal acquired by Noble as principal.

- *Marketing services* – Noble is required to provide certain on-going marketing services in relation to all international coal markets (excluding Taiwan and Korea), including assisting with procuring and executing off take agreements.

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[17] The KEBA Loan expires in 27 December 2013 and it has been extended 3 times since December 2012 due to the difficulties of COK to raise the required funds.

[18] The ANZ Facilities are not subject to the completion of the Proposed Recapitalisation. However, COK will not be able to meet certain conditions precedents of the ANZ Facilities if the Proposed Recapitalisation does not complete.

- *First and last right of refusal* – If for financing purposes, COK enters into a long-term off-take agreement in relation to the supply of coal to end-users[19], COK must provide Noble with a first right of refusal and a last right of refusal to acquire the coal that is subject of the long-term off-take agreement.

- *Sale of coal* – Noble is not authorised to enter into any contracts for the sale of coal without prior approval of COK.

- Other terms and conditions customary for an agreement of this type.

The terms of the SK Marketing Agreement are substantially on the same terms, however the SK Marketing Agreement is limited to Korea and Taiwan.

We also note that SK will receive compensation in relation to renouncing its existing right to market COK coal in certain Asia Pacific countries.

1.2.2 ANZ Facilities

The joint venture partners in the Baralaba North Expansion Project, COK and JFE Shoji Trade Corporation ("JFE Shoji"), have signed a credit approved term sheet with ANZ for a fully underwritten A$255 million senior secured project finance package (the ANZ Facilities), comprising:

- A$180 million Project Finance Facility.

- A$20 million Cost Overrun Facility.

- A$55 million Bonding Facility to provide environmental guarantees.

The ANZ Facilities remain subject to the parties entering into definitive documentation.

The ANZ Facilities have a term of 7 years and in conjunction with the Proposed Recapitalisation (and the Mezzanine Facility), will provide the funding required for the development of the Baralaba North Expansion Project. The drawdown of the ANZ Facilities is subject to:

- COK being granted Mining Leases for 3.5 million tonnes per annum ("Mtpa").

- COK entering into off-take agreements for at least 75% of its production for the Baralaba North Expansion Project.

- COK and JFE being fully funded for the equity component of the upfront capital expenditure.

- Repayment of the A$95 million KEBA Loan.

- JFE Shoji committing to proceed with the Baralaba North Expansion Project.

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[19] We note that one of the conditions precedents for COK to drawdown the ANZ Facilities for the development of the Baralaba North Expansion Project is to enter into an off-take agreement for 75% of the coal produced.

- Other conditions precedent typical of a project financing of this nature.

Whilst completion of the Proposed Recapitalisation is not a condition precedent to the drawdown of the ANZ Facilities, we note that COK is unlikely to be able to repay the KEBA Loan or be fully funded for the Baralaba North Expansion Project if the Proposed Recapitalisation is not completed.

1.2.3 Mezzanine Facility

Following completion of the Proposed Recapitalisation, COK intends to seek proposals from potential investors to provide a mezzanine financing facility of up to A$50 million to ensure the condition precedent to the drawdown of the project finance facility in relation to COK having sufficient financing to fund the development of the Baralaba North Expansion is fully met.

The Company has already received a number of indicative term sheets and expressions of interest, including from Noble, and will look to run a formal process after the completion of the Proposed Recapitalisation.

1.2.4 SPP

On 31 October 2013, COK released the details of the SPP as summarised below:

- Issue price – A$0.045 per share.
- Issue amount – A$15,000 worth of fully paid ordinary shares per investor capped at A$35 million in total.
- Record date – 16 October 2013.
- Eligible shareholders – Shareholders with a registered address in Australia and New Zealand at the Record date.
- Closing date – 20 December 2013 (unless extended).

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2 Purpose and scope of the report

2.1 Purpose

The BWD Directors have commissioned Grant Thornton Corporate Finance to prepare an independent expert's report to assess whether the Proposed Takeover is fair and reasonable to BWD Shareholders.

The Directors of BWD have also commissioned Grant Thornton Corporate Finance to provide an opinion as to whether ("Collateral Benefit Report"):

- The Noble Marketing Agreement and Noble Subscription are on an arm's length basis; and
- The terms of the Noble Marketing Agreement and Noble Subscription constitute the receipt of a collateral benefit for the purpose of the Corporations Act as interpreted in the Takeovers Panel Guidance Note 21 ("GN 21").

The Collateral Benefit Report is a separate report from this independent expert's report on the Proposed Takeover.

2.2 Basis of assessment

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has had regard to Regulatory Guide 111 "Content of expert reports" ("RG 111"). RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer.

As the Proposed Takeover is a takeover bid, RG 111 requires the following assessment:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
  - The offeror's pre-existing entitlement, if any, in the shares of the target company.
  - Other significant shareholding blocks in the target company.
  - The liquidity of the market in the target company's securities.

– Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.

– Any special value of the target company to the offer, such as particular technology and the potential to write off outstanding loans from the target company.

– The likely market price if the offer is unsuccessful.

– The value to an alternative offeror and likelihood of an alternative offer being made.

In arriving at our opinion, Grant Thornton Corporate Finance has determined whether the Proposed Takeover is fair to BWD Shareholders by comparing the fair market value per share of BWD on a control basis before the Proposed Takeover to the fair market value of the Consideration offered under the Proposed Takeover on a minority basis.

In considering whether the Proposed Takeover is reasonable to BWD Shareholders, we have considered a number of factors, including:

- Whether the Proposed Takeover is fair.
- The implications to BWD and BWD Shareholders if the Proposed Takeover does not complete.
- Other likely advantages and disadvantages associated with the Proposed Takeover as required by RG 111.
- Other costs and risks associated with the Proposed Takeover that could potentially affect BWD Shareholders.

2.3 Reliance on Technical Experts

For the purpose of this report, BDA was engaged to conduct an independent review and assessment of the coal assets held by BWD (i.e. BDA BWD Report) and to conduct an independent geological and technical assessment of the Baralaba Complex and other tenements held by COK (i.e. BDA COK Report). The BDA BWD Report and BDA COK Report are included as Appendix G and Appendix H to this report respectively.

It is noted that COK has also appointed Grant Thornton Corporate Finance as the independent expert in relation to the Proposed Recapitalisation. The BDA COK Report has also formed part of the independent expert report prepared by Grant Thornton Corporate Finance for COK. BDA has provided the same report, in all material respects, to Grant Thornton Corporate Finance in relation to the Proposed Recapitalisation and Proposed Takeover. We have discussed this joint appointment with BDA and based on these discussions and a review of the relevant independence regulatory requirements, nothing has come to our attention that would suggest that the use of the BDA BWD Report and BDA COK Report by Grant Thornton Corporate Finance for the purpose of the Proposed Recapitalisation and Proposed Takeover would impair BDA's independence in relation to the Proposed Takeover.

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2.4 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Offer with reference to the ASIC Regulatory Guide 112 "Independence of Experts" ("RG112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Offer other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Takeover.

We note that Grant Thornton Corporate Finance has also been separately engaged by the Directors of COK to form an opinion whether or not the Noble Subscription and the SK Subscription under the Proposed Recapitalisation are fair and reasonable to COK Shareholders not associated with Noble and SK. We note that the Proposed Takeover is a separate transaction from the Proposed Recapitalisation. The Proposed Takeover can only become unconditional if the Proposed Recapitalisation completes. The Proposed Recapitalisation is not contingent upon completion of the Proposed Takeover and the purpose of the Independent Expert's Report prepared in conjunction to the Proposed Takeover is separate and different from the Proposed Recapitalisation.

2.5 Consent and other matters

Our report is to be read in conjunction with the Target's Statement dated on or around November 2013 in which this report is included, and is prepared for the exclusive purpose of assisting BWD shareholders in their consideration of the Proposed Takeover. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Target's Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Takeover to BWD Shareholders as a whole. We have not considered the potential impact of the Proposed Takeover on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Takeover on individual shareholders.

The decision of whether or not to approve the Proposed Takeover is a matter for each BWD Shareholder based on their own views of value of BWD and expectations about future market conditions, BWD' performance, risk profile and investment strategy. If BWD Shareholders are in doubt about the action they should take in relation to the Proposed Takeover, they should seek their own professional advice.

3 Industry overview

3.1 Introduction

BWD is mainly focused on the exploration of thermal coal in Queensland, and COK is mainly engaged in the production, development and exploration of PCI and thermal coal in Queensland. Accordingly, we have focused this section on the PCI and thermal coal mining industry ("the Coal Industry").

Australia is the leading exporter of black coal globally, with black coal being Australia's second-highest export commodity. There are two main types of black coal: metallurgical coal and thermal coal.

Metallurgical coal

Metallurgical coal is a high carbon content coal used mostly for the manufacturing of coke which is a key ingredient in the production of iron and steel. Metallurgical coal is further categorised broadly into hard coking coal, semi-hard coking coal, semi-soft coking coal and PCI coal in order of carbon content.

Metallurgical coal with higher levels of carbon content, i.e. hard coking coal is more favoured in the production of coke and therefore trades at a premium to lower grade metallurgical coal i.e. semi-soft coking coal. PCI coal is used to reduce the amount of coke consumed in the steel production process.

PCI coal with low ash and low sulfur, high carbon content, and low volatiles are generally more favoured. COK currently produces a premium ultra-low volatile PCI coal with a relatively low volatile content of approximately 12%.

Thermal coal

Thermal coal is a relatively lower carbon content coal and is predominately used in the generation of electricity at power stations.

Generally, thermal coal is first milled to a fine powder in a pulveriser and then blown into the combustion chamber of a boiler where it is burnt at around 1,400°C. The hot gases and radiant heat energy produced convert water in tubes lining the boiler into steam which is passed into a turbine to create electricity.

Coal production

The following graph shows the top 10 coal producing countries in the world. In 2012, Australia was the third largest producer globally. Coal produced in the United States ("US") and China is mainly used for domestic consumption. As a result, Australia is the world's largest exporter of black coal.

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World Annual Coal Production

Source: BP, (June 2013) Statistical Review

The Coal Industry in Australia derives approximately 80.9% of total revenue from export sales. Australia's black coal exports account for over 20% of the seaborne trade in thermal coal and nearly 60% of the seaborne trade in metallurgical coal.

We note that Australia's ability to increase coal exports in the future is largely limited by the availability of port and rail capacity and therefore is dependent on the timing of development of infrastructure projects.

3.2 Key drivers affecting the Coal Industry

In recent years, the prices for PCI and thermal coal have both experienced significant volatility. From 2004 to 2008, coal prices increased to historic highs due to rapid growth and industrialisation of large emerging countries such as China and India. Demand and prices then decreased substantially with the onset of the global financial crisis in the second half of 2008 ("GFC") and have remained subdued with continued economic uncertainty. Short term spikes in the last few years have been driven by supply shocks (Queensland floods) rather than improvements in the underlying economic fundamentals.

The key drivers affecting the Coal Industry include:

- *Demand for coal* – the demand for PCI coal is mainly derived from the iron and steel manufacturing industry while demand for thermal coal is mainly derived from the power generation industry. Both downstream industries are closely linked with economic growth and growth in world population.

- *PCI and thermal coal prices* – low coal prices tend to have a negative impact on the level of coal development and production activities and vice versa. Market commentators have indicated that at the current thermal coal prices, a large number of producers are believed to be operating with negative cash margins.

- *Gas and oil prices* – natural gas and oil are increasingly being utilised as a substitute for thermal coal. As a result, higher coal prices relative to gas and oil prices will encourage increased substitution.

- *Climate* – weather conditions affect the level of electricity required for heating and in turn, the demand for thermal coal.

- *Exchange rates* – coal is usually traded in US dollars, therefore relative exchange rates are an important factor affecting the level of global coal trading and demand.

- *Political and regulatory factors* – coal development and production are considered high risk activities as there is a considerable amount of risk and uncertainty surrounding the commercial viability of such projects. Tenements located in countries with well-defined regulatory processes and a stable political environment may be more attractive to coal developers and producers as they are less risky than unregulated and politically unstable countries.

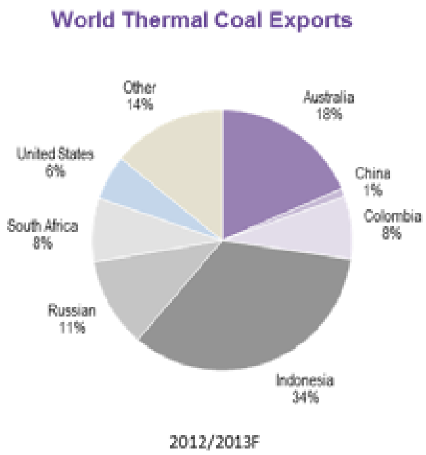
- *Funding requirements* – given the inherent riskiness of the Coal Industry, the availability and cost of capital to fund coal projects can significantly impact on the level of coal development and production activities being undertaken.

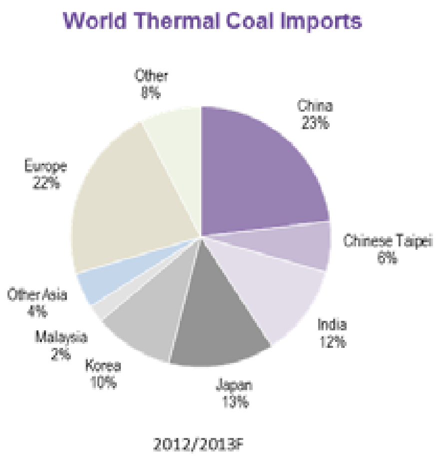
3.3 Thermal Coal

Thermal coal accounts for approximately 60% of Australian coal output and 55% of Australian coal exports[20].

The demand for thermal coal arises from its use as a fuel for power generation. An estimated 70% of thermal coal usage is accounted for by electricity generation, with another 20% being used by industry (primarily the cement industry). The overall demand for thermal coal depends strongly on the demand for electricity which is intimately linked to the growth of the global economy and in particular, neighboring Asia-Pacific countries such as China.

The table below shows the world thermal coal imports and exports for forecast 2012/2013.





Source: BREE, Annual Resources and Energy Statistics 2013

[20] IBIS World, Black Coal Mining in Australia - Industry Report - June 2013.

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As set out in the charts above, Australia is the second largest exporter of thermal coal behind Indonesia. The production of thermal coal in Australia is forecast to increase by a CAGR of 8.7%[21] from 2013F to 2017F as a result of new mines coming on stream to meet expected demand.

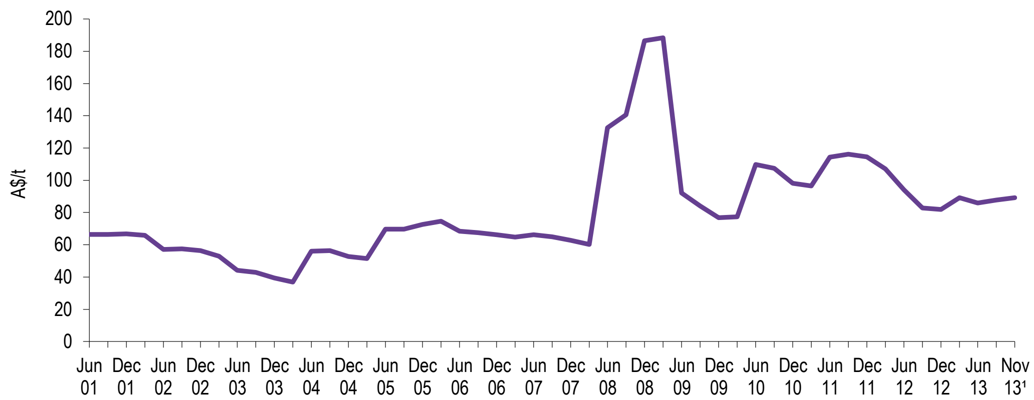
Japan and China are the main markets for Australia's coal exports, with Japan increasing imports of thermal coal after the nuclear electricity plant crisis at Fukishima, and China becoming a net importer of thermal coal in 2009. Chinese domestically produced thermal coal tends to trade below international thermal coal prices due to both lower operational costs and lower coal quality requirements. Since China is the world's largest importer, this has put downward pressure on international coal prices.

Thermal coal price

NSW Newcastle thermal coal sets the benchmark for global thermal coal prices. The thermal coal price benchmark is usually settled by large producers such as Rio Tinto and Xstrata/Glencore Coal on an annual basis. The current spot thermal coal price is A$83 per metric ton ("t")[22]. The price for Australian thermal coal suitable for export is typically established in long term contracts with electricity utilities where the prices and the volumes are re-negotiated on an annual basis. Coal prices are generally set in US dollars, and variations in the exchange rate affect the Australian dollar returns available to Australian producers.

The graph below shows historical quarterly thermal coal prices (nominal).

Historical Thermal Coal Prices



Note (1): Average thermal coal price from 1 October 2013 to 22 November 2013
Source: Credit Suisse and CapitalIQ

The price of thermal coal has been highly volatile in the last decade.

The price of thermal coal rose dramatically between 2004 and 2008 with the thermal coal price increasing to over A$180/t in the fourth quarter of 2008. A booming world economy driven by the rapid industrialisation of Brazil, Russia, India and China (the BRIC countries) caused worldwide electricity demand to increase significantly, driving up thermal coal prices. The increase in prices was supported by unseasonably cold weather in China (increasing electricity demand), flooding in

[21] Department of Resources, Energy and Tourism website, accessed 26 September 2013.
[22] Spot price for Newcastle Coal as at 20 November 2013 (source CapitalIQ).

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Australia (disrupting supply) and high crude oil and natural gas prices driving energy demand toward coal.

In late 2008, the thermal price decreased significantly with the onset of the global financial crisis. The thermal coal price decreased by 15% from an average price of A$129/t in 2008 to A$110/t in 2011.

Coal mines in Queensland saw widespread flooding again in early 2011. As Australian mines account for about 60% of the world's coal exports, the flooding severely restricted worldwide supply, pushing prices to about A$120/t. The price declined over the remainder of the year with recovery from the flooding and a particularly mild 2011-2012 winter in the United States.

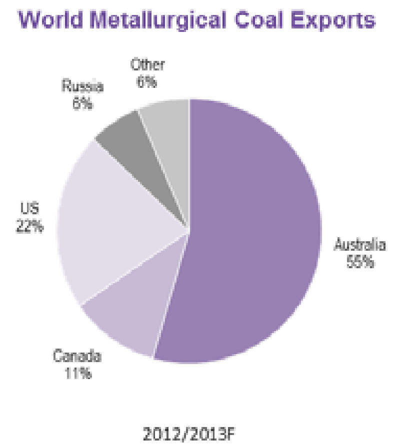
In 2012 to 2013, the price of thermal coal has remained subdued with high inventory stockpiles around the world putting pressure on prices. The global demand and pricing for thermal coal have also been affected by the recent emergence of natural gas as a substitute. The availability of cheaper natural gas has had a material adverse impact on the US domestic demand for thermal coal. This factor, in combination with a number of new mines coming on line globally and the existing stockpiles in the Chinese market has created oversupply of thermal coal globally, depressing prices in the short term.

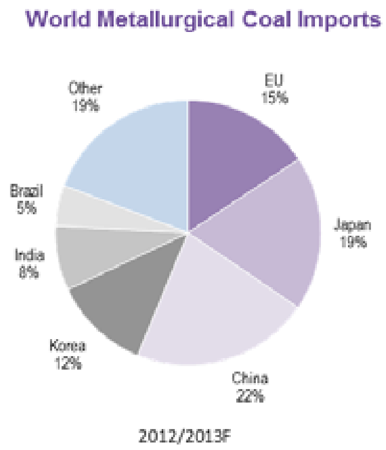
3.4 Metallurgical Coal

Demand for metallurgical coal (including both coking coal and PCI coal) is dependent on levels of steel production. Trends in the demand for and output of pig iron and steel are prime determinants of global demand for coke, and hence for metallurgical coal. Shifts in steel production methods also influence demand. Changes in the relative prices of electricity and coking coal, and the availability of steel scrap influence the switching between blast furnaces and electric arc furnaces. The latter are primarily scrap recycling operations, and require only minimal amounts of coke.

Metallurgical coal is expected to account for approximately 40% of Australia's coal output by volume in 2012-13 and for 46% of the volume of Australian coal exports[23].

The charts below show the world metallurgical coal imports and export in 2012/2013.





[23] IBIS World, Black Coal Mining in Australia - Industry Report - June 2013.

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Source: BREE, Annual Resources and Energy Statistics 2013

China and Japan are two of the largest importers of metallurgical coal, together accounting for 41% of world metallurgical imports in 2013F. Australia is the largest exporter of metallurgical coal. Australia's proximity with the emerging Asian countries provides a competitive advantage. However, the increase of coal exports in the medium term is constrained by the availability of port and rail infrastructure. The production of metallurgical coal in Australia is forecast to increase by a CAGR of 7.1% from 2013F to 2017F.

China has emerged as a key metallurgical coal importer in recent years. In particular, between 2008 and 2009, China metallurgical coal import volumes increased by almost 5 times from 7 Mt in 2008 to 34Mt in 2009. This was mainly driven by a government stimulus program to build infrastructure.

In 2013, China's metallurgical coal imports are forecast to increase by 16% to 61 Mt. In 2014, China's imports are forecast to increase by a further 21% to 73 Mt as continued low seaborne prices encourage the consumption of imported coals over those produced domestically[24].

PCI coal

PCI coal is used to reduce the consumption of coke rather than in the manufacturing of coke. As a result, the demand for PCI coal is affected both by the demand for steel production and the relative price of coking coals (i.e. hard coking coal, semi hard coking coal and semi-soft coking coals). In periods of rising coking coal price, the PCI coal price tends to trade at a lower discount to hard coking coal.

Currently, the bulk of global seaborne ULV PCI coal[25] is produced and exported from Queensland, Australia. There are expectations that future demand of PCI coal will continue to be satisfied mainly out of Australia.

We understand that the level of volatile content in the coal produced at the Baralaba Mine is the second lowest in Australia, and that the Baralaba Mine is the only large scale ULV PCI expansion in stage 1 of the new proposed Wiggins Island Coal Export Terminal ("WICET")[26]. The PCI coals exported from Newcastle are typically of lower quality.

Metallurgical coal price

The hard coking coal price benchmark is usually set by Australia's largest suppliers such as the BHP Billiton Mitsubishi Alliance ("BMA Alliance")[27]. Other hard coking coal, including PCI coal and semi-soft coking coal are then sold at a discount to the benchmark price. Since 1 April 2010, hard coking coal contract prices are settled on a quarterly basis. The BMA Alliance has recently set a hard coking coal price of US$152/t for the fourth quarter of 2013.

The graph below shows historical quarterly metallurgical coal prices (nominal).

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[24] BREE, Annual Resources and Energy Statistics 2013.

[25] Volatile matter content below 14 % and which is the most favoured type of PCI coal for steel production.

[26] WICET is located at Golding Point, to the west of the existing RG Tanna and Barney Point Terminals, and will form part of the existing Port of Gladstone. WICET is owned and being developed by existing and potential coal exporters located in Queensland to provide increased long term export coal capacity.

[27] The BHP Billiton Mitsubishi Alliance is Australia's largest metallurgical coal producer and accounts for more than 28% of the world's seaborne trade in metallurgical coal.

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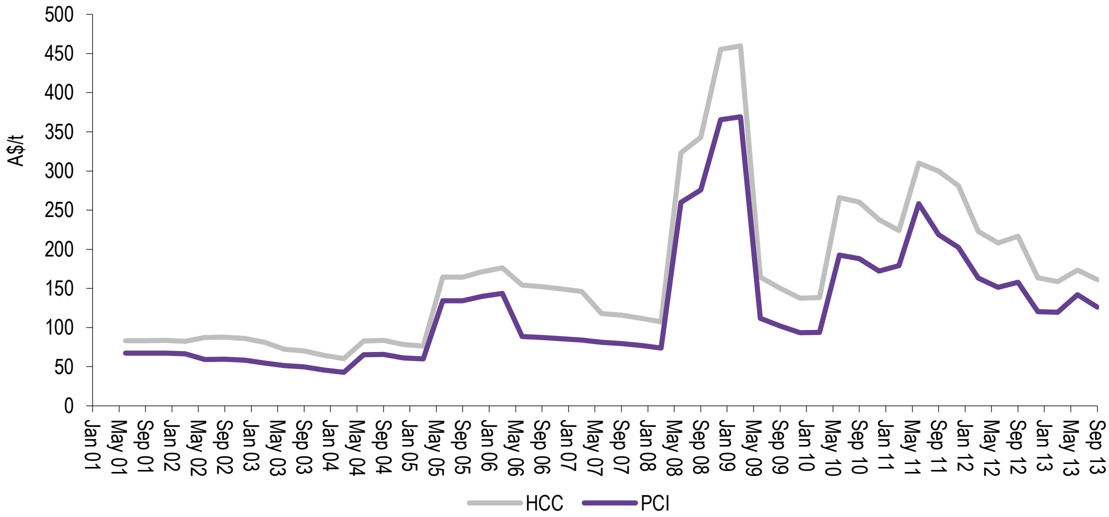
Historical Coking Coal Prices



Source: Credit Suisse

As set out in the graph above, metallurgical coal prices spiked before the global financial crises and then sharply decreased as the reduced demand for steel reverberated through the supply chain, decreasing demand for coking coal.

The increased demand for hard coking coal from Asian countries on the back of government stimulus implemented during the global financial crisis pushed demand and prices up to A$200/t for hard coking coal by the end of 2010. In addition, Queensland experienced significant flooding in early 2011, causing further supply constraint. As a result, the price of hard coking coal spiked in 2011 to about A$310/t. In 2012, the supply constraint eased, causing the price of hard coking coal to decrease during the year.

Historically, PCI coal has traded at 70% - 80% of hard coking coal prices. However, the gap between PCI coal and hard coking coal has narrowed over the last 12 months as PCI coal has become more widely used with improved technology and constrained supply of higher quality coking coal.

Although thermal coal and coking coal have separate markets, some product substitution does occur. This substitution is largely confined to low quality coking coal and high quality thermal coal. This is the reason why, historically, high volatile PCI and semi-soft coal prices have been related to thermal coal prices. Producers tend to switch between high-volatile coal, low-volatile coal and thermal depending on the relative attractiveness of the end market, i.e. steel demand and power generation.

3.5 Queensland Coal Basins

Queensland has a rich endowment of high-quality coal resources, with more than 34 billion tonnes (raw coal in-situ) having been identified by drilling operations.

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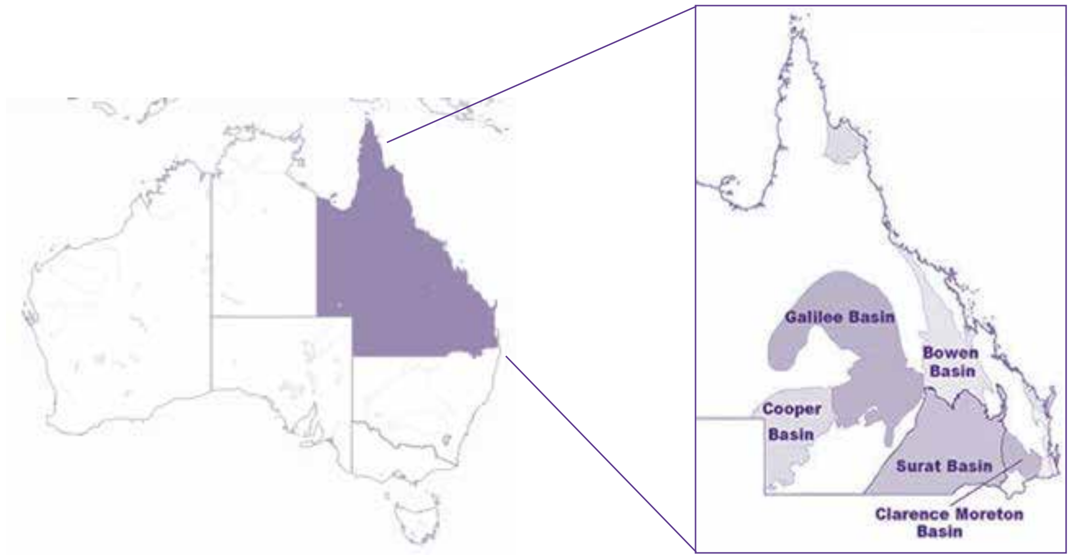
Identified resources of coking coal amount to approximately 8.7 billion tonnes, of which about 4 billion tonnes are suitable for open-cut mining[28]. The map below shows the major Queensland coal basins.



Source: Queensland Government

The Bowen Basin, which contains virtually all of the state's hard coking coal, is the most important source of export coal in Queensland. Coal deposits in the Bowen Basin of central Queensland include extensive resources of low and medium volatile semi-soft coking, hard coking coals and PCI coal. The Callide, Clarence-Moreton, Tarong and Surat basins are important sources of thermal coal suitable for export and for domestic power generation.

The Surat Basin, with its large resources of potentially open-cut thermal coal, continues to attract interest both nationally and internationally and is set to emerge as a major source of high quality thermal coal for export in the future. Large scale open-cut mining is expected to commence in the Surat Basin in the region around Chinchilla and north-west to Wandoan and Taroom in the medium term, subject to establishment of new rail and port infrastructure.

3.5.1 Infrastructure supporting the coal mining industry in Queensland

Over the last decade seaborne coal trade has been adversely impacted by inadequate infrastructure which has hindered the growth of coal exports. There are a number of stranded resource assets, in particular in the Surat and Galilee Basins, that are non-operational as it is not feasible to develop them without the appropriate supporting rail and port infrastructure. To help meet increasing demand from international buyers, the Queensland Government is working with the coal industry and private enterprise to facilitate mine expansions, the development of new coal mining projects and provision of adequate coal export infrastructure.

Rail infrastructure

The table below provides a summary of the current key Queensland rail infrastructure in place.

[28] Queensland Government, Queensland Coal Fact Sheet July 2012.

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Rail	Description
Newlands	The Newlands coal system is Queensland's northern-most coal system. It incorporates part of the North Coast Line between Durroburra and Kaili as well as the line to the port of Abbot Point. The system services 3 mines conveying export coal to Abbot Point Coal Terminal and domestic coal to the Queensland Nickel Refinery and the Bowen Coke Works.
Goonyella	The Goonyella system is located in Central Queensland, and services the Bowen Basin coal region. It carries coal to the Hay Point Coal Terminal, and Dalrymple Bay Coal Terminal, as well as products to other destinations by way of connections to the North Coast Line at Yukan and the Central Line via Gregory to Burngrove. The Goonyella Coal Chain services 30 mines.
Blackwater	The Blackwater system is the largest of the four coal systems and carries the second highest tonnages on the Queensland network, after the Goonyella system. It is located in Central Queensland, and services the Bowen Basin coal region. This system links mines to the two export terminals at the Port of Gladstone; RG Tanna Coal Terminal, and Barney Point Coal Terminal. The Blackwater system also services a number of domestic users including Stanwell and Gladstone Power Station, Cement Australia and the Comalco Refinery (Rio Tinto Alcan).
Moura	The Moura system is coupled with the Blackwater system to form the Capricornia Coal Chain. It is located in Central Queensland, south west of Gladstone. The system services the industrial and rural communities of the Dawson and Callide Valleys in Central Queensland. The system's coal is transported to Gladstone Power Stations, Comalco Refinery (Rio Tinto Alcan), Queensland Alumina Limited (QAL) and Cement Australia and the RG Tanna and Barney Point coal terminals at the Port of Gladstone. There are five mines in the Moura system.
Western System	The Western system is located in Southern/South Western Queensland, stretching from Quilpie in the west to Rosewood in the east (the extent of the Brisbane Metropolitan Area). The system caters for all types of traffic.

The table below provides a summary of the current key Queensland rail infrastructure developments in progress.

Development	Description
Wiggins Island Rail Project ("WIRP")	WIRP is the staged development of new rail lines and upgrading of existing lines to service the new WICET at the Port of Gladstone. WIRP will create a vital link between the new WICET and mines in the Southern Bowen and Surat Basins. In September 2011 Cockatoo entered into an agreement with QR Network Pty Ltd ("QR Network") to proceed with Stage 1 of the WIRP. The deal with QR Network was struck with seven other coal companies to build the A$900 million rail line to the new Stage 1 WICET. The eight coal producers have committed to a total of 27 million tonnes per annum capacity for the Stage 1 development of WICET. WICET has plans to increase the 27 Mtpa Stage 1 capacities by a Stage 2 development, increasing the terminal's export capacity by an estimated additional minimum 55 Mtpa. The development of WICIT is important to support the expansion plans of Cockatoo's Baralaba Complex in the Bowen Basin.
Goonyella	Aurizon is currently investing A$130 million in the Goonyella Rail Expansion Project. The projects will lift coal haulage capacity from 129 Mtpa to 140 Mtpa on the Goonyella System, the single largest export coal rail network in the country. The rail system upgrade by Aurizon will allow an additional 11 Mtpa capacity on the network, assisting further growth of Queensland's coal industry and the state economy, and supporting port expansion to lift the capacity at Hay Point Coal Terminal.[29]
Central Queensland Integrated Rail Project ("CQIRP")	Aurizon is investigating an integrated rail network from the Galilee and Bowen Basins to all Central Queensland coal ports. This includes: • upgrades and deviations to the existing Newlands rail line, from Goonyella and Abbot Point • approximately 180 kilometres of new rail corridor from the Galilee Basin to the Newlands rail line The proposed CQIRP would service the growing needs of the Galilee and Bowen Basins, providing access to the existing Central Queensland coal chain and multiple port destinations.
Surat Basin Rail ("SBR")	SBR is a proposed 204 kilometre railway that will boost economic development of regional Queensland, enhance the existing coal rail network and unlock more than six billion tonnes of coal reserves in the Surat Basin. In September 2013, Glencore Xstrata put on hold its A$6 billion Wandoan thermal coal project, which includes putting on hold the long awaited SBR as the project was being privately funded by a joint venture comprising ATEC Rail Group, Xstrata Coal and Aurizon. This has a direct effect on Cockatoo and Blackwood as they both have significant tenements in the Surat Basin that remain stranded.

Port infrastructure

[29] Aurizon Rail website, accessed 26 September 2013.

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The table below provides a summary of the current key Queensland port infrastructure in place.

Port	Description
Hay Point	The Port of Hay Point is one of the largest coal export ports in the world. It comprises two coal export terminals, Dalrymple Bay Coal Terminal ("DBCT") and Hay Point Coal Terminal ("HPCT"). HPCT is owned by BHP Billiton Mitsubishi Alliance-owned and operated by Hay Point Services. Together these coal terminals service the mines in the Bowen Basin in central Queensland. The mines are linked to the port terminals through an integrated rail-port network.
Gladstone	The Port of Gladstone is located 525 kilometres north of Brisbane. The Port of Gladstone is the fifth largest coal export terminal in the world and the largest multi-commodity port in Queensland. There are two coal terminals at Gladstone port: Barney Point Coal Terminal and RG Tanna Coal Terminal.
Abbot Point	Located 25 km north-west of Bowen on Queensland's north coast, Abbot Point is placed between the existing industrial centres of Townsville to its north, and Mackay to its south. Coal is currently supplied to the Abbot Point Terminal 1 ("T1") by rail from the Newlands, Collinsville and Sonoma mines and following the completion of the Goonyella Abbot Point Expansion by QRN earlier this year also a number of Goonyella customers. Current export capacity from T1 is 50 Mtpa.
Brisbane	Queensland Bulk Handling Pty Ltd ("QBH") operates the 10 Mtpa capacity export coal loading facility at the Port of Brisbane.

The table below provides a summary of the current key Queensland port infrastructure developments in progress.

Development	Description
WICET	WICET is located at Golding Point, to the west of the existing RG Tanna and Barney Point Terminals, and will form part of the existing Port of Gladstone. WICET is owned and being developed by existing and potential coal exporters located in Queensland to provide increased long term export coal capacity. Once fully commissioned, the multi-billion dollar industry-owned and privately funded terminal will provide over 80 Mtpa in additional export coal capacity through the Port of Gladstone[30]. In October 2010, Cockatoo entered into a Take or Pay Agreement for the securing of a 3 Mtpa allocation for Stage 1 of the WICET project.

3.5.2 Mineral Resource Rent Tax ("MRRT")

The Federal Government imposed an MRRT on coal and iron ore from 1 July 2012 which purports a taxing point as close to the point of extraction as practicable (using a mine gate concept).

Key features of the MRRT include the following:

- MRRT is not payable if the miner's assessable profits for the year are under A$75 million.
- The effective MRRT rate is 22.5% (i.e. a headline rate of 30%, less a 25% extraction allowance to recognise the use of specialist skills).
- The MRRT will carry forward unutilised losses at the government long term bond rate plus 7%.
- Deductions are transferable between projects subject to restrictions thereby allowing investments in the construction phase of a project to offset the MRRT liability from another of its projects that is in the production phase.

Cockatoo management do not expect the company to pay any MRRT due to the low sales prices being achieved and the royalty and starting base allowances available to Cockatoo.

[30] Wiggins Island Coal Export Terminal website, accessed 26 September 2013.

3.5.3 Carbon tax

Over the last 5 years, environmental regulation changes have been at the forefront of issues faced by the energy industry as a whole. The carbon pricing scheme or 'carbon tax' was introduced by the Gillard Government in July 2012 as a part of the Clean Energy Plan, which aims to reduce greenhouse gas emissions in Australia to 80% of 2000 levels by 2050 and ensure at least 20% of Australia's electricity generation comes from renewables by 2020. The plan provides incentives for increased energy efficiency and investment in sustainable energy. It requires businesses emitting over 25,000 tonnes of carbon dioxide equivalent emissions annually to purchase emissions permits and electricity wholesalers to purchase renewable energy certificates under the Renewable Energy Target if they are unable to meet their renewable energy targets.

COK is not currently directly impacted by the carbon tax as it is under the facility production threshold and does not expect to be over this threshold until production ramps up to 3.5mtpa at completion of the proposed Baralaba North Expansion Project.

However, we note that at the September 2013 election, the Liberal Coalition promised to fully abolish the carbon tax. Currently the Liberal Government is in process of drafting legislation to repeal the carbon tax.

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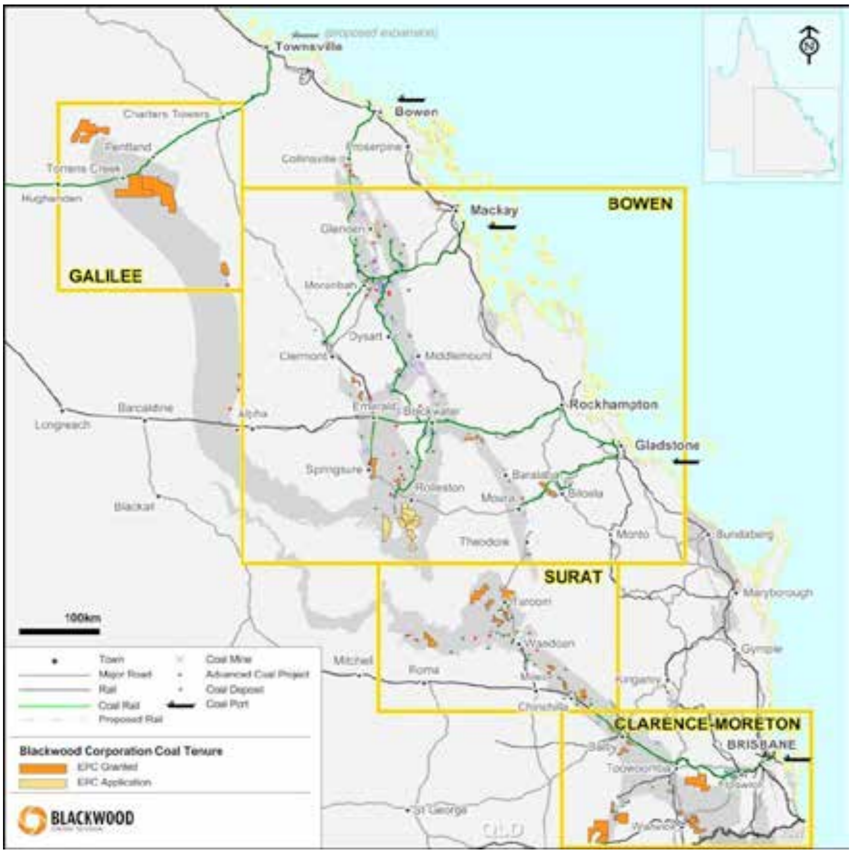
4 Profile of BWD

4.1 Introduction

BWD is listed on the ASX and it is primarily engaged in coal exploration and development in Queensland.

BWD holds 100% interest in a portfolio of 63 exploration permits ("EPC") covering an area of approximately 4,650 km² in the Bowen, Galilee, Surat and Clarence-Moreton Basins of Queensland. BWD has defined 17 projects for development and has deemed 6 of them as priority projects.

The map below illustrates the location of BWD's key projects in Queensland.



Source: BWD

4.2 Company history

Set out below is a brief overview of the corporate history of BWD.

Date	Comments
September 2004	Matilda Minerals Limited ("Matilda") (now known as BWD) was listed on the ASX as a resources company mainly engaged in the exploration and mining of zircon and rutile mineral sands at Tiwi Island.
August 2008	Matilda announced that it had applied for 34 exploration permits for coal in Queensland to supplement its existing mineral sands operations.
October 2008	Matilda announced that it had appointed voluntary administrators for the company and quotation of its shares on the ASX was suspended. The Company subsequently sold its mineral sands operations and assets to Stirling Resources Limited while retaining its coal assets.

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Date	Comments
December 2010	Matilda was successfully recapitalised, raising A$12 million (60 million ordinary shares at 20 cents per share) and relisting on the ASX as BWD, a coal exploration company. To assist with the recapitalisation of BWD, BWD entered into the following key agreements/ arrangements with existing substantial shareholder, Noble: • Noble's wholly owned subsidiary, Janvel Pty Limited ("Janvel") subscribed for up to 30.8 million shares in BWD (A$6.16 million) under the recapitalisation of BWD. • Janvel provided ongoing coal related technical services and strategic advice to BWD over a two year period for 24.7 million shares in BWD in lieu of a cash fee under a technical service binding heads of agreement (the "TSA"). For further details refer to section 4.4. • Noble agreed to purchase all coal produced by BWD under a marketing and product sales binding heads of agreement (the "Noble Product Sales Agreement"). For further details refer to section 4.4. Upon completion of the BWD recapitalisation, Noble increased its relevant interest in BWD from 32% to 44%[31] (69,989,760 shares) with Janvel becoming the largest shareholder in BWD.
December 2011	BWD issued 5,000,000 ordinary shares at 20 cents per share to Noble pursuant to services provided to BWD under the TSA (the TSA was terminated in November 2011). Noble also subscribed for an additional 19,700,000 BWD shares at 20 cents per share. As a result, Noble increased its interest in BWD to approximately 51.17%.
May 2012	BWD announced a proposed share placement of 94,680,760 shares to Mulsanne Resources Pty Ltd ("Mulsanne"), a company associated with the Tinkler Group, to raise approximately A$28.4 million ("Proposed Tinkler Placement"). The proposed placement price of A$0.30 cents per share represented a 50% premium to BWD's 5-day VWAP as at 4 May 2012. Completion of the Proposed Tinkler Placement would result in the Tinkler Group being entitled to nominate two directors to the BWD Board. The Proposed Tinkler Placement was approved by BWD Shareholders in July 2012.
August 2012	BWD announced that Mulsanne has failed to pay the placement monies to BWD in the allocated time under the Proposed Tinkler Placement. BWD announced that it has commenced the process of exercising its legal rights against Mulsanne to recover the placement monies. BWD announced that it had entered into an unsecured A$5 million short term draw down facility with Noble to fund working capital ("Noble Loan"). The Noble Loan was subsequently increased to A$7.3 million in April 2013 and then A$8.3 million in June 2013 with a repayment date on 31 December 2013. For further details refer to section 4.5.3.
June 2013	BWD received A$12 million in settlement monies in relation to the Proposed Tinkler Placement.
September 2013	BDW announced maiden coal JORC resources of 322 Mt and 51.8 Mt at its South Pentland and Taroom Projects respectively.
October 2013	BWD announced that it had entered into a BIA under which COK has agreed to make an off-market Proposed Takeover offer ("the Proposed Takeover") for all the shares in BWD at 2.0 shares in COK for each share in BWD.

Source: ASX announcements and publicly available information

4.3 Assets overview

The table below summarises the 2012 JORC exploration targets and resources of BWD's projects.

[31] Direct interest of approximately 25%.

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Project	Basin	BWD ranking	Target coal type	Exploration target (Mt)	Inferred resources (Mt)
South Pentland	Galilee	Priority	T	3,600 - 5,000	322
North Hughenden	Galilee	Pipeline	T	-	-
North Carmichael	Galilee	Pipeline	T	-	-
Dingo	Bowen	Priority	PCI	-	-
Capella	Bowen	Priority	T,SS,CC	-	-
South Rolleston	Bowen	Priority	T,SS , CC	-	-
North Rolleston	Bowen	Pipeline	T,SS	-	-
Springsure	Bowen	Pipeline	T	-	-
Calen	Bowen	Pipeline	T,SS	-	-
Bioela	Bowen	Pipeline	T	-	-
Taroom	Surat	Priority	T	1,000 - 1,300	52
Bymont	Surat	Priority	T	300 - 420	-
Chinchilla	Surat	Pipeline	T	190 - 240	-
Dalby	Surat	Pipeline	T	-	-
Milmeran	Clarence Moreton	Pipeline	T	-	-
Warwick North	Clarence Moreton	Pipeline	T	-	-
Warwick Sotuh	Clarence Moreton	Pipeline	T	-	-
Total				**5,090 - 6,960**	**374**

Source: BWD Management and BDA
Note (1): These are only target coal types. There is currently insufficient data to confirm the coal types.
Note (2): Coal types are thermal (T), semi-soft coking coal (SS) and coking coal (CC).

Set out below is a brief description of BWD's 6 priority projects. Please refer to the BDA report attached as Appendix G for further details.

Project	Description
South Pentland Project	The South Pentland Project is located in the north east of the Galilee Basin, and is one of the closest Galilee Basin projects to the coast. Major roads (Flinders Highway) and railway (Mt Isa to Townsville Rail System) are already established, traversing the northern edge of the tenure. These networks link the project to the Port of Townsville, as well as Abbot Point (via the North Coast Line). BWD has recently completed a 5 hole drilling program in the north-western area ("Lauderdale" sub-project) of the South Pentland Project resulting in a maiden JORC compliant inferred resource for the project of 322 Mt. The identified inferred resources represent approximately 6% of the total JORC target for the South Pentland Project exploration area. The coal quality results received display parameters that are consistent with an export quality thermal coal product. Exploration is continuing at the South Pentland Project with BWD aiming to complete a concept study and convert part of the identified inferred resources to indicated resources. It is expected the concept study will transition into a feasibility study subject to positive outcomes.
Dingo Project	BWD has completed a scout drilling program at the Dingo Project located in the South-East Bowen Basin resulting in the discovery of shallow low ash, ultra-low volatile PCI coal. The project is less than 15km from the Blackwater railway system that currently transports coal to the Port of Gladstone. The project is approximately 15km south of the township of Dingo, and is also serviced in close range by the Capricorn Highway. The drilling program consisted of two holes, encountering thick cumulative coal intersections of 4.9 meters to a depth of 76 meters with further coal identified at a greater depth.
Capella Project	The Capella Project is located approximately 20 km southwest from the town of Duaringa in the Bowen Basin, 450 km from the Port of Gladstone and covers an area of 101 sq km.
South Rolleston Project	The South Rolleston Project is located 20 km northwest from the town of Rolleston in the Bowen Basin, and consists of 1 granted EPC and 7 EPC applications. The project is located in close proximity to Xstrata's operating 'Rolleston' open cut mine and the Bauhinia rail link, with a total rail distance of approximately 400 km from the Port of Gladstone. BWD has not yet conducted any field work on the South Rolleston Project.

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Project	Description
Taroom Project	BWD has completed a scout drilling program at the Taroom Project resulting in a maiden JORC compliant inferred resource of 51.8Mt, defined over 8% of the project. The Taroom Project is located at the north-eastern corner of the Surat Basin in close proximity to GlencoreXstrata's Surat Basin projects, as well as COK's Taroom and Collingwood projects. The region is serviced by the Leichardt Highway and part of the Project is intersected by the proposed Surat Basin Railway to the Port of Gladstone. However we note that, In September 2013, Glencore Xstrata Plc ("GXP") announced that it has put on hold its $6 billion Wandoan thermal coal project, which includes putting on hold the development of the Surat Basin Railway as the project was being privately funded by a joint venture comprising ATEC Rail Group, GXP and Aurizon Holdings Limited. This has a direct effect of BWD, whose tenements in the Surat Basin will effectively remain stranded and unable to progress to a feasibility stage. Due to the above, BWD intends to continue to explore its Surat Basin projects as cost effectively as possible with the strategy of defining projects to an adequate level where they may be able to tap into the infrastructure if and when it becomes available.
Bymont Project	The Bymont Project is located in the Western Surat Basin covering an area of approximately 148 sq km, and with a 300 to 420 Mt exploration target modeled using over 340 drill holes. BWD has developed a comprehensive drilling program to further define the project which will be executed throughout the next year.

Source: ASX announcements

Below is brief description of other projects held by BWD.

Project	Description
Western Australia and Northern Territory Projects	The exploration license E/70/3292 in Western Australia is the subject of a farm-in agreement dated 1 September 2008 with Image Resources NL ("Image Resources), pursuant to which Image Resources has the right to earn a 70% interest in BWD's exploration license E70/3292 in Western Australia by sole funding expenditure on the exploration license of $400,000 within 5 years from the date of grant of the exploration license. BWD also holds exploration licenses in the Northern Territory which are subject to a farm-in and joint venture agreement dated 18 March 2008 ("JVA") with NuPower Resources Limited ("NuPower"). Pursuant to the NuPower JVA, NuPower has the right to earn up to 70% interest in any energy minerals, namely uranium, thorium and coal on BWD's exploration licenses EL25819, 26071 and 26103 in the Northern Territory. BWD retains the right to all other minerals on those exploration licenses.
Other exploration projects	In addition to the key projects outlined above, BWD also holds a number of early stage exploration tenements and applications located in the Bowen, Galilee, Surat and Clarence-Moreton Basins of Queensland. BWD's exploration activities on these tenements have mainly been restricted to preliminary drilling, field mapping and regional data compilation.

Source: ASX announcements

4.4 Noble Product Sales Agreement

On 10 September 2010, BWD (formerly known as Matilda) and Noble entered into a subscription agreement. Under the subscription agreement, Noble agreed to subscribe for 30,800,000 BWD Shares subject to the following:

- Implementation of a technical services binding heads of agreement pursuant to which Janvel provided BWD with strategic advice and technical services over a two year period (i.e. the TSA). In December 2011, Janvel was issued 5 million shares at A$0.20 per share in BWD for services provided under the TSA in lieu of cash. The TSA was terminated in November 2011.

- Implementation of a product sales binding heads of agreement (i.e. the Noble Product Sales Agreement). The Noble Product Sales Agreement provides for the appointment of Noble on a worldwide basis as the sole and exclusive sales and marketing agent for all coal produced by BWD ("the Products")[32].

The key terms of the Noble Product Sales Agreement are summarised below:

[32] Includes coal produced from all mining titles or tenements held by BWD or its related bodies corporate

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- Noble must use reasonable endeavours to promote and sell the Products with regard to the quantity and quality of the Products and prevailing market conditions.
- BWD has the ability to accept or reject the potential order provided by Noble. If accepted, Noble must purchase all Products free on board trimmed (FOBT) and on-sell the Products as principal.
- Noble is entitled to a marketing fee equal to 3.5% of the final invoiced gross sales price per tonne of the Products.
- Noble has the option to extend the Noble Product Sales Agreement to include all gas and other mineral products produced by BWD.
- BWD must not assign, transfer or grant rights or interests in its mining tenements to a third party without first offering Noble the right to purchase the mining tenements on as favourable terms (first and last right of refusal).
- The Noble Product Sales Agreement will terminate upon depletion of the existing and future ores held by BWD. Noble can also terminate the Noble Product Sales Agreement at any time by 30 days written notice.
- Other terms and conditions customary for an agreement of this type.

We note that Noble and BWD are yet to negotiate a formal agreement to reflect the terms and principles of the binding heads of agreement.

4.5 Financial information

4.5.1 Financial Performance of BWD

The audited consolidated income statements of BWD for the financial years ended 30 June 2011 ("FY2011"), 30 June 2012 ("FY2012") and 30 June 2013 ("FY2013") are set out in the table below.

Consolidated statements of comprehensive income Blackwood Corporation Limited	30-Jun-11 Audited A$'000	30-Jun-12 Audited A$'000	30-Jun-13 Audited A$'000
Revenues			
Operating revenues	170	283	115
Other income	1,020	2	12,007
Expenses			
Employee benefit expense	(1,035)	(1,972)	(1,619)
Legal expense	(277)	(235)	(1,647)
Administration and consulting expenses	(1,000)	(1,153)	(979)
Other expenses	(388)	(817)	(662)
Depreciation and amortization expenses	(3)	(21)	(41)
Finance charges	(17)	(15)	(683)
Loss before income taxes	**(1,531)**	**(3,927)**	**6,489**
Income tax expense	-	-	-
Total comprehensive income/(loss)	**(1,531)**	**(3,927)**	**6,489**

Source: BWD 2012 and 2013 Annual Reports (with comparatives)

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We note the following in regards to the consolidated income statements set out above.

- Other income in FY2011 comprises mainly of the extinguishment of liabilities following the release of BWD from voluntary administration. In FY2013, other income primarily represents the A$12 million settlement monies in relation to the Proposed Tinkler Placement.

- Legal expenses increased significantly in FY2013 mainly as a result of legal costs incurred in relation to the Proposed Tinkler Placement.

- Administration and consulting expenses include consulting expenses paid to Noble under the TSA. The TSA was terminated in November 2011.

- Finance charges increased in FY2013 due mainly to interest payable on the unsecured draw down facility provided by Noble in August 2012 to fund working capital requirements of BWD (Noble Loan). Interest rate of 12.5% p.a. is payable by BWD on the Noble Loan which is due on 31 December 2013. Please refer to section 4.5.3 for further details on the Noble Loan.

4.5.2 Financial Position of BWD

The consolidated balance sheets of BWD as at 30 June 2013 and 30 September 2013 are set out in the table below.

Consolidated statements of financial performance BWD	30-Jun-13 Audited A$'000s	30-Sep-13 Unaudited A$'000s
Current assets		
Cash and cash equivalents	12,390	10,035
Trade and other receivables	280	299
Other current assets	57	93
Total current assets	**12,727**	**10,428**
Non current assets		
Exploration and evaluation assets	16,132	17,593
Property, plant and equipment	93	86
Intangible assets	35	31
Total non current assets	**16,260**	**17,710**
Total assets	**28,987**	**28,138**
Current liabilities		
Trade and other payables	1,768	2,252
Noble Loan	7,749	7,749
Total current liabilities	**9,517**	**10,001**
Total liabilities	**9,517**	**10,001**
Net assets	**19,470**	**18,137**
Equity		
Issued shares	46,622	46,622
Accumulated losses	(30,157)	(31,490)
Reserves	3,005	3,005
Total equity	**19,470**	**18,137**

Source: BWD 2012 and 2103 Annual Reports (with comparatives)

We note the following in relation to the consolidated balance sheets set out above:

- Cash of A$12.4 million as at 30 June 2013 mainly consist of A$12 million settlement monies received in relation to the Proposed Tinkler Placement. The reduction in cash at bank of approximately A$2.3 million since 30 June 2013 is due mainly to additional exploration expenditure and to meet working capital requirements.

- Trade creditor as at 30 June 2013 includes advisors fees incurred in relation to the Proposed Tinkler Placement and subsequent proceedings.
- Noble Loan of $7.7 million as at 30 September 2013 relates to the unsecured draw down facility provided by Noble Group in August 2012.

4.5.3 Noble Loan

On 1 August 2012, BWD entered into an unsecured drawdown facility with its subsidiary, Matilda Coal Pty Limited and Noble ("Facility Agreement").

The key terms of the facility include the following:

- A facility limit of $8,300,000 to be drawdown at any time prior to the repayment date.
- The repayment date is the earlier of:
  - 5 business day after receiving subscription monies from the share placement to Mulsanne; or
  - 31 December 2013.
- Interest is payable at 12.5% per annum, payable monthly in arrears. BWD may elect to capitalise interest prior to the repayment date. The final interest payment will be on the repayment date.
- BWD's obligations under the facility are guaranteed by its subsidiary, Matilda Coal Pty Limited.
- BWD may elect to repay an amount of principal before the repayment date. BWD may also elect to cancel the entire facility before the repayment date without penalty or cost with 15 days' written notice.

As discussed in section 1, COK has agreed that if it acquires in excess of 52.1% (undiluted basis) of BWD under the Proposed Takeover, COK will execute an A$4.0 million loan agreement with BWD to enable BWD to repay A$4.0 million of its existing A$7.7 million Noble Loan. The New Facility will be repayable in full 3 months after the date of the first draw down, and will be on materially the same terms as the Noble Loan other than repayment period and amount.

4.6 Capital Structure

As at the date of our report, BWD has the following securities on issue:

- 185,050,269 fully paid listed ordinary shares; and
- 7,225,000 unlisted peformance rights.

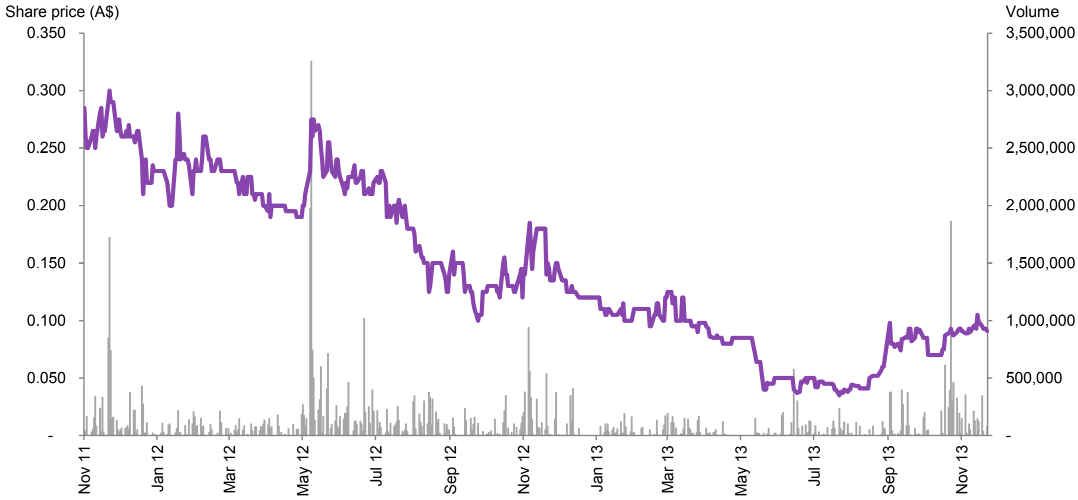
4.6.1 BWD Shares

The top ten shareholders of BWD as at 17 October 2013 are set out below:

Shareholder	No. of shares	Interest (%)
Janvel Pty Ltd	94,689,760	51.2%
Bolitho Mining Company	6,484,323	3.5%
Geared Investments	3,420,000	1.8%
HSBC Custody Nominees	2,752,130	1.5%
Mike Sutherland	2,750,000	1.5%
Yelrif Investments	2,000,000	1.1%
Kevin Finn	1,885,915	1.0%
Everson Holdings/Andrew Everson	1,520,000	0.8%
Southern Silicon	1,000,000	0.5%
Morgan Stanley Nominees	864,352	0.5%
Top 10 shareholders	**117,366,480**	**63.4%**
Other shareholders	67,683,789	36.6%
Total shareholders	**185,050,269**	**100.0%**

Source: BWD Management

The daily movements in BWDs share price and volumes for the period from November 2011 to 22 November 2013 are set out below:



Source: Capital IQ

We note the following with regard to the share price history since November 2011:

Date	Comments
21 November 2011	BWD announced a maiden 2.1 to 3.2 billion tonnes JORC exploration target at South Pentland Project. Share price closed at A$0.290.
20 February 2012	BWD announced a 190 to 240 Mt JORC exploration target at Chinchilla Project. Share price closed at A$0.240.

Date	Comments
19 March 2012	BWD announced 1.0 to 1.3 billion tonnes JORC exploration target at Taroom Project. Share price closed at A$0.225.
7 May 2012	BWD announced it has entered agreement with Mulsanne to raise $28.4 million to fund its exploration and development programmes, through the issue of 94,689,760 ordinary shares at 30 cents per share. Share price closed at A$0.230.
1 August 2012	BWD announced an extension of the completion of the Share Placement Agreement with Mulsanne to 13 August 2012 and a $5 million Noble Loan. Share price closed at A$0.180.
8 October 2012	BWD announced an expansion at the South Pentland Project which increased the JORC exploration target to 3.6 to 5.0 billion tonnes. Share price closed at A$0.130.
20 November 2012	BWD announced that the Supreme Court of NSW has made an order that Mulsanne be wound up and that the liquidators will seek to recover property and assets of Mulsanne to meet creditor claims. Share price closed at A$0.140.
4 June 2013	BWD announced that it had entered into a Deed of Settlement and Release for a proposed full and final settlement of the Share Placement Agreement with Mulsanne and legal proceedings amounting to $12 million. Share price closed at A$0.050.
12 September 2013	BWD announced discovery of shallow PCI coal at the Dingo Project and maiden JORC compliant inferred resource at South Pentland Project and Taroom Project of 322 Mt and 51.8 Mt respectively. Share price closed at A$0.084.
17 October 2013	BWD requested to be placed into trading halt and announced that the Directors of BWD have recommended a conditional off-market Proposed Takeover offer from COK of 2 COK Shares for each BWD Share (the Proposed Takeover). Share price closed at A$0.075.
23 October 2013	BWD announced that COK had successfully completed the bookbuild for the placement to institutional and sophisticated investors as a part of the Proposed Recapitalisation. The Proposed Recapitalisation is a condition precedent to the Proposed Takeover. Share price closed at A$0.093.

Set out below is the share price performance of BWD since October 2012:

Blackwood Corporation Limited	Share Price			Average
	High	Low	Close	weekly volume
	A$	A$	A$	000'
Month ended				
Oct 2012	0.155	0.120	0.120	329
Nov 2012	0.185	0.125	0.145	979
Dec 2012	0.135	0.110		262
Jan 2013	0.115	0.100	0.105	279
Feb 2013	0.120	0.095	0.120	166
Mar 2013	0.130	0.090	0.098	361
Apr 2013	0.095	0.080	0.085	84
May 2013	0.070	0.038	0.050	74
Jun 2013	0.050	0.037	0.050	477
Jul 2013	0.050	0.035	0.040	226
Aug 2013	0.075	0.041	0.075	137
Sep 2013	0.100	0.074	0.085	556
Oct 2013	0.095	0.068	0.093	1,071
Week ended				
9 Aug 2013	0.043	0.041	0.041	192
16 Aug 2013	0.050	0.041	0.050	58
23 Aug 2013	0.052	0.051	0.052	82
30 Aug 2013	0.075	0.057	0.075	252
6 Sep 2013	0.100	0.077	0.077	808
13 Sep 2013	0.086	0.074	0.084	724
20 Sep 2013	0.093	0.082	0.082	550
27 Sep 2013	0.093	0.085	0.092	93
4 Oct 2013	0.089	0.068	0.070	448
11 Oct 2013	-	-	0.070	-
18 Oct 2013	0.090	0.070	0.087	844
25 Oct 2013	0.095	0.087	0.087	3,250
1 Nov 2013	0.094	0.088	0.091	690
8 Nov 2013	0.093	0.089	0.090	519
15 Nov 2013	0.105	0.093	0.099	617
22 Nov 2013	0.105	0.091	0.091	461

Source: Capital IQ, Grant Thornton Corporate Finance Calculations

4.6.2 Performance Rights

In October 2010, BWD Shareholders approved a Performance Rights Plan ("Plan") to align the company's remuneration structure with its growth objectives. As at the date of this report, BWD has 7,225,000 Performance Rights on issue as summarised below:

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Number of Performance Rights	First vesting date[1]	Second vesting date[1]	Expiry date
2,000,000	01-Aug-12	01-Aug-13	01-Aug-18
1,000,000	25-Jun-13	25-Jun-14	25-Jun-19
1,000,000	08-Aug-12	08-Aug-13	08-Aug-18
800,000	01-Sep-12	01-Sep-13	01-Sep-18
650,000	01-Jul-12	01-Jul-13	01-Jul-18
400,000	12-Oct-12	12-Oct-13	12-Oct-18
250,000	03-Oct-12	03-Oct-13	03-Oct-18
250,000	17-Oct-12	17-Oct-13	17-Oct-18
250,000	22-Aug-12	22-Aug-13	22-Aug-18
250,000	01-Nov-12	01-Nov-13	01-Nov-18
150,000	01-Jul-12	01-Jul-13	01-Jul-18
125,000	11-Oct-12	11-Oct-13	11-Oct-18
100,000	07-Sep-12	07-Sep-13	07-Sep-18
7,225,000			

Note (1): The Performance Rights vest over a period of 2 years with 50% of the performance rights vesting on the first vesting date and the remaining 50% vesting on the second vesting date, subject to continued employment. As at the date of this Report, all of the issued Performance Rights have vested excluding 500,000 Performance Rights due to vest on 25 June 2014.

Note (2): Each Performance Right entitles the holder to one BWD Share.

Source: ASX announcements

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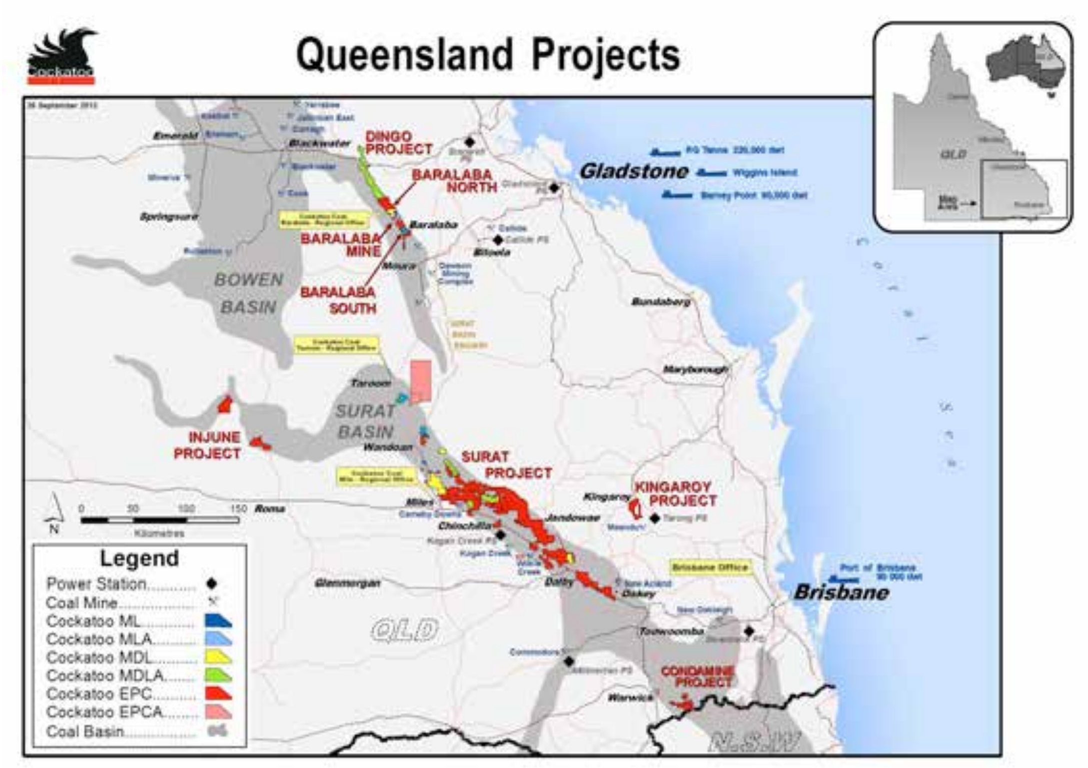
5 Profile of COK after completion of the Proposed Recapitalisation

As discussed in section 1, completion of the Proposed Recapitalisation is one of the key conditions precedent for the Proposed Takeover to become unconditional. Accordingly in this section of the report, we have provided an overview of COK following completion of the Proposed Recapitalisation.

5.1 Company overview

COK is an ASX listed company mainly engaged in the production, development and exploration of coal assets in the Bowen and Surat Basins of Queensland. An illustration of the location of COK's key assets is provided below.



Source: ASX announcements

The table below summarises COK's JORC compliant Mineral Resources and Ore Reserves:

				Resources			Toal		Reserves		Total		Marketable		Total	
Project	Location	Coal type	Owership (%)	Inferred	Indicated	Measured	100% basis	COK share	Proven	Probable	100% basis	COK share	Proven	Probable	100% basis	COK share
Baralaba Mine	Bowen Basin	PCI/thermal	62.5%	12.0	10.6	12.8	35.5	22.2	4.3	0.8	5.1	3.2	3.9	0.5	4.4	2.8
Baralaba North Expansion	Bowen Basin	PCI	80.0%	16.0	21.2	16.9	54.1	43.3	15.7	15.6	31.3	25.0	14.6	14.0	28.6	22.9
Baralaba South Expansion	Bowen Basin	PCI	80.0%	139.0	17.2	35.5	191.7	153.4	-	45.0	45.0	36.0	-	37.0	37.0	29.6
Lochinvar Project	Bowen Basin	PCI/thermal	80.0%	60.0	4.0	-	64.0	51.2	-	-	-	-	-	-	-	-
Total Bowen Basin projects				**227.0**	**53.0**	**65.2**	**346.0**	**270.0**	**20.0**	**61.4**	**81.4**	**64.2**	**18.5**	**51.5**	**70.0**	**55.2**
North Surat JV	Surat Basin	Thermal	51.0%	195.0	229.6	322.1	746.7	380.8	261.2	134.3	395.5	201.7	194.9	105.8	300.8	153.4
Other Surat Basin assets	Surat Basin	Thermal	100.0%	548.0	430.8	35.5	1,014.3	1,014.3	-	-	-	-	-	-	-	-
Total Surat Basin projects				**743.0**	**660.4**	**357.6**	**1,761.0**	**1,395.1**	**261.2**	**134.3**	**395.5**	**201.7**	**194.9**	**105.8**	**300.8**	**153.4**
Total COK				**970.0**	**713.4**	**422.8**	**2,106.3**	**1,665.1**	**281.2**	**195.7**	**476.8**	**265.9**	**213.4**	**157.3**	**370.8**	**208.6**
Bylong	NSW	Thermal	30.0%[1]	273.0	150.0	-	423.0	-	-	-	-	-	-	-	-	-

Note (1): COK has an option to purchase 30% of the Bylong Project. The option expires 31 December 2013.
Note (2): Numbers may not add due to rounding
Source: COK ASX announcements and GTCF calculations

Set out below is a brief description of the COK's key projects. Please refer to the BDA report attached as Appendix H for further details.

5.1.1 Baralaba Mine

Introduction

The Baralaba Mine is a small-scale, open-cut mine located in the Bowen Basin of central Queensland, approximately 150km west of Rockhampton and 210km west of the Port of Gladstone.

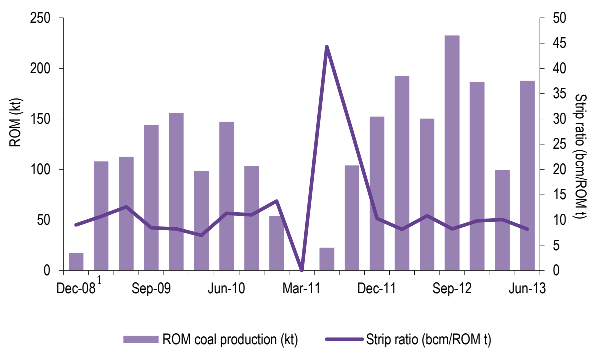
COK manages the Baralaba Mine under a joint venture agreement with JFE Shoji, the holder of the remaining 37.5% of Baralaba Coal ("Baralaba SHA").

Whilst COK holds a 62.5% interest in Baralaba Coal, we understand that historically approximately 82% of operations have been funded by COK (through inter-shareholder loans). Accordingly, COK is entitled to 82% of any distributions made by Baralaba Coal until the historical funding is equalised to shareholders' interest.

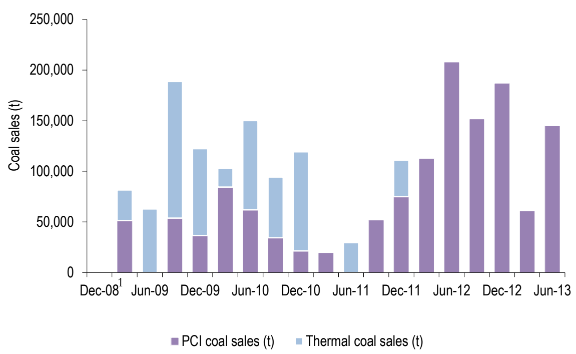
Historical performance

The graphs below illustrate Baralaba Mine's quarterly historical production and coal shipments from the last quarter of 2008 (when COK first acquired its majority interest in Baralaba Coal) to second quarter of 2013:

Historical production profile



Historical coal shipments profile



Note (1): For the period 12 December 2008 to 30 December 2008 when COK took over operations at the Baralaba Mine from Peabody Energy Australia Pty Limited after its acquisition of the Baralaba Mine.
Source: COK annual reports and GTCF calculations

In relation to the graphs above we note the following:

- Under the management of COK, the Baralaba Mine has produced in total approximately 2 Mt of saleable coal which has all been exported from the RG Tanna coal export terminal at the port of Gladstone via the Moura Rail system. COK has a port allocation of 0.50 Mtpa at RG Tanna.

- The run of mine/ raw ("ROM") coal is screened and crushed to produce ULV PCI coal and thermal coal. We understand the coal is sold unwashed.

- Historically saleable coal has been approximately 70% ULV PCI coal and 30% export quality thermal coal. However, from FY2012 production has been principally PCI coal. We note that the production of thermal coal is expected to continue to be minimal for the remainder of the Baralaba Mine's life.

- The Baralaba Mine's saleable coal production capacity is approximately 0.75 Mtpa. Actual historical production levels have been volatile mainly due to flooding (for example in late 2010/early 2011) and adverse weather conditions in early 2013. Since the flooding of the Baralaba Mine in 2010, the Company has constructed a new levee to enhance protection of mining areas from further flooding. Production levels have returned to full capacity.

- Currently, the Baralaba Mine has JORC defined resources of 35.5 Mt, reserves of 5.1 Mt and marketable reserves of 4.4 Mt. Coal sales from the Baralaba Mine are expected to cease in late 2014, as operations move to the North as part of the Baralaba North Expansion Project.

5.1.2 Baralaba Expansion Projects

Introduction

COK manages the Baralaba Expansion Projects under a joint venture shareholders agreement with JFE Shoji under which COK holds an 80% interest.

The Baralaba Expansion Projects consists of three tenements to the North of the Baralaba Mine and separated by the Dawson River (Baralaba North Expansion Project), and 5 tenements to the South of the Baralaba Mine, 10km from the township of Baralaba (Baralaba South Expansion Project). The Baralaba Expansion Projects are being developed to extend the mining operations at the current Baralaba Mine. COK is currently focused on extending operations only to the North.

Feasibility studies

In September 2012, COK completed the Initial BFS which confirmed the economics of a simple open-cut brownfield expansion of the existing operations of the Baralaba Mine from 0.75 Mtpa to 3.50 Mtpa of saleable coal production. The Baralaba Expansion Projects were estimated to support a mine life of over 20 years, average operating costs of A$105/t FOB (excluding royalties) and have a development capital expenditure requirement of A$413 million (COK share of A$330 million).

However, in response to falling coal prices, delay of key infrastructure capacity developments and a difficult funding environment, COK re-evaluated the Initial BFS and released a supplementary BFS in April 2013 (SBFS). The SBFS mainly involved the reconfiguration of the mine plan to focus solely on the Baralaba North Expansion Project and re-negotiations with suppliers and contractors over operating costs.

The table below provides a summary of the key elements of the Initial BFS compared to the SBFS:

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Key elements	Initial BFS	SBFS
Expansion	North and South	North only
Product mix	100% ULV PCI coal	100% ULV PCI coal
Saleable production (Mtpa)	3.5	3.5
Life of mine (LOM) (years)	20	20
LOM strip ratio (bcm/ ROM t)	10.5	9.7
Product yield (%)	85%	90%
Average LOM cash cost (excluding royalties) (A$ FOB/t)	105	96
Development capital expenditure (A$m)	413	311

Source: COK ASX announcements and GTCF calculations

As outlined in the table above, the SBFS materially improved the economics of the expansion project in particular with an improved strip ratio and product yield.

Management has advised that the Baralaba South Expansion Project will most likely be utilised to further expand mining. The Baralaba South Expansion Project is expected to be commenced at a later date, which is yet to be determined and it is subject to availability of infrastructure, funding and favourable market conditions.

We understand that coal production from the Baralaba North Expansion Project is expected to commence in mid-2014.

Infrastructure

Infrastructure capacities are a key component of the successful development of the Baralaba North Expansion Project. Currently, COK has secured rail and port infrastructure for the proposed expansion of the Baralaba Mine.

Funding

The proposed Baralaba North Expansion Project is expected to require development capital expenditure of approximately A$360 million (including contingencies). Completion of the Proposed Recapitalisation, in conjunction with the ANZ Facilities and the Mezzanine Facility, should ensure the development capital expenditure of the Baralaba North Expansion Project is fully funded.

5.1.3 Other projects

Project	COK interest	JORC (COK's interest)	Description
Other Bowen Basin projects	Various	Resources 51.2 Mt	In addition to the Baralaba Mine and Baralaba Expansion Project, COK also owns and manages a number of exploration projects in the Bowen Basin. The key other Bowen Basin projects include: • *Lochinvar Project* – consists of an ULV PCI and thermal coal exploration tenement located to the north of the Baralaba North Expansion Project. The project is managed and 80% owned by COK through Wondindi Coal. In April 2013, maiden JORC resources of 64 Mt on a 100% basis (60Mt Indicated and 4Mt Inferred) were identified at the Lochinvar Project. • *Dingo Project* – consist of a PCI and thermal coal exploration tenement located to the north of the Lochinvar Project. COK owns 30% of the Dingo Project through its wholly owned subsidiary, Independent Coal Pty Limited ("ICL") with the remaining 70% held by Whitehaven Coal Limited ("Whitehaven"). Whitehaven currently manages the Dingo Project and has entered into a joint venture farm-out agreement with COK. The Dingo Project currently has no JORC defined resources but has an exploration target of 82 Mt to 462 Mt[1].

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Project	COK interest	JORC (COK's interest)	Description
North Surat JV	51.0%	Resources 380.8 Mt Reserves 201.7 Mt	The North Surat JV is 51% owned and managed by COK with the remaining 49% owned by a subsidiary of Mitsui. The North Surat JV consists of the Collingwood, Taroom and Woori thermal coal projects located in the Surat Basin. COK has completed prefeasibility studies ("PFS") on each of the Collingwood, Taroom and Woori Projects. However, as discussed in section 3.5, the Surat Basin is an emerging mining region with limited existing infrastructure capabilities. Over the last few years, the key driver of infrastructure development in the region had been the Wandoan thermal coal project, owned and managed by international miner, GXP. In September 2013, GXP announced that the Wandoan Project would be put on hold indefinitely due to unfavourable economic conditions. As a result, COK has announced that it does not intend to conduct any further substantial field activities for the North Surat JV until there is more clarity around the future infrastructure capacity developments in the Surat Basin region.
Other Surat Basin assets	100.0%	Resources 1,014.3 Mt	In addition to the North Surat JV, COK manages and owns 100% of a number of exploration tenements located in the Surat Basin (Other Surat Basin assets). Due to the unfavourable economic environment for thermal coal, and the Wandoan Project and related key infrastructure being put on hold, limited exploration work has been undertaken on the Other Surat Basin assets during FY2013.
Bylong Project	30.0% (option)	Resources 129.6 Mt (option)	In December 2010, COK was granted a 3 year call option for a 30% interest in a thermal coal project located in the Sydney Basin, NSW ("Bylong Coal Project") ("Bylong option") currently 100% owned by POSCO Australia Pty Limited ("POSCO") and managed by COK. The Bylong Option has an exercise price of A$157 million and is due to expire in December 2013.

Note (1): Per Whitehaven investor presentation.

Source: Management and ASX announcements

5.1.4 Noble and SK Marketing Agreements

As discussed in section 1, following completion of the Proposed Recapitalisation, COK will have in place exclusive worldwide marketing agreements with SK (Korea and Taiwan) and Noble (rest of the world). COK will be required to pay a marketing fee equal to 2.5% of the final invoiced sales price per tonne (this will be reduced to take into account marketing fees payable by COK to third parties under certain existing agency agreements). No marketing fee will be payable for coal acquired by Noble as principal (refer to section 1.2.1 for details).

5.2 Financial information

5.2.1 Financial performance

The following table summarises the audited consolidated statement of comprehensive income of COK for financial years ended 30 June 2011 ("FY11"), 30 June 2012 ("FY12") and 30 June 2013 ("FY13"):

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Consolidated statements of comprehensive income	30-Jun-11 A$'000	30-Jun-12 A$'000	30-Jun-13 A$'000
Coal Sales Revenues	28,198	83,822	66,110
Cost of Sales	(41,753)	(70,481)	(63,498)
Gross Profit	**(13,555)**	**13,341**	**2,612**
GP Margin	*-48%*	*16%*	*4%*
EBITDA	**(23,631)**	**4,940**	**(5,586)**
EBITDA Margin	*-84%*	*6%*	*-8%*
EBIT	**(23,726)**	**4,630**	**(6,153)**
EBIT Margin	*-84%*	*6%*	*-9%*
Interest Income	3,977	3,617	4,232
Finance Expense	(213)	(14,604)	(23,299)
Other one-off income/(expenses)	(1,898)	28,479	(12,811)
Share of profit/(loss) in equity accounted investees	(48)	(49)	20
Earnings before Taxes	**(21,908)**	**22,073**	**(38,011)**
Income Tax Expense	-	(5,523)	5,486
NPAT	**(21,908)**	**16,550**	**(32,525)**
NPAT margin	*-78%*	*20%*	*-49%*

Source: Financial Reports and Management

We note the following in relation to COK's income statements:

Period	Item	Description
FY12	EBIT	COK recovered from a poor year of production during FY11 as a result of flooding of the Baralaba Mine in late 2010 and increase in the average PCI sales price during the year from A$107 per tonne in FY11 to A$173 per tonne in FY12.
FY12	Other one-off	Other one-off net income of A$28.5 million mainly consists of gain on sale of tenements relating to the sale of COK's 49% interest in the Woori project for $37.25 million.
FY13	EBIT	Financial performance was driven by adverse weather conditions in the March quarter disrupting production and shipping, and decrease in PCI coal prices from A$173 per tonne in FY12 to A$121.42 per tonne in FY13.
FY13	Other one-off	Other one-off net expense of A$12.8 million mainly consists of impairment loss relating to the sale of the Hume Project to POSCO on 30 May 2013.

5.2.2 Pro forma balance sheet post the Proposed Recapitalisation

COK has prepared the pro forma balance sheet after the Proposed Recapitalisation, having regard to the audited balance sheet as at 30 June 2013. A summary is set out on the following page.

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COK Proform balance sheet (A$'m)	COK As at 30/06/2013	Adjustments Hume	Recap	Proforma After the Proposed Recapitalisaion	KEBA Loan repayment	Proforma After KEBA Loan repayment
Reference		Note 1	Note 2		Note 3	
Assets						
Cash	12.7	4.7	147.6	165.0	(95.0)	70.0
Receivables	5.3	-	-	5.3	-	5.3
Inventories	20.4	-	-	20.4	-	20.4
Investments	23.6	(18.0)	-	5.6	-	5.6
Other assets	350.4	-	-	350.4	-	350.4
Total assets	**412.4**	**(13.3)**	**147.6**	**546.7**	**(95.0)**	**451.7**
Liabilities						
Trade & other payables	16.8	-	-	16.8	-	16.8
Short term debt	100.4	(5.0)	-	95.4	(95.0)	0.4
Long term debt	39.6	-	-	39.6	-	39.6
Other liabilities	3.7	-	-	3.7	-	3.7
Total liabilities	**160.5**	**(5.0)**	**-**	**155.5**	**(95.0)**	**60.5**
Net assets	**251.9**	**(8.3)**	**147.6**	**391.2**	**-**	**391.2**

Source: Management and GTCF calculations
Note: Grant Thornton Finance has not reviewed the assumptions adopted by COK in the preparation of the pro form balance sheet.

Note 1 – Hume Project sale

On 14 August 2013, COK completed the sale of its 30% interest in the Hume Project to POSCO for A$9.74 million in cash and the cancellation of POSCO's 134.8 million COK Shares. Subsequently, A$5 million of proceeds from the sale were used to pay down the KEBA Facility. As a result of the sale, A$18.0 million in investments in relation to the Hume Project were also written off.

Note 2 – Proposed Recapitalisation

Cash adjustment of A$147.6 million for the Proposed Recapitalisation consists of A$153.3 million in total equity raisings and A$5.7 million in transaction costs[33].

Note 3 – KEBA Loan repayment

The Proposed Recapitalisation's proposed use of funds includes most importantly the repayment of COK's existing A$95 million KEBA Loan. The KEBA Loan is due to expire on 27 December 2013.

5.3 Capital Structure after completion of the Proposed Recapitalisation

After completion of the Proposed Recapitalisation, COK will have on issue:

- 4,085,659,737 COK Shares.
- 225,833,333 Options ("COK Options").

[33] Transaction costs exclude transaction costs of A$9.6 million payable to ANZ upon completion of the ANZ Facilities.

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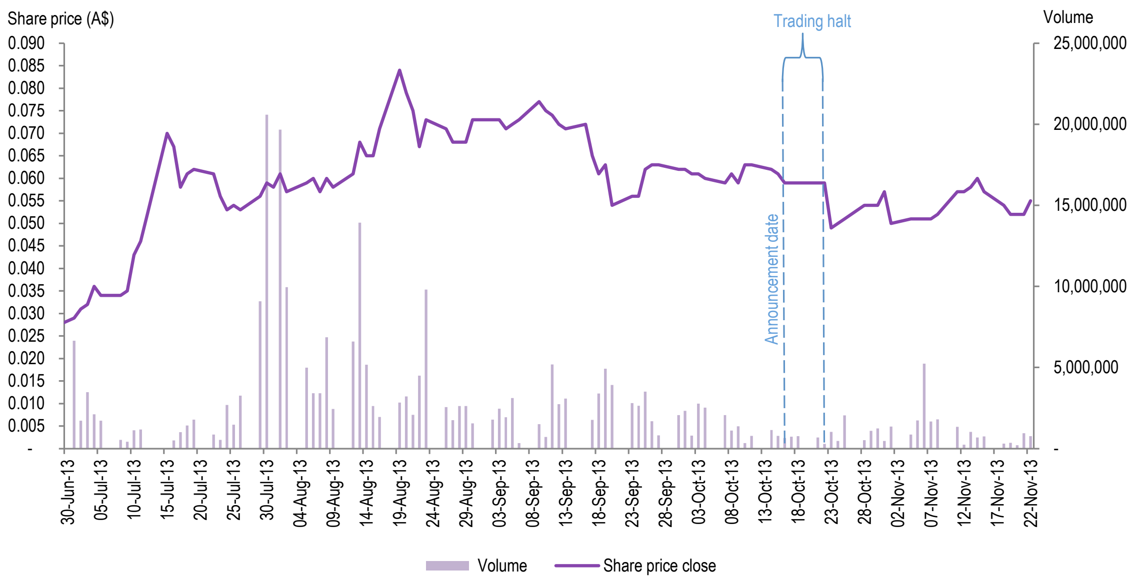
Following completion of the Proposed Recapitalisation (before the SPP), SK, Noble and Harum will be the major shareholders of COK as summarised below:

- SK will hold approximately 25.8% of COK's enlarged issued capital.
- Noble will hold approximately 21.2% of COK's enlarged issued capital.
- Harum will hold approximately 12.0% of COK's enlarged issued capital.

The daily movements in COK's share price and trading volumes before and after the announcement of the Proposed Recapitalisation for the period from 30 June 2013 to 22 November 2013 is set out below:



Source: CapitalQ and GTCF calculations

5.4 Management and Board composition

Following completion of the Proposed Recapitalisation, the COK Board is expected to be comprised as set out below:

- An independent chairperson agreed to by Noble and COK.
- Managing Director - Andrew Lawson.
- A nominee director appointed by SK.
- A nominee director appointed by Noble.
- A nominee director appointed by Harum.
- An independent director agreed to by Noble and COK.
- An independent director agreed to by SK and COK.

Andrew Lawson will remain as managing director on the restructured COK Board. Noble and SK will each have the right to appoint a senior member of the management team and a junior employee.

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6 Profile of the Merged Group following completion of the Proposed Takeover

6.1 Principal activities and benefits

If the Proposed Takeover is completed, the Merged Group will become a diversified Australian coal company. In particular, the Merged Group will have:

- A diversified coal portfolio in Queensland with projects in producing, development and exploration stage.
- Ownership of development and production assets at Baralaba in Queensland (COK's assets) with current saleable production of 0.75 Mt per annum from the Baralaba Mine and the potential to produce up to 3.5 Mt per annum of PCI coal from the Baralaba North Expansion Project.
- Combined JORC compliant coal resources totalling 2,039 Mt and JORC compliant coal reserves totalling 266 Mt.
- Combined tenements covering approximately 8,950 km^2 in Queensland.
- A balance sheet with combined cash balance of A$74.2 million and nil debt based on 30 June 2013 proforma consolidated balance sheets of BWD and COK. (Refer to section 6.7 for details).

6.2 Reserves and resources

Estimated coal resources and reserves of the Merged Group are as follows:

				Resources			Toal		Reserves		Total		Marketable Reserves		Total	
Project	Location	Coal type	Owership (%)	Measured	Indicated	Inferred	100% basis	Attributable	Proven	Probable	100% basis	Attributable	Proven	Probable	100% basis	Attributable
COK JORC resources and reserves																
Baralaba Mine	Bowen Basin	PCI/thermal	62.5%	12.8	10.7	12.0	35.5	22.2	4.3	0.8	5.1	3.2	3.9	0.5	4.4	2.8
Baralaba North	Bowen Basin	PCI	80.0%	16.9	21.2	16.0	54.1	43.3	15.7	15.6	31.3	25.0	14.6	14.0	28.6	22.9
Baralaba South	Bowen Basin	PCI	80.0%	35.5	17.2	139.0	191.7	153.4	-	45.0	45.0	36.0	-	37.0	37.0	29.6
Lochinvar Proj	Bowen Basin	PCI/thermal	80.0%	-	4.0	60.0	64.0	51.2	-	-	-	-	-	-	-	-
Total Bowen Basin projects				**65.2**	**53.1**	**227.0**	**345.3**	**270.0**	**20.0**	**61.4**	**61.4**	**64.2**	**18.5**	**51.5**	**70.0**	**55.2**
North Surat JV	Surat Basin	Thermal	51.0%	322.1	229.6	195.0	746.7	380.8	261.2	134.3	395.5	201.7	194.9	105.8	300.7	153.4
Other Surat Ba	Surat Basin	Thermal	100.0%	35.5	430.8	548.0	1,014.3	1,014.3	-	-	-	-	-	-	-	-
Total Surat Basin projects				**357.6**	**660.4**	**743.0**	**1,761.0**	**1,395.1**	**261.2**	**134.3**	**395.5**	**201.7**	**194.9**	**105.8**	**300.7**	**153.4**
Total COK				**422.8**	**713.5**	**970.0**	**2,106.3**	**1,665.1**	**281.2**	**195.7**	**456.9**	**265.9**	**213.4**	**157.3**	**370.7**	**208.6**
BWD JORC resources and reserves																
South Pentland		Thermal	100.0%	-	-	322.0	322.0	322.0	-	-	-	-	-	-	-	-
Taroom		Thermal	100.0%	-	-	51.8	51.8	51.8	-	-	-	-	-	-	-	-
Total COK				**-**	**-**	**373.8**	**373.8**	**373.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Merged Group				**422.8**	**713.5**	**1,343.8**	**2,480.1**	**2,038.9**	**281.2**	**195.7**	**456.9**	**265.9**	**213.4**	**157.3**	**370.7**	**208.6**

Source: BWD Target's Statement

Note (1): We note that in December 2010, COK was granted a 3 year call option for a 30% interest in a thermal coal project located in the Sydney Basin, NSW (Bylong option). The Bylong Option has an exercise price of A$157 million and is due to expire in December 2013.

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6.3 Noble Product Sale Agreement

If the Proposed Takeover becomes unconditional, the Noble Product Sales Agreement will continue under the current terms and conditions and in relation to BWD assets. If for whatever reason the Noble Product Sales Agreement is terminated and BWD is a subsidiary of COK, then the marketing rights to the Products will be captured under the Noble Marketing Agreement with COK. Under these circumstances, Noble will charge a marketing fee at 2.5% rather than 3.5% but will retain the product sales/off-take rights under the exiting Noble Product Sales Agreement.

6.4 Board of directors and control

If the Proposed Takeover becomes unconditional and COK acquires 100% of BWD, COK will have the right under the BIA to require the resignation of all BWD Directors other than its nominees. COK's nominees to the BWD Board will be identified at the relevant time depending on the circumstances, including the composition of the COK Board after completion of the Proposed Recapitalisation (for further details refer to section 5.4). However, it is expected that the majority of COK's nominees will be members of the COK management team.

6.5 Dividend Policy

BWD currently does not expect to make any payment of a dividend in the short term. However, it is the intention of the Merged Group to consider the payment of future dividends having regard to the Merged Group's profits, financial position and future growth capital requirements.

6.6 Capital Structure and shareholders

If the Proposed Takeover becomes unconditional and COK acquires 100% of the issued capital in BWD, BWD's Shareholders will receive 2 COK Shares for each BWD Share held. COK Shareholders will hold approximately 91.4% of the Merged Group and BWD Shareholders (including Noble) will hold approximately 8.6%[34]. The Merged Group will have approximately 4.47 billion shares on issue (excluding the SPP). The pro-forma capital structure of the Merged Group is summarised below:

Proforma capital structure	000s	%
Number of existing BWD Shares	185,050	
Number of Performance Rights vested & exercised[1]	7,225	
Total number of BWD Shares acquired under Takeover	**192,275**	
Share exchange ratio	2.0 x	
Total number of COK Shares exchanged	**384,551**	**8.6%**
Number of COK Shares after the Proposed Recapitalisation	4,085,659	91.4%
Total COK Shares in the Merged Group	**4,470,209**	**100.0%**

Note (1): If the Takeover becomes unconditional and COK acquires in excess of 50% of BWD, all unvested Performance Rights in BWD will vest and become exercisable.

Source: Target Statement

The shareholder structure of the Merged Group (excluding the SPP) is summarised below:

[34] Shareholders of BWD (excluding Noble) will hold approximately 4.4%.

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Shareholder	Number of COK Shares	%
SK	1,055.4	23.6%
Harum	491.5	11.0%
COK Management	65.9	1.5%
Other existing COK Shareholders[1]	723.4	16.2%
Noble	1,055.4	23.6%
New institutional investors[2]	883.5	19.8%
BWD Shareholders (excluding Noble)	195.2	4.4%
Total	**4,470.2**	**100.0%**

Note (1): Existing COK Shareholders excluding SK, Harum and COK Management.

Note (2): New institutional investors introduced under the Institution Placement excluding Harum.

Source: Management

6.7 Pro-forma financials

The Merged Group pro forma historical financial information comprises a pro forma consolidated statement of financial position as at 30 June 2013 as set out below.

Merged Group Proform balance sheet (A$'m)	COK Proforma After the Recapitalisation	BWD As at 30/06/2013	Takeover Adjustments	Merged Group Proforma After the Takeover
Reference	Section 5.2.2		Note 1	
Assets				
Cash	70.0	12.4	(8.2)	74.2
Receivables	5.3	0.3	-	5.6
Inventories	20.4	-	-	20.4
Investments	5.6	-	-	5.6
Other assets	350.4	16.3	-	366.5
Total assets	**451.7**	**29.0**	**(8.2)**	**472.5**
Liabilities				
Trade & other payables	16.8	1.8	-	18.6
Short term debt	0.4	7.7	(7.7)	0.4
Long term debt	39.6	-	-	39.6
Other liabilities	3.7	-	-	3.7
Total liabilities	**60.5**	**9.5**	**(7.7)**	**62.3**
Net assets	**391.2**	**19.5**	**(0.4)**	**410.2**

Note: Figures may not add due to rounding.
Source: Target's Statement

Note 1 – Noble Loan

Assumes BWD's existing A$7.7 million Noble Loan will be repaid following completion of the Proposed Takeover[35], and Proposed Takeover transactions costs of A$0.5 million.

35 We note that under the BIA, COK has agreed to provide BWD with a A$4 million New Facility on materially the same terms as the Noble Loan. The New Facility will be used by BWD to solely help repay the Noble Loan.

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6.8 COK intentions

Section 1.1.2 of this Report provides a summary of COK's intentions. Refer to section 6 of the Target Statement for further details.

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7 Valuation methodologies

7.1 Introduction

We have assessed the fairness of the Proposed Takeover by comparing the fair market value of BWD Shares before the Proposed Takeover on a control basis to the fair value of the Consideration offered on a minority basis.

Grant Thornton Corporate Finance has assessed the value of BWD and COK using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

7.2 Valuation methodologies

RG111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, Proposed Takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A of this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

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7.3 Selected valuation methodology

7.3.1 Valuation methodology for BWD

Grant Thornton Corporate Finance has selected the market value of net assets as the primary method to assess BWD' equity value prior to the Proposed Takeover. The market value of net assets is based on the sum of parts of BWD' exploration assets, and other assets and liabilities as set out in BWD's audited balance sheet as at 30 June 2013 and 30 September 2013.

Prior to reaching our valuation conclusions, we have considered the reasonableness of our valuation having regard to the market approach, specifically a rule of thumb valuation methodology based on a multiple of resources. In addition, we have also considered the quoted share price of BWD.

7.3.2 Valuation methodology for COK post the Proposed Recapitalisation

Grant Thornton Corporate Finance has selected the market value of net assets as the primary method to assess COK's equity value post the Proposed Recapitalisation. The market value of net assets is based on the sum of parts of COK's operating mine, development projects, exploration assets and other assets and liabilities as set out in COK's audited balance sheet as at 30 June 2013.

The market value of COK key assets, the Baralaba Project, comprising the existing operating mine and the expansion to the North was assessed using the DCF valuation method, given that:

- Management of COK has prepared cash flow forecasts in relation to these assets based on the current level of reserves and resources.
- Extensive coal mining has been undertaken in the Baralaba Mine in the past few years.
- The Baralaba North Expansion Project has recently obtained a mining lease up to 1 Mtpa.
- Infrastructure (port and rail) has been secured.
- Grant Thornton Corporate Finance has engaged BDA to independently review the technical assumptions in relation to the cash flow forecast of the Baralaba Mine and the Baralaba North Expansion Project.
- The DCF method is the most appropriate approach in valuing assets with a finite life such as mineral assets due to the depletion of reserves over time.
- The DCF method is the most appropriate approach in reflecting the significant level of capital and time required for the development of mineral assets.

In the valuation assessment of COK's other exploration and development assets (the Baralaba South Expansion Project, the North Surat Joint Venture, the Lochinvar Project and the other Surat Basin Projects), we have had regard to resource multiples of listed comparable companies and comparable transactions. BDA has also assisted us in reviewing market information and in selecting the appropriate multiple.

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7.3.3 Valuation assessment of the Consideration

In our valuation assessment of the Consideration to be received by BWD Shareholders if the Proposed Takeover becomes unconditional, we have aggregated/considered the following:

- Fair market value of BWD on a minority basis.
- Fair market value of COK after the Proposed Recapitalisation on a minority basis.
- Consider other terms and conditions of the Proposed Takeover.

In our assessment of the Consideration offered, we have not relied on the share trading prices of COK following announcement of the Proposed Takeover and Proposed Recapitalisation as our primary methodology. COK trading prices may incorporate an element of uncertainty in relation to the successful completion of the Proposed Recapitalisation. BWD Shareholders do not share in this risk as completion of the Proposed Recapitalisation is one of the key conditions precedent for the Proposed Takeover to become unconditional.

7.3.4 Independent technical specialist for BWD and COK

For the purposes of this report, Grant Thornton Corporate Finance has engaged BDA:

- To prepare a valuation of the exploration assets of BWD in accordance with the VALMIN Code[36].
- To review and express an opinion on the reasonableness of the technical assumptions included in the Baralaba Central Mine and Baralaba North Expansion Project models provided to Grant Thornton Corporate Finance by management of COK.

BDA has also provided assistance in reviewing and considering comparable companies and comparable transactions in the coal exploration and development industry.

A copy of BDA's reports on the assets of BWD and COK is included as Appendix G and Appendix H to this report, respectively.

[36] The VALMIN Code is binding on members of the Australasian Institute of Mining and Metallurgy when preparing public independent expert reports required by the Corporations Act concerning mineral and petroleum assets and securities. The purpose of the VALMIN Code is to provide a set of fundamental principles and supporting recommendations regarding good professional practice to assist those involved in the preparation of independent expert reports that are public and required for the assessment and/or valuation of mineral and petroleum assets and securities so that the resulting reports will be reliable, thorough, understandable and include all the material information required by investors and their advisers when making investment decisions.

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8 Valuation assessment of BWD before the Proposed Takeover

As discussed in section 7, we have selected the sum of the parts valuation approach to assess the fair market value of BWD on a stand-alone basis before the Proposed Takeover. In assessing the market value of net assets of BWD, Grant Thornton Corporate Finance has aggregated the following:

- Market value of BWD's exploration assets.
- Value of other assets and liabilities as set out in the audited statement of financial position as at 30 June 2013.
- Deducted the net present value of corporate overhead costs not directly related to the exploration and exploitation of its mining assets.
- Deducted costs associated with the Proposed Takeover.
- Considered the market value of other securities on issue such as performance rights.

8.1 Market value of BWD's exploration assets

BDA has assessed the market value of BWD's exploration tenements as summarised in the table below:

Valuation of exploration assets	Low A$'m	High A$'m
Comparable transactions	13.1	24.3
Resource multiples	13.1	20.6
Exploration expenditure	16.4	21.7
Other valuations	14.8	18.5
High	16.4	24.3
Low	13.1	18.5
Selected value	**14.4**	**21.3**

Source: BDA Report

BDA has considered a number of valuation methodologies to assess the market value of BWD's exploration tenements. BDA considers that the valuation of the BWD exploration tenements is in the range of A$14.4 million to A$21.3 million. Refer to BDA BWD Report in Appendix G for further details.

8.2 Other assets and liabilities of BWD

For the purpose of this report, we have assessed the fair market value of other assets and liabilities of BWD based on the audited balance sheet as at 30 September 2013. The net book value of these other assets and liabilities are assumed to reflect their fair market values.

Our assessment of BWD's other assets and liabilities are set out below.

Adjusted other assets and liabilities as at 30 September 2013	Note	A$000
Cash and other equivalents		10,035
Trade and other receivables		299
Other current assets		93
PPE		86
Intangible assets	1	-
Trade and other payables		(2,252)
Noble Loan		(7,749)
Total other assets and liabilities		**513**

Note (1): We do not attribute a value to intangible assets under the net assets approach
Source: BWD Management

8.3 Performance Rights

BWD currently has 7.225 million Performance Rights on issue as set out in section 4.6.2.

The value of the Performance Rights has been determined using the Binomial Model. We have assessed the total value of Performance Rights to be approximately A$0.54 million[37] before the Proposed Takeover.

8.4 Costs associated with the Proposed Takeover

For the purpose of the valuation, Grant Thornton Corporate Finance has taken into consideration costs associated with the Proposed Takeover payable by BWD. Management of BWD has advised that the estimated transaction costs to be incurred by BWD are approximately A$1.3 million.

8.5 Taxation losses

BWD has approximately A$9.4 million in accumulated net tax losses which could potentially be used to offset against future taxable income. However, the amount has not been recognised as an asset for financial reporting purposes as it does not satisfy the recognition criteria under the relevant accounting standards.

Given the early stage nature of BWD's assets, it is not possible to predict whether or not BWD will be able to generate any material earnings in the future and as a result be able to utilise the tax losses. Accordingly, we have not ascribed a value to BWD's unutilised tax losses. In addition, under the fair market value concept, we are of the opinion that a pool of potential purchasers will not attribute any material value to the existing accumulated tax losses.

[37] Based on the volatility of 100% and the share price before the announcement of the Proposed Takeover of A$0.075.

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8.6 Valuation summary

Set out below is a summary of our valuation assessment of BWD on a control basis.

Valuation summary BWD on a standalone basis	Section Reference	Low A$'000	High A$'000
Fair value of other exploration assets	8.1	14,400	21,300
Other assets and liabilities as at 30 September 2013	8.2	513	513
Less: Performance rights	8.3	(542)	(542)
Less: Costs associated with the Proposed Takeover	8.4	(1,300)	(1,300)
Equity value of BWD (control basis)		**13,071**	**19,971**
Number of BWD shares on issue ('000)	4.6.1	185,050	185,050
Equity value per BWD Share (cents)		**7.06**	**10.79**

Source: BDA Report, Management and GTCF calculations

8.7 Valuation cross check – resource multiple

We have considered the reasonableness of our valuation assessment by comparing the resources multiple implied by the net assets valuation to the resource multiples of listed comparable companies in the coal mining industry in Australia.

This method only provides an indicative market value of BWD as the resource multiple may vary significantly between the different listed comparable companies due to size of the deposit, grade, availability of infrastructure, cost structure and level of development. In our selection of comparable companies, we have had regard to the following factors:

- Flagship project focused on coal in Australia.
- Status of development of the flagship project of the relevant company (i.e. exploration/ development phase).
- Principal location of the coal exploration assets.
- Size of the company, including market capitalisation.
- Type of coal asset (i.e. coking, thermal and / or PCI).

8.7.1 BWD's Resource multiple implied in our valuation assessment

Our assessment of BWD based on the sum of parts approach implies a total resource multiple as summarised below:

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Implied resource multiple BWD	Section Reference	Low A$'000	High A$'000
Assessed equity value per BWD Share (cents)	8.6	7.06	10.79
Number of BWD shares on issue ('000)	4.6.1	185,050	185,050
Assessed equity value of BWD		**13,071**	**19,971**
Less: Net cash	8.2	(2,286)	(2,286)
Indicated Enterprise Value of BWD		**10,785**	**17,685**
Total BWD resources (Mt)	4.3	374	374
Implied resource multiple		**0.03 x**	**0.05 x**

Source: ASX announcements and calculations

8.7.2 Resource multiple of listed comparable companies

Set out below are the resource multiples of the comparable companies that are engaged in coal development and exploration in Australia. Refer to Appendix C for further details on the comparable companies and their primary projects.

Company	Market Cap (A$'m)	EV (A$'m)	Location of flagship asset	Type of Coal[1]	Total attributable resources[2] (Mt)	EV/ resource[3] (Mt)
Tier 1 - Development and pre-development companies						
NuCoal Resources Limited	54	44	Hunter Valley, NSW	M,T	512	0.09x
Stanmore Coal Limited	33	22	Bowen & Surat Basin, QLD	T,H	913	0.02x
Bandanna Energy Limited	95	21	Bowen Basin, QLD	T	1,695	0.01x
Acacia Coal Limited	12	6	Bowen Basin, QLD	H,T	166	0.04x
Carabella Resources Limited	36	26	Bowen Basin, QLD	P,H	170	0.17x
Guildford Coal Limited	57	88	Mongolia, Galilee Basin QLD	T,M	2,263	0.04x
Average						**0.06x**
Median						**0.04x**
Tier 2 - Exploration companies						
Australian Pacific Coal Limited	6	6	Bowen Basin, QLD	H,T	107	0.06x
MetroCoal Limited	7	-4	Surat Basin, QLD	T	3,356	na
Malabar Coal Limited	16	11	Hunter Valley, NSW	M,T	186	0.06x
Cuesta Coal Limited	42	47	Bowen Basin, QLD	T	610	0.08x
Tiaro Coal Ltd.	9	11	Maryborough & Galilee Basin, QLD	T	300	0.04x
International Coal Limited	21	19	Eromanga Basin, QLD	H,T	1,229	0.02x
Allegiance Coal Ltd.	5	5	Surat Basin, QLD	T	98	0.05x
Blackwood Corporation Limited	17	13	Surat & Galilee Basin, QLD	T	374	0.03x
East Energy Resources Limited	14	28	Eromanga Basin, QLD	T	2,181	0.01x
Coalbank Limited	5	6	Galilee Basin, QLD	T	1,250	0.005x
Average						**0.04x**
Median						**0.04x**

Note (1): PCI (P), hard coking coal (H), thermal coal (T) and other metallurgical coals (M)
Note (2): Measured, indicated and inferred resources (M+I+I)
Note (3): Enterprise value (EV) is calculated as market capitalisation as at 20 November 2013 adjusted for net debt. Net debt is based on the latest available annual reports of comparable companies
Note (4): MetroCoal Limited has a negative EV based on a market capitalisation as at 20 November 2013. Accordingly, its resource multiple has been excluded
Note (5): We note that Cuesta released additional maiden resources on 29 October 2013of 364.1 Mt
Source: ASX announcements and GTCF calculations

When considering the Enterprise Value ("EV") to resource multiples of the trading comparable companies, we note the following:

- The resource multiples listed above have been calculated based on the market price for minority or portfolio share holdings and do not include a premium for control.
- For the purpose of our valuation, we have calculated the attributable resources of each company based on their ownership interest in their respective JORC defined projects.

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- Given the relative prices for different coal types, companies mainly engaged in thermal coal tend to trade at lower multiples than those companies mainly engaged in PCI and hard coking coal.

We consider Tiaro Coal Ltd ("Tiaro"), Allegiance Coal Ltd ("Allegiance"), Coalbank Limited ("Coalbank") and Stanmore Coal Limited ("Stanmore") to be the most comparable companies to BWD due to the following:

- The Tiaro, Allegiance and Coalbank are at broadly similar stage of exploration and /or pre-development.

- The comparable companies' flagship projects are located in the Galilee and Surat Basins in Queensland, similar to BWD's South Pentland (Galilee Basin) and Taroom (Surat Basin) projects which have defined inferred resources.

- The comparable companies are all mainly prospective for export quality thermal coal like BWD.

- Tiaro and Stanmore have predominantly inferred resources while Allegiance and Coalbank only have inferred resources.

Whilst Tiaro, Allegiance, Coalbank and Stanmore are considered the most comparable companies, we also note the following differences:

- Stanmore and Coalbank have significantly more resources than BWD while Allegiance has relatively less.

- BWD has a significant amount of exploration potential relative to comparable companies with a total of 5.09 to 6.96 Bt in JORC exploration targets.

- Tiaro only has a 29.2% interest in its flagship Clyde Park Project located in the Galilee Basin.

The average resource multiple of Tiaro, Allegiance, Stanmore and Coalbank is approximately 0.03x on a minority basis. Our valuation assessment of BWD implies a resource multiple between 0.03x and 0.05x on a control basis. After considering the above factors, we believe that our valuation assessment of BWD based on the market value of net assets approach is reasonable.

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8.8 Valuation cross check – Quoted security price

Prior to reaching our valuation conclusion, we have also considered the quoted security price as a cross check to the values derived using the sum of parts approach. In accordance with the requirements of RG111, we have considered the listed securities' depth, liquidity, and whether or not the trading prices are likely to represent the market value of BWD. The following table summarises the monthly trading volume of BWD since April 2012:

Month end	Volume traded ('000)	Monthly VWAP (A$)	Total value of shares traded (A$'000)	Volume traded as % of total shares
Apr 2012	1,111	0.1970	219	0.6%
May 2012	10,371	0.2520	2,614	5.6%
Jun 2012	4,221	0.2171	916	2.3%
Jul 2012	1,750	0.2036	356	0.9%
Aug 2012	3,402	0.1500	510	1.8%
Sep 2012	1,188	0.1284	153	0.6%
Oct 2012	1,514	0.1411	214	0.8%
Nov 2012	4,308	0.1610	694	2.3%
Dec 2012	1,047	0.1240	130	0.6%
Jan 2013	1,228	0.1054	129	0.7%
Feb 2013	662	0.1085	72	0.4%
Mar 2013	1,517	0.1086	165	0.8%
Apr 2013	370	0.0858	32	0.2%
May 2013	341	0.0596	20	0.2%
Jun 2013	1,909	0.0443	85	1.0%
Jul 2013	1,038	0.0411	43	0.6%
Aug 2013	604	0.0527	32	0.3%
Sep 2013	2,334	0.0858	200	1.3%
16-Oct-13	520	0.0774	40	0.3%

Source: Capital IQ and GTCF calculations

Based on the above table we note the following:

- There has been historically a low level of trading in BWD Shares.
- The monthly volume traded as a percentage of total shares outstanding ranged between 0.18% and 5.6% with an average of 1.12% before the announcement of the Proposed Takeover.
- BWD Shares have been quite volatile in past months, with the minimum and maximum monthly VWAP price varying between 4.11 cents and 25.20 cents between 1 April 2012 and 16 October 2013.

Based on the above, we note that the liquidity of BWD shares is limited and accordingly, the trading share price of BWD may not be reflective of market value. As a result, we have placed limited reliance on the trading prices of BWD.

Set out below is the VWAP of BWD share price before the announcement of the Proposed Takeover.

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VWAP	Low	High	VWAP
Prior to 17 Oct 2013 (Announcement of the Proposed Takeover)			
5 day	0.068	0.085	0.077
1 month	0.068	0.093	0.082
2 month	0.051	0.100	0.082
3 month	0.035	0.100	0.072

Source: Capital IQ and GTCF calculations

The average trading VWAPs for the selected periods above have ranged between A$0.072 and A$0.082 before the announcement of the Proposed Takeover on a minority basis.

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- The ability to realise synergistic benefits.
- Access to cash flows.
- Access to tax benefits.
- Control of the board, the management team and the strategy of the company.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% in Australia and that the premiums vary significantly from transaction to transaction.

Whilst there is limited liquidity in BWD trading prices, our valuation assessment of BWD on a control basis is not inconsistent with the trading prices of BWD once a premium for control is taken into account.

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9 Valuation of COK after the Proposed Recapitalisation

In this section of the report, we have assessed the fair market value COK post the Proposed Recapitalisation as this is a condition precedent for the Proposed Takeover to become unconditional.

In assessing the market value of net assets of COK after the Proposed Recapitalisation, Grant Thornton Corporate Finance has aggregated the following:

- Market value of COK assets.
- The terms and conditions of the Proposed Recapitalisation, including:
  - The Noble and SK Marketing Agreements.
  - The net present value of compensation paid to SK in relation to renouncing its right to market COK coal in certain Asia Pacific countries.
  - The new COK Shares to be issued upon completion of the Proposed Recapitalisation.

If the Proposed Recapitalisation is completed, COK will be able to repay the KEBA Loan which is one of the conditions precedent to the ANZ Facilities. Subject to COK achieving certain conditions for drawdown, the ANZ Facilities (together with the Proposed Recapitalisation and the Mezzanine Facility) will provide the required funds to develop the Baralaba North Expansion in a timely manner.

9.1 Baralaba Complex

In assessing the market value of the Baralaba Complex, Grant Thornton Corporate Finance has adopted the following valuation methodologies:

Project	Valuation methodology
Baralaba Mine and Baralaba North Expansion Project	DCF based on the cash flow projections prepared by the Company and reviewed by BDA
Baralaba South Expansion Project	Implied Resource Multiples and high level DCF

9.1.1 Operational assumptions of the Existing Baralaba Mine

COK has operated the Baralaba Mine for over four years, during which time, over 2 Mt of coal has been produced. For FY13, the Baralaba Mine produced 707,000t of ROM coal, compared to 762,848 t in CY12. Product sales for FY13 were 544,000t of ULV PCI coal. Over the next year, Management of COK plans to increase saleable coal production to approximately 1.0 Mt per annum following the granting on 5 September 2013 by the Department of Natural Resources and Mine in Queensland of a mining lease to increase mining up to this level.

The key operating assumptions included in the financial model for the Baralaba Mine are set out below:

Key operating assumptions		
Remaining mine life (RLOM)	1.4	years[1]
ULV PCI Coal		
Raw coal mined over RLOM	712.1	Kt
Coal sold over RLOM	965.2	Kt
Thermal coal		
Raw coal mined over RLOM	267.6	Kt
Coal sold over RLOM	257.3	Kt

Note(1): From 1 July 2013 to 31 December 2014

Source: Baralaba Mine Model

As discussed earlier, the production profile and operating assumptions were independently reviewed by BDA and considered reasonable.

For economic and other assumptions please refer to section 9.1.3.

9.1.2 Operational assumptions of the Baralaba North Expansion Project

The key assumptions underpinning the forecast cash flows relating to the Baralaba North Expansion Model are set out below.

Supplementary BFS and operation assumptions summary	
Life of mine (LOM)	20+ years
Mine type	Open-cut
Coal type	100% ULV PCI coal
Average saleable production	3.5 Mtpa
LOM strip ratio	9.7:1
Average cash cost (excluding royalties)	A$96 FOB t
Development capital cost (Including contingencies)	A$360 million
Total raw coal produced over LOM	87.6 Mt
Total saleable coal produced over LOM	79.1 Mt

Source: Baralaba Expansion Model.

Production

The projected production profile for the Baralaba North Expansion Project over the life of mine is presented in the following graph.

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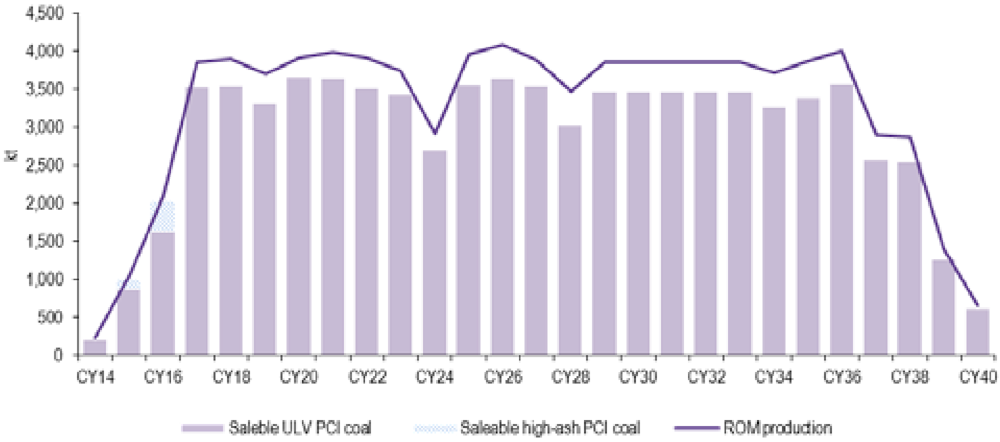
Forecast ROM and saleable coal production



Source: Baralaba Expansion Model

We note the following in relation to the above graph:

- The targeted production profile of the Baralaba North Expansion Project is approximately 3.5 Mt per annum ROM coal. This is consistent with the port volume allocation at RG Tanna (0.5 Mtpa) and WICET Stage 1 (3.0 Mtpa).

- The total saleable coal production over the production schedule is forecast to be approximately 79.1 Mt. During the first 10 years, greater than 90% of production is planned to be from 2004 JORC Reserves, with the remainder mostly from JORC Inferred Resources. Further drilling is part of the mine development plan, to prove up further reserves as the mine progresses to the north. BDA has advised that this assumption is reasonable and the related drilling expenditure has been included in the forecast.

- The development has commenced to assist levee construction. The first coal production is targeted for mid-2014 to coincide with the ramp-down in production at the Baralaba Mine.

- Production in CY14 through to July 2015 is consistent with current Baralaba port allocations at RG Tanna. In July 2015, production profile is scheduled to increase to meet export requirements at WICET.

- In the first two years of production, coal will only be subject to mobile screening and crushing. In CY16, in order to ramp-up production to meet export commitments, an additional coal beneficiation, in the form of a coal handling and preparation plant ("CHPP"), will be required to maintain product ash specifications.

- The estimated life of the mine strip ratio is approximately 9.7:1.

Operating costs

Operating costs include costs associated with mining, processing, royalty payments and other overhead costs. The following graph summarises the forecast operating expenses over the projected mine life.

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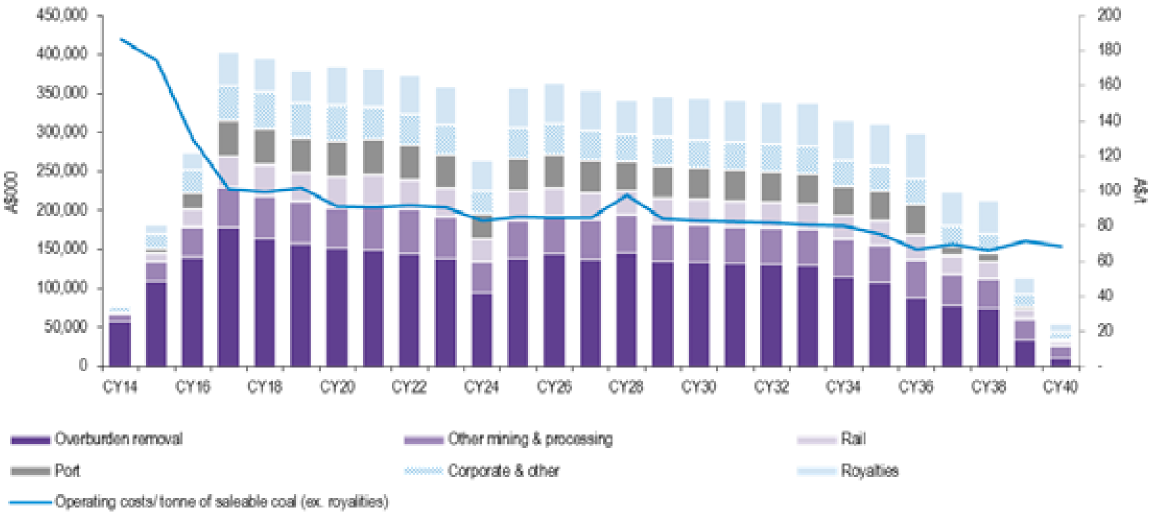
Operating costs



Source: Baralaba Model inclusive of AMC's recommended adjustments.

We note the following in relation to the operating costs:

- The operating costs in the Baralaba Expansion Model are based on the Supplementary BFS completed in April 2013 and independently reviewed by BDA. The operating costs estimate includes all activities relating to the extraction of coal from the Baralaba Mine, including overheads and taxes. Cost estimates have been reviewed and benchmarked against first principle estimates, suppliers' budget quotations, consultants' data and actual costs from the existing operation at Baralaba Mine.

- BDA considers that the operating cost estimates have been diligently prepared and that estimates are likely to be accurate within ±10%.

- In relation to rail cost, we note that COK is a party to the Wiggins Island Rail Project (WIRP) Deed, with Aurizon Network Pty Ltd providing necessary additional rail capacity on the rail network to support the additional capacity at the Port of Gladstone.

- The coal export port facility for the Baralaba North Expansion Project is located at the Port of Gladstone. COK will be a user in the Stage One development of the WICET, with an allocation of 3.0Mt per annum.

- Royalty payments are based on the three tiered Queensland coal royalty structure.

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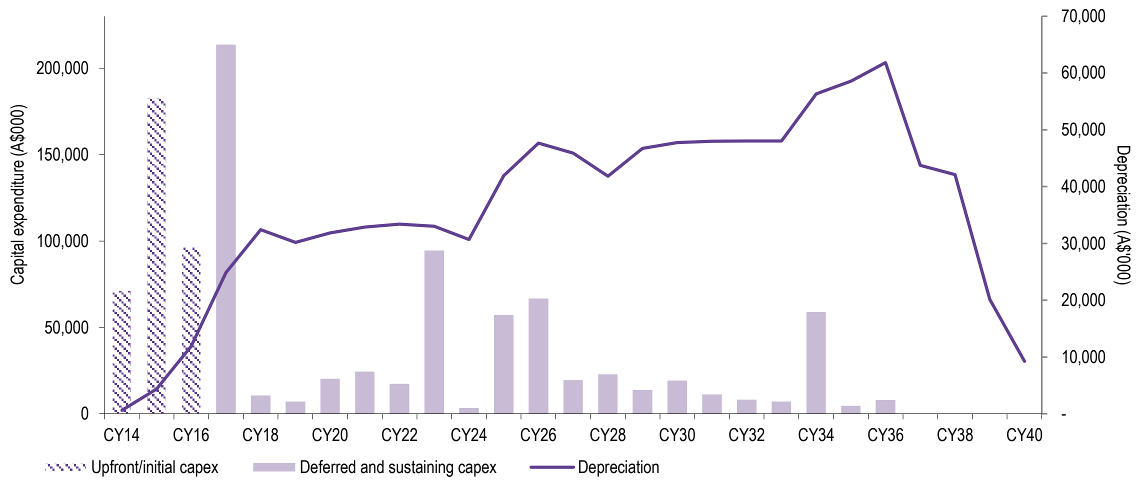
Capital expenditure

The forecast capital expenditure over the projected mine life is summarised below:

Capital expenditure and depreciation



Note (1): Assumes COK purchases the mining flee in 2017
Source: Baralaba Model inclusive of BDA recommended adjustments

We note the following in relation to the forecast capital expenditure:

- The construction activities scheduled for the first year are predominantly earthworks on levees, the industrial area and Baralaba North prestrip, and road works. Construction of the CHPP and loadout will require approval of the Stage 2 (3.5Mtpa) license application.
- The initial capital cost estimates amounts to approximately A$360 million[38] (nominal including contingencies), spread over three years from 2014 to 2016.
- The estimated capital expenditure is based on numerous sources, including first principles estimates, feasibility study-level engineering design, actual expenditures, contractor estimates and supplier quotations.
- The capital costs in 2017 and onwards are considered to be deferred and sustaining capital expenditure, which BDA has assessed as being reasonable. We note A$214 million in deferred capital expenditure in 2017 is in relation to the purchase of the dry hire mining fleet to support the ramp up of production from Stage 1 (1.0 Mtpa) to Stage 2 (3.5 Mtpa).
- BDA considers the capital cost estimate (including contingencies) is detailed and accurate within ±15%.

9.1.3 Economic and other assumptions of the Baralaba Mine and Baralaba North Expansion Project

PCI prices

[38] BDA has recommended that contingencies for cost overruns should be included in our valuation assessment.

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For the purpose of forming a view on the appropriate coal prices to use for the valuation, Grant Thornton Corporate Finance has had regard to the historical spot prices and forecast prices prepared by various brokers.

Given the volatility in commodity markets, the current levels of commodity prices relative to historical long run prices, and the widely varying views of industry analysts, assumptions regarding future coal prices are inherently subject to considerable uncertainty. It should be noted that the value of the mineral assets could vary materially based on changes in commodity price expectations.

The assumptions in relation to the coal prices adopted by Grant Thornton Corporate Finance do not represent forecasts by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of resources assets and companies.

The sources for the coal prices are denominated in US dollars and are on a nominal basis (i.e. inclusive of inflation expectations). We have re-expressed the nominal US dollar denominated commodity prices into real Australian dollar denominated terms having regards to the exchange rate assumptions discussed below and the Consumer Price Index ("CPI").

In our assessment of the coal prices, we have considered the following:

- Forecasts released by Consensus Economics Inc, "Energy & Metals Forecasts' dated August 2013.
- Consensus forecasts released by Capital IQ.
- Various brokers' reports.
- Movement in spot and forward prices.

Based on the analysis and discussion above, the following table summarises the real US-dollar denominated prices for PCI used in our valuation assessment.

PCI coal price assumptions (real)	US$/t
2013Q4	112.00
2014	124.14
2015	123.92
2016	124.87
2017	122.26
Long term	123.00

Note (1): 2013Q4 PCI price estimate is only for the last quarter of 2013.
Source: Broker reports, publicly available information and Grant Thornton Corporate Finance assumptions

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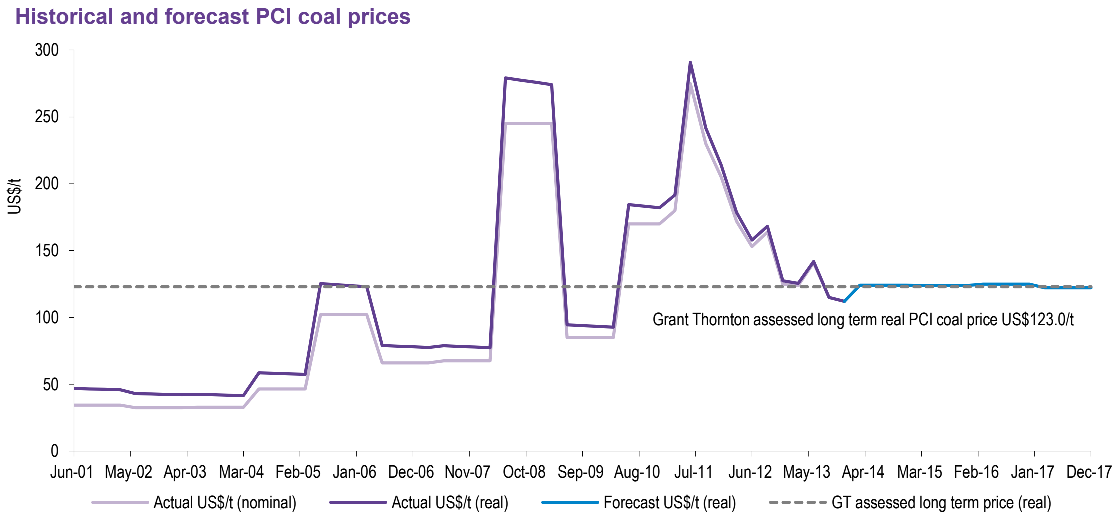
Set out in the following graph, we have plotted our mid-point assessment of the long term real PCI price against the historical PCI price (real) for the last 12 years.



Source: Capital IQ and GTCF calculations

Exchange Rates

The following table summarises our assessment of the forecast real exchange rates adopted in our valuation assessment:

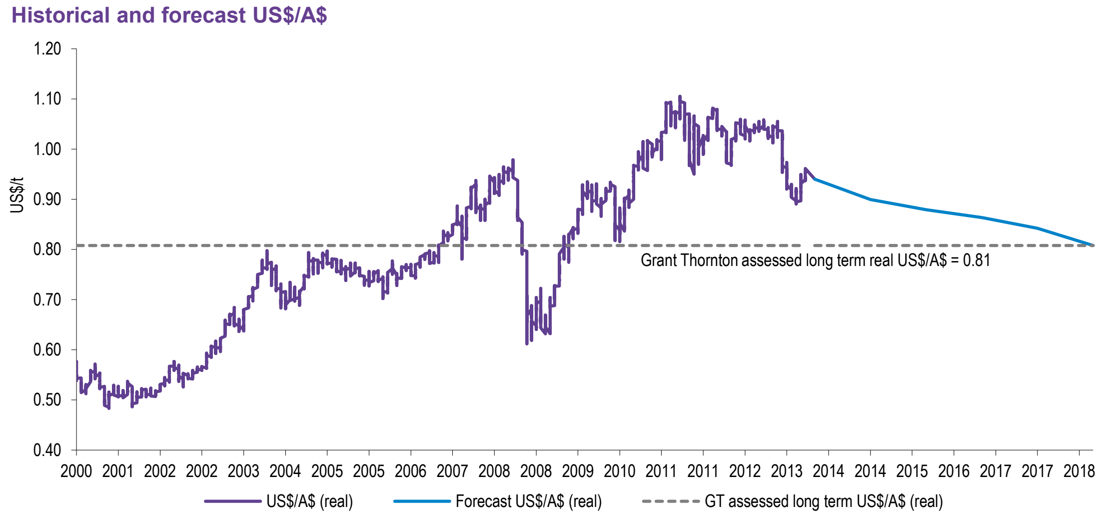
Exchange rate assumptions (real)	A$/US$
2013Q4	0.94
2014	0.90
2015	0.88
2016	0.86
2017	0.84
Long term	0.81

Note (1): 2013Q4 exchange rate estimate is only for the last quarter of 2013.
Source: Broker reports, publicly available information and Grant Thornton Corporate Finance assumptions.

In our assessment of the exchange rates, we have considered the following:

- Various broker reports.
- Consensus estimates provided by Capital IQ.
- Movement in spot and forward exchange rates.

The graph below illustrates the historical and forecast A$ to US$ exchange rate (real).



Inflation

For the purpose of our valuation assessment, we have adopted an inflation rate of 2.5% per annum in line with the Reserve Bank of Australia target inflation between 2% and 3% per annum. The cash flows used in our valuation assessment are in real terms.

Discount rate

The cash flow assumptions associated with the Baralaba North Expansion Project have been prepared on a real, ungeared and post-tax basis. Accordingly, Grant Thornton Corporate Finance has applied a real, post-tax Weighted Average Cost of Capital ("WACC") in the range of 9.4% and 10.1%. Refer to Appendix B for further details.

The selected discount rate reflects the fact that the Baralaba North Expansion is considered a brownfield expansion of an existing operation, with the infrastructure required for the expanded operation already in place. This materially reduces the technical and execution risks when compared to a "greenfield" project.

Our assessment of the discount rate captures the following risks identified by BDA:

- Slower than planned development and ramp up to full production in the mine.
- Delays in receiving development consents for Stage 2 up to 3.5 Mtpa.
- Failure to achieve planned production levels and cost forecasts following expansion.
- The vicinity to the Dawson River and the potential risk of future flooding.
- Other risks typical of a brownfield expansion.

As indicated in the BDA Report, once the Stage 2 production level is achieved, BDA is of the opinion that there are relatively few apparent technical risks in the mining and processing area. The planned operation is conventional and straightforward.

In relation to the Baralaba Mine, we note that given the remaining life of mine is only 1.5 years, the market value of the Baralaba Mine is not sensitive to changes in the discount rate. The selected discount rate is substantially equivalent to the discount rate for the Baralaba North Expansion Project[39].

Other assumptions

Assumption	Description
Depreciation	Capital expenditure is depreciated on a straight line basis over the current production schedule.
Income tax	Income tax has been calculated by applying the Australian statutory company tax rate of 30% to the notional taxable income. We have also assumed that the gross tax losses balance will be utilised over the duration of the cash flow projections.
MRRT	Management of COK do not expect COK to pay any MRRT due to the low coal pricing environment and the royalty and starting base allowances available to COK.
Carbon tax	COK currently does not pay any Carbon tax as it is under the facility production threshold. Management does not expect to be over this threshold until production ramps up to 3.5 Mtpa in 2017. Given the current Government is expected to repeal the Carbon Tax, the Carbon Tax has not been included in the forecast.
Working capital	Management of COK have advised that the Baralaba Mine currently has inventory of approximately 314,000 tonnes of coal which is expected to be reduced to 45,000 tonnes by the end of 2014. The remaining inventory is expected to be used for blending purposes when the Baralaba North Expansion Project is operational.
COK's interest in the Baralaba Mine	We note that COK holds a 62.5% equity interest in the Baralaba Mine Joint Venture, however based on the current balance of the existing shareholders loan and the terms of the shareholders agreement, we have been advised that COK is entitled to receive approximately 82% of the projected cash flows from the Baralaba Mine until the outstanding loan equalises with JFE Shoji's contribution which is not expected to occur over the limited life of the Baralaba Mine. Accordingly, our valuation assessment reflects 82% of the free cash flows over the remaining mine life.
Discount for lack of control	In our valuation assessment of the Baralaba North Expansion Project, we have applied a discount for lack of 100% interest. Based on the terms of the shareholders agreements, a number of key decisions require supermajority resolutions (i.e. above 80%) which would require approval of COK's joint venture partner JFE Shoji. We have applied a discount of 10% for the Baralaba North Expansion Project[40].

9.1.4 Valuation summary of COK's interest in the Baralaba Mine and the Baralaba North Expansion Project

The following table summarises our valuation assessment of COK's interest in the Baralaba Mine.

Baralaba Mine - Valuation Summary	Section reference	Low A$'000	High A$'000
Fair value of COK's 82%[1] interest in Baralaba Mine	9.1.1	**51,368**	**51,735**

Note (1): We note that COK holds a 62.5% equity interest in the Baralaba Mine Joint Venture, however based on the current balance of the existing shareholders loan and the terms of the shareholders agreement, we have been advised that COK is entitled to receive approximately 82% of the projected cash flows from the Baralaba Mine. For further details refer to Section 9.1.3.
Source: Grant Thornton Corporate Finance calculations

[39] We note that we have adjusted the tax shield on the cost of debt to reflect the current level of tax losses available to the Baralaba Central Mine.
[40] We note that given the limited LOM of the Baralaba Mine and the consolidated operations, we have not applied any discount for the lack of 100% control to the Baralaba Mine.

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The following table summarises our valuation assessment of COK's interest in the Baralaba North Expansion Project.

Baralaba North Expansion Project - Valuation Summary	Section reference	Low A$'000	High A$'000
Fair value of COK's 80% interest in Baralaba North Expansion Project	9.1.2	**139,104**	**172,286**

Source: Grant Thornton Corporate Finance calculations

9.1.5 Baralaba South Expansion Project

Initially under COK's BFS announced to the market in October 2012, COK was planning to operate both the Baralaba North and the Baralaba South Expansion Projects as truck-shovel open cut pits with a CHPP located at Baralaba South Expansion Project. Coal was then transported by truck to the Moura rail line.

Subsequently, COK has re-evaluated the Initial BFS and now proposes to proceed with a "North only" future development strategy.

Based on the SBFS findings, the Baralaba South Expansion Project is expected to be commenced at a later date. This date is yet to be determined and it is subject to availability of infrastructure, funding and favourable market conditions.

In our assessment of the fair market value of Baralaba South Expansion Project, we have considered the following:

1. The implied EV to resources of the Baralaba North Expansion Project derived from the DCF methodology.

2. High level DCF valuation based on the Initial BFS.

Set out in the table below are the resource and reserve multiples of the Baralaba North Expansion Project implied in our valuation assessment of this project based on the DCF:

Implied resource multiple - Baralaba North Expansion Project	Section Reference	Low	High
Assessed fair value of Baralaba North Expansion Project (A$'m)	9.1.4	174	215
Reserves and resources - Baralaba North Expansion Project (Mt)			
Resources	5.1	54.1	54.1
Reserves	5.1	31.3	31.3
Implied Resource Mulitple		3.21x	3.98x
Implied Reserve Multiple		5.56x	6.88x

Source: Management, BDA and GTCF calculations
Note: Assessed fair value of Baralaba North Expansion Project is on a 100% basis

When considering the value of the Baralaba South Deposit using the implied resources multiple, we have considered the following:

- The time of development of the Baralaba South Deposit is uncertain. In the absence of favourable market conditions, its development may occur when the resources of the Baralaba North Expansion Project are depleted. Accordingly, the above implied multiples should be heavily discounted.

- The Baralaba South Expansion Project has a large resource base (in excess of 100 years production at 1.5 Mtpa ROM production rate). In our opinion, it is unlikely a potential purchaser will attribute any value to the resources to be recovered after more than 20 to 25 years.

- The amount of resources that will ultimately convert into marketable reserves and be extracted will be lower than the current level of resources.

In addition, we have also performed a high level DCF valuation of the Baralaba South Expansion Project based on the feasibility study and amendments suggested by BDA. The key assumptions are summarised below:

- Development of the Baralaba South Expansion Project will commence approximately 5 years after the Baralaba North Expansion Project has been operational.

- Annual production of 1.5 Mt with a mine life of approximately 25 years.

- Initial capital expenditure of approximately A$150 million in relation to the commissioning a mine at the Baralaba South Deposit, expansion of the CHPP and related infrastructure.

- Operating cost in line with the Baralaba North Expansion Project.

- Discount rate consistent with the discount rate for the Baralaba North Expansion Project.

Given the uncertainty in relation to timing of development, current economic conditions and availability of funding, we have risk adjusted our valuation of the Baralaba South Expansion Project based on the DCF by applying a probability factor of 50%. This risk adjustment factor is consistent with the assumption adopted by investment analysts.

Based on the above analysis, we have assessed the fair market value of COK's 80% interest in the Baralaba South Project between A$40 million and A$60 million on a control basis.

Set out below are the resource multiples of the Baralaba South Project implied in our valuation assessment.

Implied resource multiple - Baralaba South Expansion Project	Section Reference	Low	High
Assessed fair value of Baralaba South Expansion Project (A$m)	9.1.5	40	60
Total resources (Mt)	5.1	153	153
Total ROM coal production[1] (Mt)		24	30
Implied Resource Mulitple		0.26x	0.39x
Implied ROM Multiple		1.67x	2.00x

Source: Grant Thornton Corporate Finance assumptions

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Note (1): Based on annual production of 1.5 Mt with a mine life of approximately 20 to 25 years. The Baralaba South Expansion Project has a large resource base (in excess of 100 years production at 1.5 mtpa ROM production rate). In our opinion, it is unlikely a potential purchaser will attribute any value to the resources to be recovered after more than 20 to 25 years. The ROM coal production has been adjusted for COK interest.

We are of the opinion that the implied resources multiple is reasonable when compared with the Baralaba North Expansion Project.

9.1.6 Valuation summary of Baralaba Complex

The following table summarises our valuation assessment of the Baralaba Complex which includes the Baralaba Mine, Baralaba North Expansion Project and the Baralaba South Expansion Project.

Baralaba Complex valuation summary	Section Reference	Low A$'000s	High A$'000s
Baralaba Mine	9.1.4	51,368	51,735
Baralaba North Expansion Project	9.1.4	139,104	172,286
Baralaba South Expansion Project	9.1.5	40,000	60,000
Total Baralaba Complex[1]		**230,473**	**284,020**

Source: Grant Thornton Corporate Finance assumptions
Note (1): Based on COK shareholdings and cash flow entitlements

Grant Thornton Corporate Finance has assessed the collective market value of COK's interest in the Baralaba Complex between A$230.5 million and A$284.0 million on a control basis.

It should be noted that our valuation assessment of the Baralaba Complex is inherently subjective and based on the market conditions prevailing as at the date of this report. The valuation reflects our subjective assessment of the assumptions that would be adopted by willing but not anxious parties.

9.1.7 Sensitivity analysis

We have conducted certain sensitivity analysis on the Baralaba Complex to highlight the impact caused by movements in certain key variables.

The following table summarises our results.

Sensitivity analysis	Fair value of the COK's interest in the Baralaba Project		% change in fair value of the COK's interest in the Baralaba Project	
A$'000	Low	High	Low	High
Base case	**230,473**	**284,020**	–	–
PCI price (US$/t) (discrete and long term)				
5% increase	350,102	414,551	52%	46%
1% increase	256,621	311,677	11%	10%
1% decrease	209,775	260,134	(9%)	(8%)
5% decrease	115,702	156,652	(50%)	(45%)
PCI price (US$/t) (real long term)				
120	189,366	236,544	(18%)	(17%)
125	248,598	303,248	8%	7%
130	307,811	369,930	34%	30%
Exchange rate (A$/US$) (real long term)				
0.70	458,922	540,103	99%	90%
0.75	346,271	413,242	50%	45%
0.85	160,597	204,146	(30%)	(28%)
0.90	83,170	116,953	(64%)	(59%)
Discount rate				
1% increase	171,712	212,313	(25%)	(25%)
0.5% increase	200,500	246,653	(13%)	(13%)
0.5% decrease	274,462	330,990	19%	17%
1% decrease	313,291	383,016	36%	35%
Capital expenditure				
5% increase	205,304	256,031	(11%)	(10%)
1% increase	227,620	279,932	(1%)	(1%)
1% decrease	238,778	288,895	4%	2%
5% decrease	261,095	315,783	13%	11%
Operating costs				
5% increase	129,431	172,449	(44%)	(39%)
1% increase	212,480	263,250	(8%)	(7%)
1% decrease	243,559	297,235	6%	5%
5% decrease	336,679	399,074	46%	41%
Inclusion of carbon tax and MRRT Tax	216,923	267,988	(6%)	(6%)

Source: GTCF calculations

These sensitivities do not represent a range of potential values of the Baralaba Project, but intend to show to BWD Shareholders the sensitivity of our valuation assessment to changes in certain variables.

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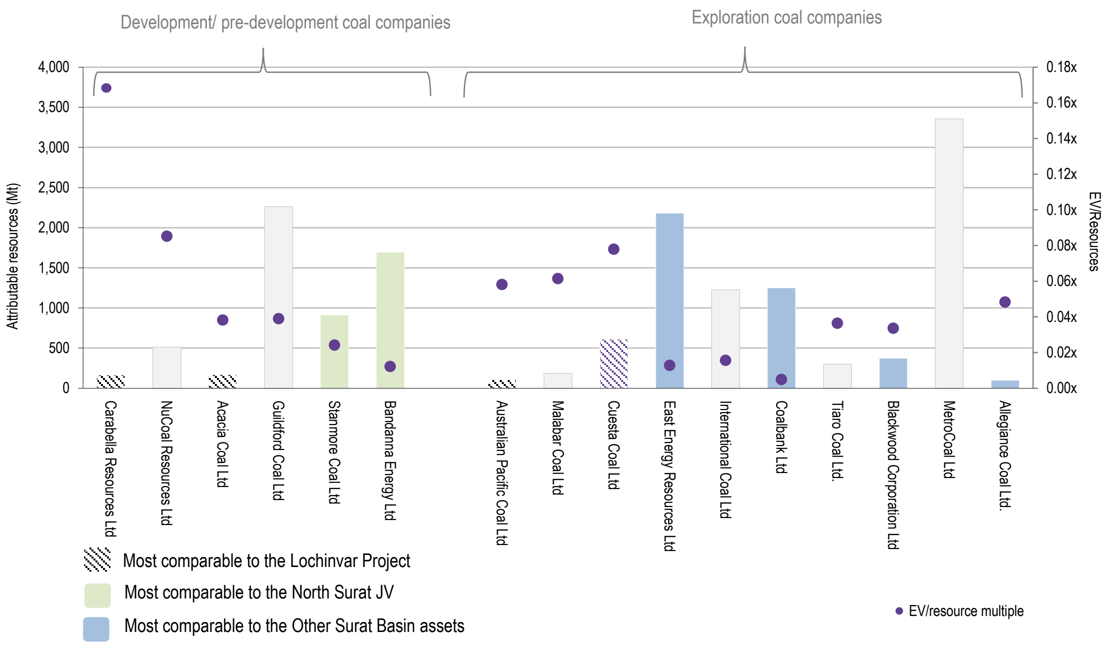
9.1.8 Valuation of COK's other exploration and development assets

We have estimated the fair market value of COK's other exploration and development assets having regard to the resource multiples of listed comparable companies and transactions.

9.1.8.1 Comparable companies

Set out below are the resource multiples of various ASX listed coal companies with projects in development and exploration. Refer to Appendix C and E for further details on the comparable companies.

Resource multiples



Source: CapitalIQ and GTCF calculations
Note (1): Enterprise value (EV) is calculated as market capitalisation as at 20 November 2013 adjusted for net debt. Net debt is based on the latest available annual reports of comparable companies.
Note (2): MetroCoal Limited has a negative EV based on a market capitalisation as at 20 November 2013.

In relation to the above trading multiples we note that:

- The resource multiples listed above have been calculated based on the market price for minority or portfolio share holdings and do not include a premium for control.
- For the purpose of our valuation, we have calculated the attributable resources of each company based on their ownership interest of each respective mineral asset.
- Given the relative prices for different coal types, companies mainly engaged in thermal coal tend to trade at lower multiples than those companies mainly engaged in PCI and hard coking coal.
- Companies with the majority of their resources located in well-established mining areas such as the Bowen Basin and Hunter Valley tend to trade at higher multiples than companies located mainly in emerging mining areas such as the Surat and Galilee Basins.

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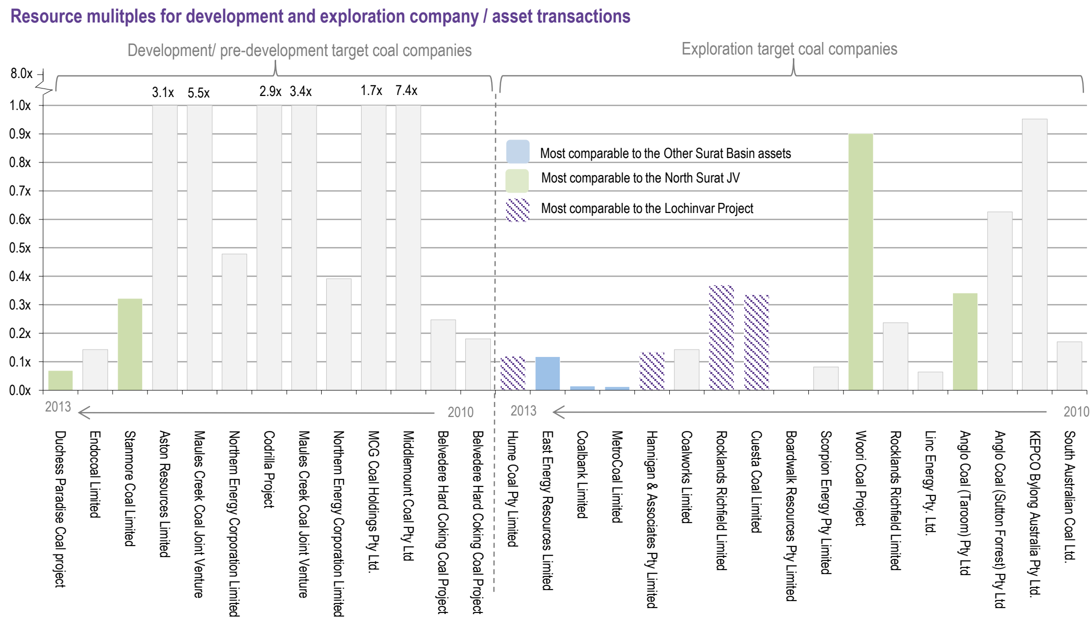
9.1.8.2 Comparable transactions

We note that there have been a significant number of transactions in the Australian coal sector. However most of these transactions occurred during substantially more favourable market conditions and therefore may not be indicative of the fair market value achievable in current market conditions.

Set out below are the transactions in the coal development and exploration industries since 2010:



Source: CapitalIQ and GTCF calculations

9.1.8.3 Conclusion on the value of COK other exploration assets

Based on the analysis undertaken above, set out in the table below is a summary of our valuation assessment of COK's other exploration and development assets. For further details refer to Appendix D.

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GT selected value per resource tonne	Assessed value range	Comments	Valuation benchmarks
North Surat Joint Venture			
A$0.03 to A$0.04	A$11.4 million to A$15.2 million	**COK interest:** 51% **Location:** Surat Basin, QLD **Coal type:** Thermal **Stage:** PFS **Mine life**: 20 years **Coal production**: 18 Mtpa **Resources:** 380.0 Mt **Reserves:** 286.6 Mt **Marketable reserves:** 153.4 Mt **Port allocation**: WEXP1 (4.2 Mtpa)	In our opinion, the companies with assets most comparable to the North Surat JV are Bandanna Energy Limited ("Bandanna"), and Stanmore Coal Limited ("Stanmore") which are trading at A$0.01 and A$0.02 per resource tonne, respectively.
Other Surat Basin Assets			
A$0.015 to A$0.020	A$15.2 million to A$20.3 million	**COK interest:** 100% **Location:** Surat Basin, QLD **Coal type:** Thermal **Stage:** Exploration **Resources:** 1,014.3 Mt	In our opinion, the companies with assets most comparable to the other Surat Basin assets are Allegiance Coal Limited ("Allegiance"), BWD, East Energy Resources Limited ("EER") and Coalbank Limited ("Coalbank") which are trading at A$0.05, A$0.03[1], A$0.01 and A$0.01 per resource tonne, respectively.
Lochinvar			
A$0.08	A$4.1 million	**COK interest:** 80% **Location:** Bowen Basin, QLD **Coal type:** Thermal/ PCI **Stage:** Exploration **Resources:** 51.2 Mt	In our opinion, the companies with assets most comparable to the Lochinvar Project are Acacia Coal Limited ("Acacia"), Carabella Resources Limited ("Carabella"), Australian Pacific Coal Limited ("APC") and Cuesta Coal Limited ("Cuesta") which are trading at A$0.04, A$0.16, A$0.06 and A$0.08, respectively.
Other assets (Dingo and Bylong Project)			
na	A$3.0 million	**Stage:** Exploration **Resources:** nil	We are of the opinion that there is limited material value in the Dingo Project. Based on discussions with Management, we understand that the Bylong option is out of the money. The valuation of the Bylong Project reflects Management's expectations of the cash flows to COK as manager for the valuation of the Bylong Project.
Total	A$33.7 million to A$42.6 million		

Note (1):The resource multiple of BWD is based on the share price of BWD after the announcement of the Proposed Takeover. Accordingly, the resource multiple for BWD is on a control basis.
Note (2): Note: Resource, reserves and marketable reserves are on an attributable basis i.e. based on COK's equity interest in projects.

9.2 Other assets and liabilities of COK

For the purpose of this report, we have assessed the fair market value of other assets and liabilities of COK based on the audited balance sheet as at 30 June 2013. We note that the net working capital of COK as at 30 June 2013 is included in the cash flow forecast of the Baralaba Mine and accordingly has not been considered in our assessment of the other assets and liabilities.

Our assessment of COK' other assets and liabilities is set out in the table below.

Other assets/(liabilities)	Section Reference	Reported	Low (A$000)	High (A$000)
Other assets/(liabilities) excluding net debt				
Deferred facility/guarantee fee[1]		1,743	-	-
Security deposits	Note 1	39,064	32,655	32,655
Investments - available for sale	Note 2	5,600	5,600	5,600
Net proceeds from the sale of the Hume Project	Note 3	18,000	4,740	4,740
Refundable infrastructure expenditure	Note 4	10,814	6,240	8,906
Other receivables	Note 5	1,791	1,791	1,791
Employee benefits	Note 5	(750)	(750)	(750)
Adjusted other assets/ (liabilities) excluding net debt		**76,262**	**50,276**	**52,942**
Net debt				
Cash and cash equivalents	5.2.2	12,689	12,689	12,689
Bank loan	5.2.2	(100,000)	(100,000)	(100,000)
Repayment of the KEBA Facility from the sale of the Hume project	Note 6	-	5,000	5,000
Finance leases	5.2.2	(744)	(744)	(744)
Adjusted net debt as at 30 June 2013		**(88,056)**	**(83,056)**	**(83,056)**
Total other assets/(liabilities)		**(11,794)**	**(32,780)**	**(30,114)**

Note (1): This is in relation to capitalised transaction costs amortised over different periods
Source: COK Management and Grant Thornton Corporate Finance calculations

Note	Item	Description
Note 1	Security deposits	Macquarie has provided guarantees totalling $50,118,467 backed by A$40 million in security deposits. Management of COK have advised that they are currently in discussions with their bankers for the release of the cash backed guarantee upon granting of the mining lease up to 3.5 Mt. The mining lease is expected to be granted by the Department of Natural Resources and Mines in Queensland in the final quarter of 2014. We note that under the ANZ Facilities, ANZ will provide A$55 million of environmental guarantees without requiring cash backed security deposits. Management have advised that whilst negotiations with its bankers are progressing, the ability of COK to have the cash backed security deposits released will be driven by the credit worthiness of the Company. In our valuation, we have assessed the net present value of the security deposit assuming that they will be released after 2 years.
Note 2	Investments	COK holds an equity investment in Amber Energy. Grant Thornton Corporate Finance has relied on the carrying value as at 30 June 2013 for valuation purposes.
Note 3	Available for sale investment	COK has recently completed the sale of its 30% interest in the Hume Project for approximately A$9.74 million in cash and the cancellation of 134.8 million COK shares held by POSCO (a 13.26% interest). A$5.0 million of the cash proceeds from the sale of the Hume Project was used to repay the KEBA Loan. Accordingly, in our valuation assessment, we have only considered the remaining cash proceeds from the sale of the Hume Property of A$4.74 million. The shares bought back from POSCO have been excluded from the total COK Shares outstanding.
Note 4	Refundable infrastructure expenditure	Refundable infrastructure expenditure relates to payments for WICET and is refundable upon financial close of the WICET expansion projects. Based on discussions with Management of COK, we have assessed the value of the refundable infrastructure expenditure based on the net present value after considering the potential risks and timing of the refund.
Note 5	Other receivables and employee benefits	Other receivables and employee benefits have been assessed based on the 30 June 2013 audited accounts of COK.
Note 6	Repayment of KEBA Facility from the sale of the Hume Project	In August 2013, COK announced the completion of the sale of the Company's 30% interest in Hume Coal to POSCO. COK applied A$5.0 million of the cash proceeds to the KEBA Loan reducing its balance to A$95.0 million.

9.3 Corporate overheads

COK incurs on-going corporate costs which are not directly related to the exploration and exploitation of its mining assets. These costs are associated with maintaining offices, the executive management teams, finance and corporate administration.

Based on the discussions with Management, annual corporate overheads excluding those associated with maintaining a listed status and one-off expenses have been assessed at approximately A$5.0 million per annum on a pre-tax basis. We note that the management fees received by COK to operate its joint ventures have been netted off the corporate overheads.

We have assessed the net present value of the corporate overheads to be in the range of A$33.5 million and A$35.4 million.

9.4 Options

As discussed in Section 5.3, COK has 225,833,333 Options on issue. The value of the Options has been determined using the Binomial Model. We have assessed the total value of COK Options to be approximately A$1.5 million.

9.5 SK and Noble Marketing Agreements

In conjunction with the Proposed Recapitalisation, COK has entered into two separate marketing agreements with Noble and SK. The Noble (SK) Marketing Agreement is conditional on:

- Noble's (SK's) obligation to pay the Subscription monies being unconditional; and
- The offer period for the Proposed Takeover ending.

Both companies will be entitled to a coal marketing fee equal to 2.5% of coal revenue. Note that this excludes coal sold to JFE Shoji from the Baralaba Mine under an existing sales agreement for 300,000 tonnes per annum, or coal directly marketed by COK under strict circumstances.

Accordingly, in our valuation assessment of the Baralaba North Expansion, we have replaced the existing marketing fee with 2.5%.

In relation to our consideration of the Marketing Agreements in our valuation assessment of COK, we note the following:

- Based on the status of development of the other projects, there is uncertainty on when and if the uplifted marketing fee of 2.5% will be payable on the other COK projects. Accordingly, we have not explicitly considered it in our valuation assessment.
- In our assessment of the marketing fee, we have not considered any uplift in coal sales price that Noble may be able to extract from its customers. Noble has a global footprint and distribution that should assist in increasing COK's ULV PCI sale price (all other things being equal). The higher sales price (if any) should increase the profitability of COK almost on a dollar for dollar basis given the fixed nature of COK's costs.

We note that in accordance with the marketing agreements, Noble and SK will be required to provide the following services:

- Preparation and execution of the marketing programme.

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- Strategy development.
- Customer administration.
- Administration of sales contracts and reporting.
- Assisting with procuring and executing offtake agreements.

Our consideration of the Marketing Agreements are only based on the additional costs to be incurred by COK and it does not represent the fair market value of the Marketing Agreements for Noble and SK given it does not take into account the costs, risks and return required by Noble and SK to enter into the Marketing Agreements.

9.6 Fee payment to SK

As consideration for SK giving up its existing right to market coal in certain regions in the Asia Pacific region, COK has agreed to pay SK approximately A$3.4 million over three instalments commencing on 31 December 2014 and ending on 31 December 2015. We have calculated the net present value of these payments based on a discount rate in line with the cost of debt.

9.7 Minority discount

Our valuation assessment of COK assets is on a control basis. In order to assess the value of the Consideration offered on a minority basis, we have applied a minority discount to our valuation assessment of COK's operating assets.

A minority interest discount is the inverse of a premium for control[41] and generally ranges between 15% and 30%. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values.

In our valuation assessment, we have adopted a minority discount of 25%. This is towards the high end of the range of the minority discount typically applied in the Australian market. We believe this is reasonable considering the following:

- The assumptions adopted in our valuation assessment on a 100% basis before the Proposed Recapitalisation.
- Even if the Proposed Recapitalisation is completed, COK requires additional debt or equity funding in order to ensure one of the key conditions precedent for the draw-down of the ANZ Facilities is met. In this regard, after completion of the Proposed Recapitalisation, COK intends to seek proposals from potential investors to provide a mezzanine financing facility of up to A$50 million[42]. The mezzanine debt in conjunction with the ANZ Facilities may not necessarily be consistent with the target capital structure or the ideal capital structure envisaged by the

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[41] Minority interest discount = 1-(1/(1+control premium)).
[42] The Company has already received a number of indicative term sheets and expressions of interest, including from Noble, and will look to run a formal process after the completion of the Proposed Recapitalisation.

Directors of COK. In addition, the Mezzanine Facility is likely to increase the cost of debt of COK and the risk profile for the equity holders.

- BWD Shareholders collective interests (excluding Noble) in the Merged Group.

- On the other side, we have also considered that our valuation assessment of COK's mineral assets located in the Surat Basin is predominately based on the trading multiples of comparable companies.

9.8 Transaction costs

Grant Thornton Corporate Finance has taken into consideration costs associated with the Proposed Recapitalisation payable by COK irrespective of whether the Proposed Recapitalisation proceeds or otherwise (assessed at A$1 million based on discussions with Management).

Grant Thornton Corporate Finance has also taken into consideration costs associated with the Proposed Recapitalisation payable by COK if the Proposed Recapitalisation completes (including contingent transaction costs associated with completion of the Proposed Recapitalisation and the ANZ Facilities fee[43]).

9.9 Shares on issue after the Proposed Recapitalisation

Under the Proposed Recapitalisation, COK will issue the following shares:

- SK will subscribe for 1,000.0 million shares at 5.0 cents per share raising A$50.0 million.

- Noble will subscribe for 866.0 million shares at 5.0 cents per share raising A$43.3 million.

- Harum will subscribe for 449.8 million shares at 4.5 cents per share raising A$20.2 million under the Institutional Placement.

- Issue of 883.5 million shares to various institutional and sophisticated investors at 4.5 cents per share raising A$39.8 million under the Institutional Placement.

In summary, as a result of the Proposed Recapitalisation, COK will issue 3,199.4 million shares to raise a total of A$153.3 million. Based on the number of shares on issue before the Proposed Recapitalisation (886,294), COK will have a total number of shares on issue of 4,085,659 if the Proposed Recapitalisation completes.

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[43] Fees of A$9.6 million payable to ANZ upon completion of the ANZ Facilities.

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9.10 Valuation summary

Set out below is a summary of our valuation assessment of COK after the Proposed Recapitalisation and before the Proposed Takeover on a minority basis.

Valuation summary	Section reference	Low A$'000	High A$'000
Equity value of COK prior to recapitalisation on a control basis			
Fair value of COK's interest in the Baralaba Complex	9.1.6	230,473	284,020
Fair value of other exporation and development assets	9.1.8	33,724	42,600
Other assets/(liabilities)	9.2	(32,780)	(30,114)
Less: Value of corporate overheads	9.3	(35,377)	(33,573)
Less: Value of options	9.4	(1,506)	(1,506)
Less: Non contingent transaction costs	9.8	(1,000)	(1,000)
Equity value of COK prior to recapitalisation on a control basis		**193,535**	**260,428**
Less: Net impact of new marketing fee arrangement	9.5	(45,434)	(48,175)
Less: Present value of SK Marketing Payment	9.6	(2,916)	(2,916)
Adjusted equity value of COK (on control basis)		**145,185**	**209,338**
Minority discount	9.7	25%	25%
Adjusted equity value of COK (on minority basis)		**108,889**	**157,003**
COK after the Proposed Recapitalisation			
Add: Noble, SK and Institutional Placement	9.9	153,302	153,302
Less: ANZ Finance	9.8	(9,600)	(9,600)
Less: Contingent transaction costs	9.8	(4,700)	(4,700)
Equity value of COK after recapitalisation (on minority basis)		**247,891**	**296,005**
Number of COK Shares on issue after the Proposed Recapitalisation (000s)	9.9	4,085,659	4,085,659
Value per share (cent)		**6.07**	**7.24**

Source: Management and GTCF calculations

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10 Valuation of the Consideration

In this section of the report, we have assessed the fair market value of the Merged Group on a minority basis in order to form an opinion on the value of the Consideration received by BWD Shareholders.

Our assessment of the fair market value of the Consideration offered is based on the aggregation of the valuation assessment of COK and BWD before the Proposed Takeover on a minority basis and the terms of the Proposed Takeover.

10.1 BWD on a minority basis

Set out below is our valuation assessment of BWD on a minority basis.

Valuation of BWD on a minority basis			
		Low	High
	Reference	A$'000	A$'000
Value of BWD on standalone (control basis)	Section 8.6	13,071	19,971
Add: Performance Rights[1]	Note 1	542	542
		13,613	20,513
Minority discount	Note 2	25%	25%
Adjusted value of BWD on standalone (minority basis)		**10,210**	**15,385**

Source: GTCF calculations

Note 1 – We assumed that BWD's existing Performance Rights will be exercised and exchanged for COK Shares. Accordingly, we have excluded the value of Performance Rights from our valuation assessment of BWD and include the additional COK Shares to be issued to the holders of the Performance Rights in the total shares on issue post the Proposed Takeover.

Note 2 – The underlying value of BWD assessed in section 8.6 is on a 100% and control basis. Accordingly, we have applied a minority discount of 25% in line with the minority discount adopted for COK. For further details refer to section 9.7.

10.2 COK after the Proposed Recapitalisation on a minority basis

As set out in section 9.10, we have assessed the equity value of COK after the Proposed Recapitalisation on a minority basis between A$247.9 million and A$296.0 million

10.3 Synergies in the Merged Group

As set out in the Bidder's Statement, if the Proposed Takeover becomes unconditional and COK acquires 100% of BWD, COK may achieve certain cost savings in the corporate overheads of BWD (mainly listing costs and directors fees) and other potential benefits in relation to the adjacent location of certain tenement holdings. As set out in the Bidder's Statement, these synergies are difficult to quantify and we do not believe to be material in respect to the value of the Merged Group. In addition, our valuation assessment of BWD is not based on the net present value of future cash flows, but it is more based on the realisation value of those assets as at the date of our report.

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10.4 Number of shares on issue

Set out in the table below is our calculation of the number of shares on issue in the Merged Group assuming that the Proposed Takeover becomes unconditional and COK acquires all the issued capital of BWD (excluding the potential impact of the SPP).

Number of shares in the Merged Group	Section Reference	
Total number of BWD Shares to be exchanged for COK Shares (000s)[1]		192,275
Share Exchange Ratio		2.00x
Number of COK Shares issued to BWD Shareholders (000s)		**384,550**
Number of COK Shares after the Proposed Recapitalisation (000s)	9.9	4,085,659
Total number of shares in the Merged Group (000s)		**4,470,209**

Note (1): Based on assumption that all existing 7,225,000 Performance Rights are exercised and exchanged for COK Shares.
Source: GTCF calculations

10.5 Value summary of the Consideration

As summarised in the table below, we have assessed the value of the Consideration received in the Merged Group in the range of 11.55 cents and 13.93 cents on a minority basis.

Valuation summary - Merged Group	Section reference	Low A$'000	High A$'000
Adjusted value of BWD on standalone (minority basis)	10.1	10,210	15,385
Value of COK following the Proposed Recapitalisation (minority basis)	9.10	247,891	296,005
Value of the Merged Group		**258,100**	**311,390**
Issued shares in the Merged Group	6.6	4,470,209	4,470,209
Value of COK Share after the Proposed Takeover (minority basis) (cents)		**5.77**	**6.97**
Share Exchange Ratio		2.00x	2.00x
Consideration received per BWD Share (cents)		**11.55**	**13.93**

Source: GTCF calculations

BWD Shareholders should be aware that our assessment of the value per share of the Merged Group does not reflect the price at which the shares in COK will trade when the Proposed Takeover is completed. The price at which COK Shares will ultimately trade depends on a range of factors including the liquidity of COK Shares, macro-economic conditions, coal price, exchange rate and the underlying performance of the COK business.

10.6 Cross check to the value of the Consideration

As a cross check to our valuation of COK after the Proposed Takeover, Grant Thornton Corporate Finance has considered the share price of COK after the announcement of the Proposed Takeover. Set out below is our analysis.

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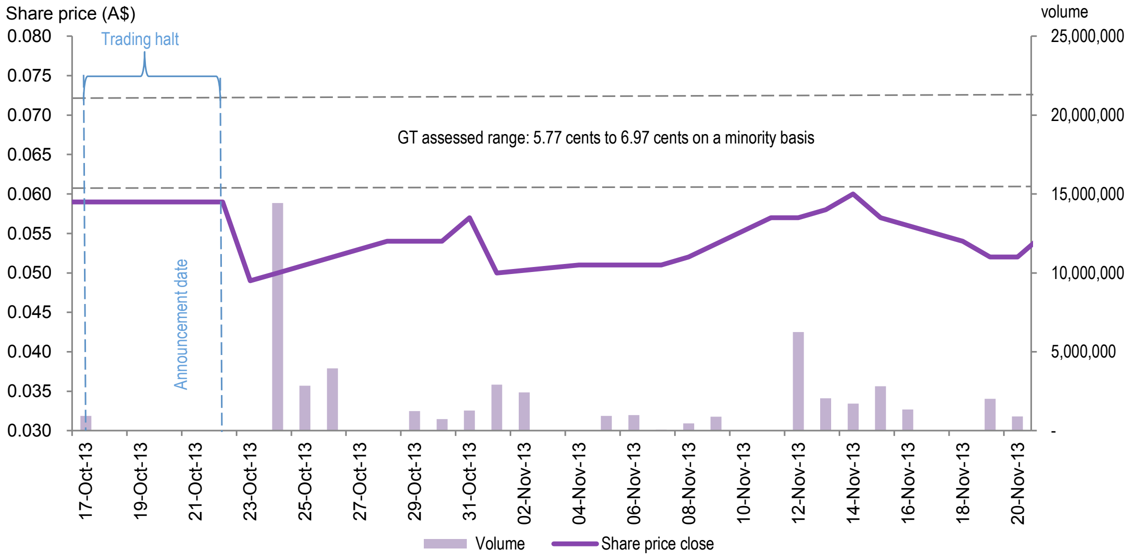

Source: CapitalIQ and GTCF calculations

Our valuation assessment on a minority basis post the Proposed Takeover is higher than the share price post announcement of the Proposed Takeover but substantially in line (at the low-end of our range) with the recent share trading.

In relation to the trading prices post announcement of the Proposed Recapitalisation, we note the following:

- COK trading prices may incorporate an element of uncertainty in relation to the successful completion of the Proposed Recapitalisation and Proposed Takeover. As set out in the Notice of Meeting and Explanatory Memorandum, if COK Shareholders do not approve the Proposed Recapitalisation at the Extraordinary General Meeting to be held at the beginning of December, COK may have limited time available to negotiate an extension of the KEBA Loan and SK guarantee or secure an alternative transaction. This uncertainty and risk may be incorporated into the share price of COK post announcement of the Proposed Recapitalisation and Proposed Takeover.

- The share price of COK post announcement of the Proposed Recapitalisation and Proposed Takeover may incorporate investors' view of the additional dilution from the SPP being completed. Refer to the executive summary of this Report for sensitivity analysis in relation to the SPP.

- Current trading prices reflect investors' views on the short term prospects of the Merged Group and they may not necessarily take into account a long term view on the project and the coal sector more generally (which is captured into our valuation assessment).

Based on the above discussions, we do believe our valuation assessment of the Consideration offered is reasonable.

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11 Sources of information, disclaimer and consents

11.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Target's Statement
- Bid Implementation Deed
- BDA's Technical Reports for BWD and COK
- Annual reports and half-year financial reports of BWD and COK
- Releases and announcements by BWD and COK on the ASX
- IBISWorld Industry Report
- Other information provided by BWD and COK
- Capital IQ
- Consensus Economics Forecast
- Mergermarket
- Various broker reports
- Other publicly available information
- Discussions with Management of BWD and COK

11.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous Proposed Takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to BWD and all other parties involved in the Proposed Takeover with reference to the ASIC Regulatory Guide 112 "Independence of experts" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to BWD, its shareholders and all other parties involved in the Proposed Takeover.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with BWD or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Takeover.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Takeover, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Takeover . Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

11.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by BWD and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by BWD through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of BWD.

This report has been prepared to assist the directors of BWD in advising BWD Shareholders in relation to the Proposed Takeover. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Takeover is in the best interest of BWD Shareholders.

BWD has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by BWD, which BWD knew or should have known to be false and/or reliance on information, which was material information BWD had in its possession and which BWD knew or should have known to be material and which BWD did not provide to Grant Thornton Corporate Finance. BWD will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

11.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target Statement to be sent to BWD Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Discount Rate for Cockatoo

Introduction

The discount rate was determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the WACC is calculated as follows:

$$\mathrm{WACC} = R_d \times \frac{D}{D+E} \times (1-t) + R_e \times \frac{E}{D+E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

WACC Inputs

Required rate of return on equity capital

We have used the Capital Asset Pricing Model ("CAPM"), which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market – it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (R_e) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m - R_f)$ = market risk premium

Risk free rate

We have adopted a risk free rate of 4.7% based on the 5 year average of the 10 year Australia Government Bonds' yield. We selected the 5 year average due to high volatility in global equity markets over the past several years and subsequently, the potential distortion possible with recent quantitative easing.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

Empirical studies of the historical risk premium in Australia over periods of up to 100 years suggest the premium is between 6% and 8%. For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a market risk premium of 6%.

We note that our adopted premium is consistent with the market risk premium used by regulatory authorities in Australia (such as the Australian Competition and Consumer Commission and all other state based regulators).

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of this report, we have had regard to the observed betas (equity betas) of companies listed in Australia engaged in coal production (Tier 1), coal development/ pre-development (Tier 2), and coal exploration (Tier 3) are set out below:

Company	Market Cap A$'m	GT 5 yr MSCI	GT 5 yr ASX	AGSM 5 yr ASX	Gearing	GT 5 yr MSCI	GT 5 yr ASX	AGSM 5 yr ASX
			Equity beta				Ungeared beta	
Tier 1 - Australian coal production companies								
Whitehaven Coal Limited	1,539	1.17	1.42	1.08	9%	1.11	1.34	1.02
Gujarat NRE Coking Coal Limited	155	0.57	1.45	1.47	136%	0.29	0.74	0.75
Yancoal Australia Ltd	676	na	na	na	520%	na	na	na
Bathurst Resources Limited	185	1.77	1.96	1.63	0%	1.77	1.96	1.63
New Hope Corporation Limited	3,074	0.66	1.01	1.05	0%	0.66	1.01	1.05
Average - tier 1		1.04	1.46	1.31	133%	0.96	1.26	1.11
Median - tier 1		0.92	1.43	1.28	9%	0.89	1.18	1.03
Tier 2 - Australian coal development/ predevelopment companies								
NuCoal Resources Limited	54	0.92	1.31	0.95	0%	0.92	1.31	0.95
Stanmore Coal Limited	33	0.99	1.59	1.62	0%	0.99	1.59	1.62
Bandanna Energy Limited	95	1.27	2.56	2.63	0%	1.27	2.56	2.63
Carabella Resources Limited	36	0.99	1.37	1.62	0%	0.99	1.37	1.62
Guildford Coal Limited	57	0.62	1.38	1.40	15%	0.56	1.25	1.27
Acacia Coal Limited	12	0.95	1.91	2.08	0%	0.95	1.91	2.08
Average - tier 2		0.96	1.68	1.72	2%	0.95	1.66	1.70
Median - tier 2		0.97	1.48	1.62	0%	0.97	1.48	1.62
Average - tier 1 & 2		0.99	1.59	1.55	62%	0.95	1.50	1.46
Median - tier 1 & 2		0.97	1.43	1.55	0%	0.97	1.35	1.44
Tier 3 - Australian coal exploration companies								
Australian Pacific Coal Limited	6	1.09	1.24	1.59	0%	1.09	1.24	1.58
MetroCoal Limited	7	0.65	0.51	1.12	0%	0.65	0.51	1.12
Malabar Coal Limited	16	-0.12	na	na	0%	-0.12	na	na
Cuesta Coal Limited	42	na	1.95	na	11%	na	1.81	na
Blackwood Corporation Limited	17	1.67	2.39	0.89	3%	1.63	2.34	0.87
Tiaro Coal Ltd.	9	0.16	0.30	0.40	0%	0.16	0.30	0.40
International Coal Limited	21	1.17	0.70	0.35	0%	1.17	0.70	0.35
Allegiance Coal Ltd.	5	1.77	na	na	0%	1.77	na	na
East Energy Resources Limited	14	0.00	1.72	2.03	0%	0.00	1.72	2.03
Coalbank Limited	5	1.10	1.94	0.85	4%	1.07	1.89	0.83
Average - tier 3		0.83	1.35	1.03	2%	0.82	1.31	1.03
Median - teir 3		1.09	1.48	0.89	0%	1.07	1.48	0.87
Average - total		0.92	1.48	1.34	33%	0.89	1.42	1.28
Median - total		0.99	1.43	1.40	0%	0.99	1.35	1.12

Source: CapitalIQ and GTCF calculations

Note (1): Equity betas are calculated using data provided by CapitalIQ. The betas are based on a five-year period with monthly observations and have been de-geared based on the average gearing ratio over five years.

Note (2): East Energy Resources Limited completed a reverse merger with Idalia Coal Pty Ltd in May 2013.

Note (3): We have considered Yancoal, Malabar and Allegiance to be outliers and have excluded from median and average calculations. We note these companies have been publicly listed for less than 2 years.
Note (4): AGSM betas have been calculated by the Australia Graduate School of Management as at 30 June 2013

Grant Thornton Corporate Finance has observed the betas of the comparable companies by reference to the local index and MSCI of the comparable company.

It should be noted that the above betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the pre-development assets, the selection of an unsystematic equity beta requires a level of judgement.

The ungeared betas are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparables, a process commonly referred as de-gearing. We used the following formula to undertake the de-gearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

β_e = Equity beta
β_a = Ungeared beta
t = corporate tax rate

The betas are de-geared using the average gearing[44] level over the period in which the betas were observed.

In selecting the appropriate beta, we have considered the following:

- COK owns a producing asset close to the end of the mine life and a brownfield expansion project which is expected to commence operations in the short term. In addition, it holds potential brownfield expansion assets which could supplement future production rate. Accordingly, we have placed more reliance on companies in production and development phases.

- All the production companies are materially bigger than COK and they have multi-mine operations. Accordingly their betas should be lower than COK all other things being equal.

- Among the development companies, we are of the opinion that Carabella, NuCoal and Stanmore are relatively more comparable than the other coal developers. However their operations are considered riskier and less advanced than COK.

[44] Gearing ratio represents Net debt/Market capitalisation.

- The average asset beta of production companies based on the ASX Index, the MCSI Index and sourced from the AGSM is between 0.96 and 1.26, respectively.

- The average asset beta of production and development companies based on the ASX Index assessed by Grant Thornton Corporate Finance and AGSM is between 1.50 and 1.46, respectively[45].

Based on the analysis above, we have selected an ungeared beta range of between 1.30 and 1.40.

We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (re-gearing). We have selected a re-gearing ratio of 25% based on a review of the Baralaba North Expansion Project gearing.

The following table provides a summary of our equity beta regearing calculations:

Equity beta regearing analysis	Low	High
Assessed ungeared beta	1.30	1.40
Gearing	25.0%	25.0%
Effective tax rate	30.0%	30.0%
Equity beta	1.53	1.65

Note: Effective tax rate based on financial models and discussions with Management
Source: Grant Thornton Corporate Finance calculations

In summary, we have selected a beta range of between 1.53 and 1.65 to calculate the required rate of return on equity capital for the Baralaba North Expansion Project.

Cost of debt

For the purpose of estimating the cost of debt, Grant Thornton Corporate Finance has considered:

- The weighted average interest rate on credit outstanding for large businesses over the last 12 months as published by the Reserve Bank of Australia, which represents the all up interest cost of business loans (including risk margins) across all banks. We note that over the last 12 months, the weighted average interest rate was 201 basis points over the yield on 10 year Australian Commonwealth Government Bonds.

- The weighted average interest rate on credit outstanding for small businesses over the last 12 months as published by the Reserve Bank of Australia. The weighted average interest rate over the last 12 months was 322 basis points over the yield on 10 year Australian Commonwealth Government Bond.

- Current debt facilities of COK.

- The ANZ Facilities.

- The debt-to-equity ratio adopted for the purpose of the WACC.

[45] We have not considered the 5 year MSCI as this global index is less relevant for local development companies.

Based on the above, Grant Thornton Corporate Finance has adopted the rounded cost of debt in the range of 7% to 8%.

Capital structure

Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt financing. Factors which a hypothetical purchaser may consider include the shareholders' return after interest payments, and the business' ability to raise external debt.

The appropriate level of gearing that is utilised in determining the WACC for a particular company should be the "target" gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- The quality and life cycle of a company.
- Working capital.
- Level of capital expenditure.
- The risk profile of the assets.

For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a debt to equity ratio of 20% debt and 80% equity. Refer to the beta discussion for further details.

WACC calculation

The discount rate is determined using the WACC formula is set out below:

WACC calculation in nominal terms	Low	High
Cost of equity		
Risk free rate	4.7%	4.7%
Beta	1.53	1.65
Market risk premium	6.0%	6.0%
Specific risk premium	0.0%	0.0%
Cost of equity	**13.9%**	**14.6%**
Cost of debt		
Cost of debt (pre tax)	7.0%	8.0%
Effective tax rate	30.0%	30.0%
Cost of debt (post tax)	**4.9%**	**5.6%**
Regearing ratio	25.0%	25.0%
WACC (post tax) (nominal)	**12.1%**	**12.8%**
WACC calculation in real terms	Low	High
WACC (post tax) (nominal)	12.1%	12.8%
US & AUS long term blended inflation	2.4%	2.4%
WACC (post tax) (real)	**9.4%**	**10.1%**

Source: CapitalIQ and GTCF calculations

The selected discount rate for the Baralaba Mine is equivalent to the Baralaba North Expansion Project. However, we have taken into account the absence of a tax shield on the interest cost due to existing tax losses.

Appendix C - Description of comparable companies

Company	Description
Tier 1 – Production companies	
Whitehaven Coal Limited	Whitehaven Coal Limited develops and operates coal mines in New South Wales. The company holds interests in the Gunnedah coal basin that comprises the Tarrawonga, Rocglen, and Sunnyside open cut mines; the Werris Creek mine; and the Narrabri mine. Its development projects include the Maules Creek coal project and the Vickery project. The company serves customers in China, India, Japan, Korea, the United Kingdom, Australia, and internationally. Whitehaven Coal Limited was founded in 1999 and is headquartered in Sydney, Australia.
Gujarat NRE Coking Coal Limited	Gujarat NRE Coking Coal Limited is engaged in mining, producing, selling, and exporting coal. It owns and operates two hard coking coal mines comprising the NRE No. 1 Colliery and NRE Wongawilli Colliery in the southern coal fields of New South Wales, Australia. The company was founded in 2004 and is based in Russell Vale, Australia. Gujarat NRE Coking Coal Limited is a subsidiary of Jindal Steel & Power Ltd.
Yancoal Australia Ltd	Yancoal Australia Ltd. engages in the production of coking, metallurgical, and thermal coal for the steel and power industries in Asia, Europe, and the Americas. The company was incorporated in 2004 and is based in Sydney, Australia. Yancoal Australia Ltd. operates as a subsidiary of Yanzhou Coal Mining Co. Ltd.
Bathurst Resources Limited[3]	Bathurst Resources Limited, along with its subsidiaries, engages in coal mining in New Zealand. It produces semi-soft coking coal and thermal coal products. The company was incorporated in 2010 and is headquartered in Wellington, New Zealand.
New Hope Corporation Limited	New Hope Corporation Limited explores, develops, produces, and processes coal in Australia. It operates through three segments: Coal Mining, Marketing and Logistics, and Treasury and Investments. The company has interests in New Acland project, which is located in north-west of Oakey, Queensland; and Jeebropilly and New Oakleigh coal mines that is located in Ipswich region. It owns and operates a coal terminal at the Port of Brisbane and exports coal internationally. New Hope Corporation Limited is also involved in the transport infrastructure and marketing activities. The company is based in Brookwater, Australia. New Hope Corporation Limited is a subsidiary of Washington H.Soul Pattinson & Company Limited.
Tier 2 – Development/ predevelopment companies	
NuCoal Resources Limited	NuCoal Resources Limited explores and develops coal mines in Australia. It owns 100% of the Doyles Creek coal project located in the Hunter Valley coalfield, New South Wales; and Savoy Hill project and Dellworth project exploration licences near Jerrys Plains, New South Wales. The company is headquartered in Newcastle, Australia.
Stanmore Coal Limited	Stanmore Coal Limited identifies, explores, and develops thermal, coking, and PCI coal deposits in the coal bearing regions of eastern Australia. It primarily holds 100% interests in the Belview underground coking coal project covering an area of 120 km2 located to the east of Blackwater, Bowen Basin; and the Range open cut thermal coal project covering an area of approximately 92 km2 located to the south-east of Wandoan, Surat basin. The company was founded in 2009 and is headquartered in Brisbane, Australia.
Bandanna Energy Limited	Bandanna Energy Limited is engaged in the exploration, project evaluation, and development of thermal and pulverized coal injection coal assets located in Queensland, Australia. The company's principal coal projects include the South Galilee located in the Eastern Galilee Basin; the Springsure Creek located in the Bowen Basin, Emerald; and the Dingo West project located in the west of the township of Dingo. It also holds 100% interests in 5 oil shale tenements and 2 mineral tenements for bentonite exploration in Queensland. Bandanna Energy Limited is based in Brisbane, Australia.
Acacia Coal Limited	Acacia Coal Limited is engaged in the exploration and development of coal properties in Australia. It holds 100% interests in three granted coal exploration tenements in the Queensland's Bowen Basin, including EPC 1230 (Comet Ridge), EPC 1505 (Spring Creek), and EPC1720 (Sandhurst Creek). The company was formerly known as Newland Resources Limited and changed its name to Acacia Coal Limited in December 2011. Acacia Coal Limited is based in Chatswood, Australia.
Carabella Resources Limited	Carabella Resources Limited explores and develops coal resources in Australia. The company holds interests in a portfolio of coal exploration tenements covering a total exploration area of approximately 4,200 square kilometers in the coal basins of Queensland. It primarily focuses on the development of Grosvenor West hard coking coal project in the Northern Bowen Basin; and the Bluff PCI project near Blackwater. The company is based in Newstead, Australia.
Guildford Coal Limited	Guildford Coal Limited engages in the exploration and extraction of coal in Australia and Mongolia. It holds coal exploration tenements that cover an area of approximately 21,000 square kilometers located in Queensland, Australia; and 7 exploration tenements in Mongolia. The company was incorporated in 2010 and is based in Spring Hill, Australia.
Tier 3 – Exploration companies	
Australian Pacific Coal Limited	Australian Pacific Coal Limited engages in the exploration and development of metallurgical and thermal coal properties in Australia. The company owns interests in 32 coal tenements located in the south-east Queensland's Bowen and Surat Basins. It also engages in the exploration of industrial minerals, which include bentonite and sodium bicarbonate. Australian Pacific Coal Limited was founded in 1999 and is headquartered in Brisbane, Australia.
MetroCoal Limited	MetroCoal Limited, a coal based energy company, holds and explores thermal coal projects in the Surat Basin region in South East Queensland, Australia. The company holds coal exploration tenements covering approximately 3,500 square kilometers in the Surat Basin. MetroCoal Limited is based in East Brisbane, Australia.
Malabar Coal Limited	Malabar Coal Limited engages in the development of underground coal project in Australia. It owns a 28% interest in the Spur Hill underground coal project located in the Upper Hunter Valley of New South Wales. The company was founded in 2011 and is headquartered in Sydney, Australia.
Cuesta Coal Limited	Cuesta Coal Limited explores coal properties in Australia. The company's primary project is the Moorlands Project, an open cut thermal coal project located in the Western Bowen Basin in Queensland. Cuesta Coal Limited was founded in 2009 and is headquartered in Sydney, Australia.
Tiaro Coal Ltd.	Tiaro Coal Limited, a coal exploration company, engages in the exploration, evaluation, and development of coal projects in Australia. The company holds interests in the Maryborough Coal Basin comprising 7 granted tenements that cover an area of 1,624 square kilometers; and 3 tenements, which cover an area of 2,097 square kilometers located between Maryborough and Gympie in Queensland. It also holds joint venture interests in various coal projects, including the Galilee Basin, the Clarence–Moreton Basin, and the West of Blair Athol and Clermont coal mines located in Queensland. The company was incorporated in 2007 and is based in Sydney, Australia.

Company	Description
International Coal Limited	International Coal Limited, a resource company, engages in the acquisition, exploration, and development of coal projects in Queensland, Australia. The company explores for coking and thermal coal deposits. Its projects include South Blackall Project located in Eromanga Basin and the south Galilee Basin; and Bundaberg project located in the Maryborough basin. The company was incorporated in 2011 and is based in West Perth, Australia.
Allegiance Coal Ltd.	Allegiance Coal Ltd. engages in the exploration of coal properties in Australia. It explores for coking coal, pulverized coal injection, and thermal coal deposits. The company holds a portfolio of 14 tenements covering 2,361 square kilometers in Queensland. Its principal projects include the Back Creek thermal coal project located in the Surat Basin; and the Kilmain coking and thermal coal project located in the Bowen Basin. The company was incorporated in 2011 and is based in Sydney, Australia. Allegiance Coal Ltd. is a subsidiary of Gullewa Limited.
Blackwood Corporation Limited	Blackwood Corporation Limited engages in the exploration and development of coal properties in Australia. It holds interests in various exploration permits that cover approximately 6,100 square kilometers located in Bowen, Galilee, Surat, and Clarence-Moreton Basins, Queensland. The company is based in Brisbane, Australia.
East Energy Resources Limited	East Energy Resources Limited engages in coal exploration and mining activities. The company was incorporated in 2011 and is based in Queensland, Australia.
Coalbank Limited	Coalbank Limited invests in and develops early stage coal exploration projects in Australia. The company explores for minerals, coal, coal seam gas, and conventional oil and gas. It holds interests in various exploration permits for coal in the Eromanga, Surat, and Bowen Basins, Queensland. The company primarily owns interest in the Blackall Coal project located in Central Queensland. Its mineral projects include the Mount Morgan District project situated near Rockhampton in Central Queensland; and the Limestone Creek copper-gold project situated in Maytown goldfield in North Queensland. The company was formerly known as Lodestone Energy Limited and changed its name to Coalbank Limited in June 2011. Coalbank Limited was founded in 1996 and is based in Brisbane, Australia.

Appendix D – Target companies

Target company	Description
Tier 1 – Development/ predevelopment companies	
Duchess Paradise Coal project	EP457 and EP458 Blocks in the Canning Superbasin comprises oil and gas exploration blocks. The assets are located in Western Australia, Australia.
Endocoal Limited	Endocoal Limited engages in the exploration and development of hard-coking, thermal, and PCI coal projects in Australia. Its tenement portfolio includes 11 exploration permits for coal covering approximately 5,200 square kilometers in the Bowen Basin region, Queensland. The company was incorporated in 2008 and is based in Taringa, Australia. As of 7 May 2013, Endocoal Limited operates as a subsidiary of U & D Mining Industry (Australia) Pty Ltd.
Stanmore Coal Limited	Stanmore Coal Limited identifies, explores, and develops thermal, coking, and PCI coal deposits in the coal bearing regions of eastern Australia. It primarily holds 100% interests in the Belview underground coking coal project covering an area of 120 km^2 located to the east of Blackwater, Bowen Basin; and the Range open cut thermal coal project covering an area of approximately 92 km^2 located to the south-east of Wandoan, Surat basin.
Aston Resources Limited	Aston Resources Limited engages in the coal mining, exploration, and development in Australia. It holds interest in the Maules Creek Project that contains reserves and resources of semisoft coking coal and premium thermal coal located in the Gunnedah Basin of New South Wales. The company was founded in 2008 and is based in Brisbane, Australia. As of 2 May 2012, Aston Resources Limited was acquired by Whitehaven Coal Limited.
Maules Creek Coal Joint Venture	Maules Creek Coal Joint Venture comprises coal reserves with 362Mt of recoverable reserves. The reserves are located in New South Wales, Australia.
Northern Energy Corporation Limited	Northern Energy Corporation Limited engages in the development, mining, and production of thermal and hard coking coal in Queensland and New South Wales, Australia. As of 9 March 2011, Northern Energy Corporation Limited operates as a subsidiary of Arkdale Pty Ltd.
Codrilla Project	Codrilla Project comprises coal reserves of 79.5 million tonnes. The reserves are located in Queensland, Australia.
MCG Coal Holdings Pty Ltd.	MCG Coal Holdings Pty Ltd. offers coal mining services. The company was incorporated in 2010 and is based in Australia. MCG Coal Holdings Pty Ltd. operates as a subsidiary of MacArthur Coal Ltd.
Middlemount Coal Pty Ltd	Middlemount Coal Pty Ltd owns and operates coal mines in Australia. The company operates Middlemount Mine in the Bowen Basin in central Queensland and produces PCI coal and semi-hard coking coal. The company was incorporated in 2006 and is based in Brisbane, Australia. Middlemount Coal Pty Ltd operates as a joint venture between MacArthur Coal Ltd. and Gloucester Coal Ltd.
Belvedere Hard Coking Coal Project	As of 26 February 2013, Belvedere Hard Coking Coal Project in Queensland was acquired by Vale Belvedere Pty Ltd. Belvedere Hard Coking Coal Project in Queensland comprises underground coal mining reserves with the annual production capacity of 7 million metric tons. The project is located in Queensland, Australia.
Tier 2 – Exploration companies	
Hume Coal Pty Limited	Hume Coal Pty Limited engages in the exploration of coking coal in Southern Highlands of New South Wales. Hume Coal Pty Limited was formerly known as Anglo Coal (Sutton Forrest) Pty Ltd. As a result of its acquisition by Cockatoo Coal Limited, Anglo Coal (Sutton Forrest) Pty Ltd's name was changed. The company was incorporated in 1995 and is based in Moss Vale, Australia. As of 23 December 2010, Hume Coal Pty Limited operates as a subsidiary of Posco Australia Pty. Ltd.
East Energy Resources Limited	As of 10 May 2013, East Energy Resources Limited was acquired by Idalia Coal Pty Limited, in a reverse merger transaction. East Energy Resources Limited engages in the exploration and development of coal deposits in Queensland, Australia.

Target company	Description
Coalbank Limited	Coalbank Limited invests in and develops early stage coal exploration projects in Australia. The company explores for minerals, coal, coal seam gas, and conventional oil and gas. It holds interests in various exploration permits for coal in the Eromanga, Surat, and Bowen Basins, Queensland. The company was formerly known as Lodestone Energy Limited and changed its name to Coalbank Limited in June 2011.
MetroCoal Limited	MetroCoal Limited, a coal based energy company, holds and explores thermal coal projects in the Surat Basin region in South East Queensland, Australia. The company holds coal exploration tenements covering approximately 3,500 square kilometers in the Surat Basin. MetroCoal Limited is based in East Brisbane, Australia.
Hannigan & Associates Pty Limited	Hannigan & Associates Pty Limited offers engineering design and consulting services. The company is based in Graceville, Australia. As of 28 February 2013, Hannigan & Associates Pty Limited operates as a subsidiary of Cuesta Coal Limited.
Coalworks Limited	Coalworks Limited is focused on developing coking and thermal projects into production in Australia. It develops the Vickery South project in the Gunnedah Basin, the Ferndale project in the Hunter Valley, and the Oaklands project in the south-west of New South Wales. As of 4 July 2012, Coalworks Limited operates as a subsidiary of Whitehaven Coal Holdings Pty Limited.
Rocklands Richfield Limited	Rocklands Richfield Limited engages in the exploration and development of coalfields in Australia. It primarily explores for coking coal in the Bowen Basin region of Queensland. Rocklands Richfield Limited is based in South Perth, Australia. As of 12 September 2012, Rocklands Richfield Limited operates as a subsidiary of Shandong Energy Linyi Mining Group Co., Ltd.
Cuesta Coal Limited	Cuesta Coal Limited explores coal properties in Australia. The company's primary project is the Moorlands Project, an open cut thermal coal project located in the Western Bowen Basin in Queensland. Cuesta Coal Limited was founded in 2009 and is headquartered in Sydney, Australia.
Scorpion Energy Pty Limited	Scorpion Energy Pty Limited engages in coal exploration and production. The company was incorporated in 2009 and is based in Queensland, Australia. As of 13 July 2011, Scorpion Energy Pty Limited operates as subsidiary of Blackwood Coal Pty Ltd.
Woori Coal Project	Woori Coal Project comprises coal reserves with production capacity at an initial rate of 3 million tons a year. The project is located in Queensland, Australia.
Linc Energy Pty. Ltd.	As of August 10, 2010, coal tenement in the Galilee Basin, EPC 1690 of Linc Energy Pty. Ltd. was acquired by Adani Mining Private Limited. Coal tenement in the Galilee Basin, EPC 1690 of Linc Energy Pty. Ltd. comprises coal reserves of approximately 7.8 billion tones. The reserves are located in Queensland, Australia.
Anglo Coal (Taroom) Pty Ltd	Anglo Coal (Taroom) Pty Ltd owns and operates thermal coal mines Collingwood, Ownaview and Taroom concessions. Ownaview mine comprises reserves of approximately 170 million tones. The company was incorporated in 1997 and is based in Australia. As of December 23, 2010, Anglo Coal (Taroom) Pty Ltd operates as a subsidiary of Cockatoo Coal Limited and Korea Electric Power Corp.
Anglo Coal (Sutton Forrest) Pty Ltd	Hume Coal Pty Limited engages in the exploration of coking coal in Southern Highlands of New South Wales. Hume Coal Pty Limited was formerly known as Anglo Coal (Sutton Forrest) Pty Ltd. As a result of its acquisition by COK, Anglo Coal (Sutton Forrest) Pty Ltd's name was changed. The company was incorporated in 1995 and is based in Moss Vale, Australia. As of 23 December 2010, Hume Coal Pty Limited operates as a subsidiary of Posco Australia Pty. Ltd.
KEPCO Bylong Australia Pty Ltd.	KEPCO Bylong Australia Pty., Ltd. owns Bylong Project which comprises thermal coal deposit with reserves of 423 million tones. It owns mining rights to the project. The company was incorporated in 1996 and is based in Brisbane, Australia. As of 31 July 2010, KEPCO Bylong Australia Pty., Ltd. operates as a subsidiary of KEPCO Australia Pty. Ltd.
South Australian Coal Ltd.	South Australian Coal Ltd. engages in coal and mineral exploration in South Australia. The company owns and operates bituminous coal resource, Lake Phillipson deposit. South Australian Coal Ltd. was formerly known as South Australian Coal Corp. Pty. Ltd. The company was incorporated in 1971 and is based in Fullarton, Australia. As of 28 July 2010, South Australian Coal Ltd. operates as a subsidiary of White Energy Mining Pty Limited.

Appendix E – Commentary for COK's other exploration and development assets

<table>
<tr><th>Comparable Companies</th><th>Comparable Transactions</th></tr>
<tr><td colspan="2">The Lochinvar Project</td></tr>
<tr><td>In our opinion, the companies with assets most comparable to the Lochinvar Project are Acacia, Carabella, APC and Cuesta Cuesta due to the following:
• The key projects of Acacia, Carabella, APC and Cuesta are all located in the Bowen Basin and amendable for open-cut mining like the Lochinvar Project.
• Similar to the Lochinvar Project, the key projects of Acacia, Carabella and APC only have inferred and indicated resources, with no measured resources or reserves.
In relation to the most comparable companies to the Lochinvar Project, we also note the following differences:
• The Lochinvar is relatively less advanced than the key projects of the selected most comparable companies. Acacia has completed a PFS, Carabella has completed a concept study, APC has completed a desktop concept study and Cuesta has completed a concept mine study.
• We note that the Lochinvar Project will likely be eventually developed as a brownfield project as an extension to the existing Baralaba Mine. The key projects of the selected most comparable companies are greenfield projects and will therefore likely require relatively higher levels of capital expenditure and be subject to high levels of development and operational risk.
• The Lochinvar Project is prospective for both PCI and thermal coal. Acacia and APC are mainly prospective for hard coking coal and thermal, Carabella for PCI and hard coking coal, and Cuesta for only thermal coal.
• The Lochinvar Project has relatively less JORC defined resources than the selected more comparable companies. Acacia has 166 Mt, Carabella has 162 Mt, APC has 107 Mt and Cuesta has approximately 245 Mt of total attributable resources compared to the Lochinvar Project's 51.2 Mt. However we note that the Lochinvar Project also has 44Mt in inventory.</td><td>• In May 2013, COK announced the sale of the 30% interest in the Hume Project to POSCO. Hume Coal was the owner of a coking and thermal coal exploration project located in New South Wales ("the Hume Project"). The Hume Project has approximately 451 Mt of JORC defined resources on a 100% basis. In our opinion, the resource multiple of the Hume Project may have been affected by the large size of the identified resource deposit. We note that the conversion in marketable reserves is expected to be significantly lower than the total resource base. The PFS has been prepared on a mine life of 20 years with a total ROM production of circa 80 Mt. It is unlikely that a potential purchaser will attribute significant value to the resources likely to be recovered after 20 years. (The PCI coal price has decreased by circa 11% since May 2013.)
• In December 2012, the 100% acquisition of Hannigan by Cuesta was announced. Hannigan was the holder of a thermal coal exploration project located in the Bowen Basin ("the Orion Project"). Like the Lochinvar Project, the Orion Project is amendable for open-cut mining. (The PCI coal price has increased by circa 5% since December 2012.)
• In March 2012, the 100% acquisition of Rocklands by Shandong Energy Linyi Mining Croup Co. Limited was announced. Rocklands was an ASX listed company mainly engaged in the exploration of coking coal in the Bowen Basin. We note that Rocklands was relatively more advanced than the Lochinvar Project and had 481.5 Mt in total attributable resources and measured resources of 5.7 Mt. (The PCI coal price decreased by circa 23% since March 2012.)
• In January 2012, the 16% acquisition of Cuesta Coal by Beijing Guoli Energy Investment Co. Limited was announced. As discussed, Cuesta Coal is considered one of the most comparable companies to the Lochinvar Project. (The PCI coal price has decreased by circa 23% since January 2012).</td></tr>
<tr><td colspan="2">North Surat JV</td></tr>
<tr><td>In our opinion, the companies with assets most comparable to the North Surat JV are Bandanna and Stanmore due to the following:
• The key projects of Stanmore and Bandanna are at a similar stage of development compared to the North Surat JV projects which have completed a PFS and are in progress of completing a definitive feasibility study ("DFS") for the Collingwood Project.
• Similar to the North Surat JV, key projects of Stanmore and Bandanna are located in areas with limited infrastructure solutions and further development of its projects are dependent on completion of key rail and port capacity:
• The North Surat JV, Stanmore's Range Project, and Bandanna's Springsure and SG Projects have all proposed the development of open-cut thermal coal mines.
• The Collingwood, Taroom and Woori have estimated coal production of 4.2 Mtpa, 8 Mtpa and 3 Mtpa over the life of the mines, respectively. Comparatively, the Range Project and Springsure Project have estimated coal production of approximately 5 Mtpa and 7 Mtpa, respectively.
• The North Surat JV, and Bandanna's Springsure and SG Project all require significant amounts of initial capital expenditure due to the need to establish new infrastructure as all the projects are greenfield.
Whilst Bandanna and Stanmore are considered the most comparable companies to</td><td>• In March 2013, the 100% acquisition of the Duchess Paradise Coal Project by Crystal Yield Investments. The Duchess Paradise Coal Project was owned by Rey Resources Pty Limited and was an advanced thermal coal development project with a completed DFS located in the Canning Basin, Western Australia. Similar to the Surat Basin, the Canning Basin has limited infrastructure options. Like the North Surat JV, the Duchess Paradise Coal Project is amendable for open-cut mining however it is expected to only support a mine life of 10 years compared to the North Surat JV's 20 years mine life for the Collingwood and Taroom Projects. (The PCI coal price has increased by circa 6% since March 2013.)
• In June 2012, Sprint Capital Partners (HK) Limited acquired a 20% interest in Stanmore as a part of a private placement. As discussed above, Stanmore is considered one of the most comparable companies to the North Surat JV. (The PCI coal price has decreased by circa 17% since June 2012.)
• In July 2011, COK sold a 49% interest in the Woori Project to Mitsui. The acquisition closed in March 2012 and the PCI coal price has decreased by circa 42% since July 2011.</td></tr>
</table>

the North Surat JV, we also note the following differences: • Due to the relatively more favourable location of the Springsure Project, Bandanna has estimated the commencement of coal production by mid-2015 subject to Bandanna being able to acquire the necessary funding, and various mining and environmental approvals. We understand that the development timeframe of the North Surat JV projects, the Range Project and SG Project are subject to significant uncertainty due to infrastructure issues as discussed previously. • Bandanna and Stanmore both own and manage a number of other projects. In particular, Stanmore also manages a key underground coking coal project located in the Bowen Basin which has recently completed a concept study and has a PFS in progress. Neither of Stanmore and Bandanna's key projects have marketable reserves like the North Surat JV projects. • The SG Project's mine plan proposed both open-cut and underground mining.	• In July 2010, the 100% acquisition of Anglo Coal by a consortium including COK. Anglo Coal owned the Collingwood, Ownaview and Taroom Projects. At the time of acquisition, the Collingwood and Taroom Projects had total JORC defined resources of 435Mt and reserves of 36 Mt on a 100% basis. Since acquisition, COK has expanded the Collingwood and Taroom Projects' resources by 227.4 Mt, reserves by 291.7 Mt and defined marketable reserves of 260.1 Mt. *(The PCI coal price has decreased by circa 33% since July 2010.)*
Other Surat Basin assets	
In our opinion, the companies with assets most comparable to the other Surat Basin assets are Allegiance, BWD, EER and Coalbank due to the following: • The key projects of the selected most comparable are all 100% owned, and amendable for thermal coal and open-cut mining. • The other Surat Basin assets and the selected most comparable companies are greenfield assets. Though we note that COK has been granted mining development leases on its Tin Hut and Bottle Tree projects while BWD, EER and Coalbank only have exploration licenses and Allegiance has submitted a mining development lease application. • Similar to the Other Surat Basin assets, key projects of Allegiance, BWD, EER and Coalbank are located in areas with limited infrastructure solutions and further development of projects are dependent on completion of key rail and port capacity by large intentional miners such as Xstrata and GVH-Hancock: • Like the Other Surat Basin assets, Allegiance's flagship thermal coal project, the Black Creek Project is located in the Surat Basin and in close proximity to COK's Bottle Tree and Bushranger Projects. Whilst Allegiance, BWD, EER and Coalbank are considered the most comparable companies, we also note the following differences: • In April 2013, Coalbank announced that it has entered into a scheme implementation agreement with Loyal Strategic Investment Limited ("LSI"). Under the scheme, LSI will acquire 100% of Coalbank's ordinary shares at A$0.0175 per share. Accordingly, Coalbank's current share price may incorporate a degree of control premium. • The Other Surat Basin assets have JORC defined resources of 1,104 Mt compared to Allegiance with 98 Mt, BWD with 373.8 Mt, EER with 2,180 Mt and Coalbank with 1,250 Mt. In addition, only the Other Surat Basin assets have defined measures resources. However, we understand that BWD has a JORC exploration target of 5 to 6.9 billion tonnes of thermal coal, and EER has a JORC exploration target of 4 to 4.5 billion tonnes. • BWD also owns a number of tenements located in the Bowen Basin which are prospective for PCI and hard coking coal. While no JORC resources have been defined for its Bowen Basin assets, we note that in particular, BWD's Dingo Project is in close proximity to COK's Baralaba North Expansion Project which has JORC defined reserves of ULV PCI coal. • Allegiance also owns and manages a PCI and thermal coal exploration project located in the Bowen Basin with an exploration target of 100 Mt to 200 Mt. • BWD's flagship thermal coal project located in the Galilee Basin ("South Pentland Project") is relatively more favourably located than the Other Surat Basin assets. The South Pentland Project is located less than 270 km from the port of Townsville.	• In April 2013, the 100% acquisition of Coalbank by Loyal Strategic Investment Limited was announced. Coalbank is a thermal coal exploration company and is considered one of the most comparable companies to the Other Surat Basin assets as discussed previously. The acquisition is yet to be completed. *(We note that the A$/t PCI price has decreased by circa 11% since April 2013.)* • In January 2013, the 100% acquisition of EER by Idalia Coal Pty Limited as a part of a reverse merger. As discussed previously, we consider EER to be one of the most comparable companies to the Other Surat Basin assets. *(The A$/t PCI price has increased by circa 6% since January 2013.)* • In January 2012, Metallica Minerals Limited announced that it had sold its 5% interest in MetroCoal to DADI Engineering Development Group. Like the Other Surat Basin assets, Metro Coal is mainly engaged in the exploration of thermal coal in the Surat Basin. However, MetroCoal had significantly more JORC defined resources of 3.8 billion tonnes and its assets are mainly amendable for underground mining. *(The A$/t PCI price has decreased by circa 23% since January 2012.)*

Appendix F – Glossary

A$ or $	Australian dollar
ANZ	Australia and New Zealand Banking Group Limited
ANZ Facilities	Credit approved term sheet with ANZ for a fully underwritten A$255 million senior secured project finance package
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Baralaba Coal	Baralaba Coal Pty Limited
Baralaba Complex	Baralaba Mine and Baralaba Expansion Projects
Baralaba Expansion Model	Cash flow projection for the 25 year period ended 30 September 2040 in relation to the Baralaba North Expansion Project
Baralaba Mine	Operating ULV PCI and thermal coal mine located in the Bowen Basin
Baralaba North Expansion Project	Expansion project to the north of the Baralaba Mine
Baralaba South Expansion Project	Expansion project to the south of the Baralaba Mine
BDA	Behre Dolbear Australia Minerals Industry Consultants
BDA BWD Report	BDA's technical expert report for BWD
BDA COK Report	BDA's technical expert report for COK
BIA	Bid Implementation Agreement under which COK has agreed to make an off-market takeover bid
BWD	Blackwood Corporation Limited
BWD Director	Director of BWD
BWD Shareholders	Shareholders of BWD
COK	Cockatoo Coal Limited
COK Board	Board of COK
COK Options	Existing 225,833,333 options in COK
COK Shares	Fully paid ordinary share in COK
Company	Blackwood Corporation Limited
Consideration	The consideration offered under the Proposed Takeover is 2.0 newly issued ordinary shares in COK for every 1 BWD Share
CPI	Consumer Price Index
Credit Suisse	Credit Suisse (Australia) Limited
CYXX or CY20XX	Calender year ended 31 December 20XX
DCF	Discounted cash flow
DFS	Definitive feasibility study
EGM	Extraordinary general meeting of COK Shareholders to be held on 12 December 2013
EPC	Exploration permits
EPCA	EPC applications
FIRB	Foreign Investment Review Board
FSG	Financial Services Guide
FYXX or FY20XX	Financial year ended 30 June 20XX
GN21	Guidance Note 21 Collateral Benefits issued by the Proposed Takeovers Panel
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd

GXP	Glencore Xstrata plc
Harum	Harum Energy Australia Limited
Hume Coal	Hume Coal Pty Limited
Independent Directors	Directors of BWD not associated with Noble
Initial BFS	Bankable Feasibility Study in relation to the Baralaba Expansion Projects
Institutional Placement	Issue 1,333.3 million new COK Shares to institutional and sophisticated investors at an issue price of A$0.045 per share to raise A$60.0 million
Janvel	Janvel Pty Limited
JFE Shoji	JFE Shoji Trade Corporation
KEBA	KEB Australia Limited
KEBA Loan	COK loan facility owed to KEB Australia Limited
Macquarie	Macquarie Bank Limited
Management	Management team of COK
Marketing Fee	Marketing fee equal to 2.5% of the final invoiced sales price per tonne under the SK and Noble Marketing Agreements
Matilda	Matilda Minerals Limited
Merged Group	COK after completion of the Proposed Takeover of BWD
Mezzanine Facility	COK intends to seek proposals from potential investors to provide a mezzanine financing facility of up to A$50 million
Mitsui	Mitsui Coal Holdings Pty Ltd
MRRT	Mineral Resource Rent Tax
Mtpa	Million tonnes per annum
New Facility	Under the BIA, COK will execute an A$4.0 million loan agreement with BWD if it acquires in excess of 50% of BWD
Noble	Noble Group Limited
Noble Loan	BWD's existing A$7.7 million loan with Noble
Noble Marketing Agreement	Exclusive COK coal marketing rights to Noble for the world excluding Korea and Taiwan
Noble Subscription	Placement to Noble of 866.0 million Shares at A$0.050 per share to raise A$43.3 million
Performance Rights	Currently there are 7,225,000 Performance Rights in BWD on issue.
PFS	Pre-feasibility Study
POSCO	POSCO Australia Pty Limited
Proposed Recapitalisation	The proposed equity raising of A$153.3 million
Proposed Takeover	COK takeover bid to acquire all of the issued share capital in BWD for new fully paid ordinary shares in COK
Proposed Tinkler Placement	Proposed share placement of 94,680,760 shares to Mulsanne Resources Pty Ltd a company associated with the Tinkler Group, to raise approximately A$28.4 million
QRN	QR Network Pty Limited
RG 111	Regulatory Guide 111 “Content of expert reports”
RG 112	ASIC Regulatory Guide 112 “Independence of Expert’s Reports”
RG 74	Regulatory Guide 74 “Acquisitions agreed to by shareholders”
ROM	Run of mine
SBFS	Supplementary BFS

SBR	Surat Basin Rail
SK	SK Networks Co., Ltd
SK Marketing Agreement	COK has granted exclusive coal marketing rights to SK for Korea and Taiwan
SK Subscription	Placement to SK of 1,000 million Shares at A$0.050 per share to raise A$50 million
SPP	Share Purchase Plan
Surat Coal	Surat Coal Pty Limited
ULV PCI	Ultra-low volatile pulverised coal injection
VWAP	Weighted average share price
WACC	Weighted Average Cost of Capital
WEXP1	WICET Expansion 1
WICET	Wiggins Island Coal Export Terminal
WICET Stage 1	Stage 1 construction of the proposed WICET
WIRP	Wiggins Island Rail Project
Wonbindi Coal	Wonbindi Coal Pty Limited

BEHRE
DOLBEAR
AUSTRALIA

BDA **Minerals Industry Consultants**

ACN No. 065 713 724

Level 9, 80 Mount Street
North Sydney, NSW 2060
Australia

Tel: 612 9954 4988
Fax: 612 9929 2549
Email: bdaus@bigpond.com

ABN 62 065 713 724

25 November 2013

Attention: Mr Andrea De Cian
Director
Grant Thornton Corporate Finance Pty Limited
Level 17, 383 Kent Street
Sydney NSW 2000

Dear Sirs

INDEPENDENT TECHNICAL REPORT AND VALUATION

EXPLORATION ASSETS OF BLACKWOOD CORPORATION LIMITED

1.0 INTRODUCTION

1.1 Summary

Grant Thornton Corporate Finance Pty Limited ("Grant Thornton") has been engaged by Blackwood Corporation Limited ("BWD") to prepare an independent report in relation to a proposed Takeover of BWD by Cockatoo Coal Limited ("COK") that will be subject to approval by BWD shareholders. The directors of BWD require Grant Thornton to prepare an Independent Expert's Report ("ITR") in relation to the Takeover that will be prepared for BWD shareholders and state whether, in its opinion, the proposed takeover is in the best interests of BWD shareholders.

Grant Thornton has commissioned Behre Dolbear Australia Pty Limited ("BDA") to prepare an independent valuation of the BWD coal exploration assets. Details of the assets to be assessed are covered under several tenement packages that cover various areas in Queensland. For the purpose of definition, these assets include projects involving Galilee Basin, Bowen Basin, Clarence-Moreton Basin and Surat Basin tenements, all in Queensland, plus base and precious metal and industrial mineral tenements in the Northern Territory and WA.

BDA's independent geologist, Dr Ian Blayden, has previously conducted an independent review of the original BWD tenements, in the role of the Independent Geologist reviewing the technical aspects of the BWD IPO. Accordingly, BDA has considered the matter of conflict of interest and whether Dr Blayden would be regarded as independent. BDA considers neither Dr Blayden nor the company is conflicted, on the basis that the previous work was all conducted as an independent review, at arm's length, and Dr Blayden was not involved in the preparation of any technical studies. Dr Blayden was paid a fee, which was not dependent on the outcome of the report or opinions expressed, for his services.

Dr Blayden is qualified as a Competent Person and has sufficient experience which is 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 both the 2004 and 2012 Editions of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McIntyre is a Competent Person for the review of estimation, assessment, evaluation and economic extraction of Ore Reserves, as required under JORC 2012 and 2004, and is a Fellow of AusIMM. In addition, Mr McIntyre is a Member of the Australasian Institute of Minerals Valuers and Appraisers ("AIMVA") and Certified Mineral Valuer ("CMV"). He is also a Member of the American Institute of Mineral Appraisers ("AIMA") and is a Certified Minerals Appraiser (CMA #2012-01). These are professional qualifications designed to indicate to regulators and kindred professional bodies that the individual has demonstrated to a panel of peers that he/she has more than 10 years of experience in this/her nominated area of expertise and has been assessed as a recognised expert, competent to sign off on public and corporate documentation in assessing and appraising minerals projects.

BDA is well qualified to carry out such an assignment; BDA specialises in technical due diligence, valuation, advisory and review work for companies and financial institutions on mining and processing projects. BDA is based in Sydney, Australia, and is part of the international Behre Dolbear Group.

1.2 BDA Capability and Independence

This report has been prepared as advisory information to Grant Thornton by the signatories, whose qualifications and experience are summarised in Appendix A to this report. BDA provides a range of technical advisory services to the mineral resource industry, to mining operators, investors and financiers. The parent company, Behre Dolbear Group Inc., has operated continuously as a mineral industry consultancy since 1911 and has offices or agencies in Beijing, Denver, Guadalajara, Hong Kong, London, New York, Santiago, Toronto and Vancouver, and as well as Sydney. Behre Dolbear has worldwide coal experience spanning a broad spectrum of exploration, management, resource and reserve analysis, metallurgical studies, surface and underground mine design, technical due diligence, operations optimization and total project feasibility.

BDA specialist Dr Ian Blayden has previously independently reviewed the BWD tenements as the Independent Geologist providing advice to the ITR. BDA has considered the matter of potential conflict of interest concerning former reviews and have concluded that it would not be conflicted to prepare the requested report, on the basis that it is being prepared as an independent third party report, BDA has not provided BWD with technical advice, BDA will be paid professional fees (on a fixed fee basis) and expenses only for the work and payment will not be dependent on the outcome of the BDA report. None of the BDA Directors, Principals, Associates or Consultants who contributed to this report has any material interest or entitlement, direct or indirect, in:

- Blackwood Corporation Limited, its subsidiaries, securities or companies associated with BWD; or
- the Relevant Assets being considered; or
- the outcome of the acquisition.

BDA has independently assessed the Relevant Assets of BWD on the basis of both specific information provided by BWD and individual experience in relation to the estimation of resources and reserves, and valuation of exploration tenements. The values estimated are time dependent, based on current market conditions, and would be expected to change under different conditions relating to market and price variances and developments or additions to infrastructure that may improve market access, profitability, economic viability or valuation criteria.

1.3 Scope of Work/Materiality/Limitations and Exclusions

BDA has reviewed the BWD Relevant Assets in accordance with the Scope of Work provided and the limitations and exclusions specified and set out in Appendix B to this Report.

1.4 Methodology of Assessment

BDA has been provided with tenement and expenditure details of all the BWD tenements and applications to assist in assessing the current knowledge of the various BWD projects. BDA is familiar with the areas where the tenements are held but did not visit the sites on the basis that the relevant technical information is contained within the documentation and the sites have received limited exploration to date. BDA has applied various valuation techniques, as detailed herein, to arrive at a range of estimates that would reasonably represent the tenement values in the current market conditions.

The assessment took account, where appropriate, of the potential environmental approvals, statutory and regulatory licensing and compliance requirements. BDA also reviewed tenements from the perspective of material potential issues that could jeopardise the development of the tenements and has provided comment on the potential risk areas where discounts have been applied.

1.5 Inherent Mining Risks

When compared with many industrial and commercial operations, coal mining, and in particular underground coal mining, carries a relatively higher risk, conducted in an environment where not all events are predictable. Each coal deposit is unique. The nature of the coal deposit, the occurrence and quality of the coal, and its behaviour during mining and processing can never be wholly predicted. Estimations of the tonnes, quality and characteristics of a coal deposit are not precise calculations but are based on interpretations and on samples from drilling which, even at close drill-hole spacing, provide very small samples of the whole coal deposit. Reconciliations of past production and reserves can confirm the reasonableness of past estimates, but cannot categorically confirm the accuracy of future predictions.

An experienced management team can identify the known risks and put in place measures to mitigate the potential for interruptions consequent to such risks. However, the extent of knowledge is limited and there is always the possibility that unexpected or unpredicted events may occur, to the extent that it is considered not possible to remove all risks or to state categorically that events that may have a material impact on the operation will not occur. Detailed planning and experienced management should mitigate the risks to a reasonable extent.

2.0 PROPERTY DESCRIPTIONS

2.1 Summary

BWD has a suite of coal exploration tenements located in Queensland. Of these, two holdings have been explored sufficiently to have JORC Inferred resources. Of those, the South Pentland Project in the Galilee Basin is at a conceptual or preliminary stage of exploration and the company is considering development options. The other tenements with JORC resources are the Taroom Project permits in the Surat Basin. All other tenement holdings are early stage exploration tenements held or applied for by BWD.

2.2 Description of Assets

BWD holds a total of 63 exploration permits for coal ("EPC") and is the priority applicant for a further 8 permit Applications ("EPSA"s). The permits are distributed within the Galilee, Bowen, Surat and Clarence-Moreton Basins, occurring as 18 separate groups or Projects (Table 1). A full listing of the permits is given in Appendix C to this report. The company has carried out an initial review of each Project and as a result has prioritised each project as either a Priority or Pipeline Project (as shown in Table 2.1), with six Projects designated as Priority. BWD also holds six Exploration Licences in the Northern Territory and one in Western Australia, none of which has been considered in any detail in the review.

Table 2.1
Blackwood Projects

Basin	Project	Number of Permits	Classification
Galilee	South Pentland	4	**Priority**
	North Hughenden	2	Pipeline
	North Carmichael	1	Pipeline
Bowen	Dingo	2	**Priority**
	South Rolleston	3 + 4 applications	**Priority**
	North Rolleston	3	Pipeline
	Capella	3 + 1 application	**Priority**
	Springsure	1	Pipeline
	Bowen North (Calen)	1	Pipeline
	Bowen East	2	Pipeline
Surat	Taroom	6 + 1 application	**Priority**
	Bymount	3	**Priority**
	Dalby	6	Pipeline
	Chinchilla	8 + 2 applications	Pipeline
Clarence-Moreton	Millmerran	6	Pipeline
	Warwick North	2	Pipeline
	Warwick South	9	Pipeline
Callide	Biloela	1	Pipeline

2.3 Summary of Blackwood Resources and Reserves

BWD Resources
BWD's current 2012 JORC-compliant resource estimates are shown in Table 2.2.

Table 2.2
BWD Resources (Announced 12 September 2013)

Prospect	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Pentland South	-	-	322	322
Taroom	-	-	52	52
Total	**-**	**-**	**374**	**374**

BWD Reserves
At this time BWD has no JORC reserves estimated for any of its tenements.

2.4 Risks

BDA has reviewed the potential risks for the development of the BWD tenements and considers that, in the short term, the principal risks to progressing the status of the proposed projects would be the development of sufficient technical data to provide a level of confidence in demonstrating preliminary economic viability to justify further expenditure, field programmes and data collection to justify proceeding to development.

In the longer term, the risks include developing a capability to fund the ongoing investigations required to prepare conceptual or preliminary feasibility studies, delays to processing development applications and licenses, and obtaining government approvals for open cut mining and transportation of product coal to port. In addition, further risks involve obtaining appropriate and sufficient rail haulage and shipping capacity and access to the necessary infrastructure to support the projects.

3.0 DESCRIPTION OF BWD TENEMENTS

Galilee Basin
Located to the west of the Thompson Fold Belt the Galilee Basin is a cratonic depression extending over 247,000km^2 and contains sediments of Late Carboniferous to Middle Triassic age. Only the eastern margin of the basin is exposed as much of the basin area is overlain by Jurassic and Cretaceous sediments which form part of the Eromanga Basin.

Sub cropping sediments of the Galilee Basin Sequence extend over a strike length of 400km and maintain a gentle dip to the west though locally affected by large normal strike faults. The principal stratigraphic units in this part of the basin are summarised in Table 3.1, with the main coal bearing sequence being the Betts Creek Beds and lateral equivalents. Up to seven coal seams may occur in seams up to 20m in thickness. The coals are classified as low rank bituminous coals with moderate to low ash.

Table 3.1

Simplified Stratigraphy of the Galilee Basin

Age	North	South
Triassic	Warang Sandstone	Moolayember Formation
		Clematis Sandstone
		Dunda Beds
		Rewan Formation
Permian	Betts Creek Beds	Bandanna Formation
		Colinlea Sandstone
	Bunderoo Beds	Jochmus Formation
		Jericho Formation
		Lake Galilee Sandstone

Coal bearing Formations

In general there are at least four seams in the sequence and these vary greatly in thickness, being subject to banding, splitting and convergence. Quality is also variable but the seams may be described as moderate to low ash and around 10% moisture on an air dried basis.

South Pentland Project
The permits of the South Pentland Project are located down dip of the Pentland and Milray coal deposits. BWD's exploration of this area has included compilation of historic drill data, conducting 2 seismic surveys totalling 85.3km, reprocessing non-company seismic data (25km) and the drilling of 19 holes (EPC1436). Coal seams are widely developed and the recent drilling has led to the identification of an Inferred Resource of 322Mt. The resources are contained within 3 seams and include all thicknesses >1.8m at depths of <600m.

North Hughenden Project
Consisting of two permits located to the northwest of Pentland, the Betts Creek Beds are believed to underlie much of EPC1485 and the south western portion of EPC1496. Coal resources have been defined by Guildford Coal at Hughenden to the west and White Mountain to the east.

BWD's exploration has been largely restricted to field mapping and regional data compilation.

North Carmichael Project
Comprising EPC1483, this permit is located in the central Galilee Basin. Some drilling has been completed but the initial interpretations indicate that shallow Betts Creek Beds are restricted to the south west corner of the permit. The possibility of coal inliers further to the east has yet to be tested.

Bowen Basin
The Bowen Basin is over 500km in length and up to 150km wide and contains up to five separate coal-bearing formations, all of Permian age, as shown in the stratigraphy schematic in Table 3.2. Other formations containing lower quality coal also occur but up to now there has been limited exploration on these formations. This is now changing given the few exploration opportunities currently available in the basin.

Table 3.2

Stratigraphy of the Bowen Basin

<table>
<tr><th rowspan="2">Age</th><th colspan="4">Bowen Basin Regions</th><th rowspan="3">Coal Group</th></tr>
<tr><th>North</th><th>Central</th><th>South-West</th><th>South-East</th></tr>
<tr><td rowspan="2">Triassic</td><td colspan="4">Clematis Sandstone</td></tr>
<tr><td colspan="4">Rewan Formation</td><td></td></tr>
<tr><td rowspan="8">Permian</td><td colspan="2">Rangal Coal Measures</td><td>Bandanna Formation</td><td>Baralaba Coal Measures</td><td>Group 4</td></tr>
<tr><td rowspan="2">Fort Cooper Coal Measures</td><td>Burngrove Formation</td><td rowspan="2">Black Alley Shale</td><td rowspan="2">Gyanda Formation</td><td rowspan="2">Group 3A</td></tr>
<tr><td>Fair Hill Formation</td></tr>
<tr><td rowspan="2">Moranbah Coal Measures</td><td colspan="2">MacMillan Formation</td><td rowspan="2">Flat Top Formation</td><td rowspan="2">Group 3</td></tr>
<tr><td>German Creek Coal Measures</td><td>Crocker Formation</td></tr>
<tr><td rowspan="2">Blenheim Formation</td><td>Maria Formation</td><td>Ingelara Formation</td><td rowspan="2">Barfield Formation</td><td rowspan="2"></td></tr>
<tr><td colspan="2">Freitag Formation</td></tr>
<tr><td>Gebbie Formation</td><td>Back Creek Group</td><td>Aldebaran Sandstone</td><td></td><td>Group 2</td></tr>
<tr><td></td><td>Collinsville Coal Measures</td><td>Blair Athol Coal Measures</td><td></td><td></td><td></td></tr>
<tr><td rowspan="2"></td><td>Tiverton Formation</td><td>Back Ck Group</td><td></td><td rowspan="2"></td><td></td></tr>
<tr><td></td><td></td><td>Reids Dome Beds</td><td>Group 1</td></tr>
</table>

Mineable coal bearing formation
Thin or low quality coal bearing formation
Non coal bearing

South Rolleston
Comprising four application areas and three granted permits, the Project area includes Group 4 and Group 2 coal bearing sequences in an area affected by several regional fold structures. Regional data compilations have been carried out by BWD but as yet there has been no field work. The most likely exploration target for shallow low ash thermal coal is in EPA1468 where the Group 4 coal would occur. The other permits are likely to contain Group 4 coals but at considerable depth.

North Rolleston
Coal bearing strata of the Group 4 sequence occur in in this Project area either sub-cropping or at relatively shallow depths. BWD has carried out some exploration and intersected shallow though thin seams.

Capella

Little is known of the detailed coal geology of the areas. Relinquishment data from the adjacent Valeria exploration indicate the Group in about 300m thick and contains at least four seams and a further four seams occur in the Group 1 sequence. The adjacent Valeria Project is a large (440Mt measured + indicated) undeveloped deposit of high energy, low sulphur thermal coal, hosted in the Reids Dome Beds and the Aldebaran Sandstone. BWD has carried out some regional data compilations and drilled two holes. No significant coal was intersected, although the area remains prospective.

Springsure
This Project comprises one permit, EPC1522, located on the axis of the Springsure Anticline. Strata outcropping in the core of the Anticline include Group 1 equivalent age formations, which may be coal-bearing. This is the same sequence being mined at Minerva some 15km to the north and and would comprise the principal exploration target in the area. Relatively thin and steeply dipping coal seams are likely.

Bowen North (Calen)
This area contains steeply dipping coal bearing strata of possible Group 3 equivalent age. Previous work in the area would indicate the occurrence of an economic coal deposit to be extremely unlikely.

Dingo
The tenement lies on the eastern flank of the Mimosa Syncline where regional strike is NW to NNW and the Permian strata here are characterised by steep dips and repeated thrust faulting. Little is known of the detailed geology but most likely the area is underlain by coal bearing strata of Group IV equivalent age sediments overlain by Rewan Formation sediments of Triassic age. The strata are overlain by a veneer of Tertiary sediments up to 20m in thickness and it is also expected that the underlying rocks may be affected by a weathering profile up 45m thick.

BWD has carried out some preliminary drilling and 7m of cumulative coal was intersected in one hole. As at Bluff and areas to the east, a deposit of moderate to small steeply-dipping low ash, low volatile coal suitable for PCI may occur and further exploration is warranted.

Biloela
The area overlies a sequence of Tertiary sediments and is not considered prospective for an economic coal resource.

Surat
The Surat Basin forms part of the Great Australian Basin comprising strata of Jurassic and Cretaceous age which cover much of southern and south western Queensland. Coal seams are widely developed in the Walloon Supergroup of Middle Jurassic age comprising the older Taroom Coal Measures and the younger Juandah Coal Measures. These strata are separated by the Tangalooma Sandstone which is barren of coal. The Springbok Sandstone unconformably overlies the Juandah Coal Measures and the Taroom Coal Measures are underlain by the Eurombah Formation. Both the Eurombah Formation and Springbok Sandstone are barren of coal.

The Walloon Supergroup (refer Table 3.3 for summary stratigraphy) subcrops over more than 500km in a belt extending north westerly Toowoomba to beyond Injune. The sequence also extends southwards from Toowoomba into New South Wales and eastwards from Toowoomba into the Clarence-Moreton Basin. West of Toowoomba the strata generally maintain a gentle south westerly dip apart from around Taroom, where they occur in a broad arc under the influence of a broad synclinal structure referred to as the Mimosa Syncline. Some faulting is known to occur but is generally small scale with limited displacement.

Table 3.3

Stratigraphy of the Walloon Supergroup

Age	Super Group	Group/Formation
Late Jurassic to Early Cretaceous	Springbok Sandstone	
Unconformity		
Middle Jurassic	Walloon Supergroup	Juandah Coal Measures
		Tangalooma Sandstone
		Taroom Coal Measures
		Eurombah Formation

The coals seams are characteristically lenticular in nature, of sub-bituminous rank and per-hydrous. Individual coal seams may be many metres in thickness but are characterised by the occurrence of thin claystone or shale bands and as a consequence individual coal plies are rarely >1m in thickness. However, the plies are usually low in ash (generally <15%) and as such, it is possible through selective mining and/or washing, to produce a saleable thermal coal product.

Taroom
The permits either straddle or are located down dip of the Taroom Coal Measures, probably covering sub-cropping Tangalooma Sandstone. The Taroom Coal Measures contains up to five recognised seams but these

are characteristically lenticular in development and commonly contain several non-coal bands. However the intervening coal plies generally comprise moderate to low ash coal which is of sub-bituminous rank and generally low in sulphur.

Work by BWD to date has consisted of the compilation and modelling of around 2,000 boreholes drilled by previous explorers leading to identification of the Broadmore Resource area in EPC1465. The company has drilled 72 new holes and modelling of seam intersection >0.25m in thickness and at depths of <150m has resulted in the identification of an Inferred Resource of 52Mt.

Bymount

Located to the west of the Mimosa Syncline in the central Surat Basin, the Bymount Project is underlain by gentle southerly dipping strata of the Injune Creek Group. The Injune Creek Group is laterally equivalent in part to the Walloon Coal Measures.

Some exploration had been carried out previously (350 holes) and BWD has compiled a geological model from these data. BWD has also drilled three holes that intersected up to 8.5m cumulative of coal down-hole.

Dalby

The Dalby area is located on Kumbarilla Ridge, a broad tectonic arch separating the Surat and Clarence-Moreton Basins. Strata on the ridge dip gently to the south-west. The target horizon in the project area is the Walloon Coal Measures with the Taroom Coal Measures sub-cropping in a north-westerly trending belt passing to the north of Dalby and the Juandah Coal Measures passing to the south.

Local outcrops of the Walloon Coal Measures are known though over much of the area it is obscured by Tertiary basalt flows or a veneer of Cainozoic sediments.

BWD has compiled a geological model of the area including more than 100 holes drilled by previous explorers. These data indicate coal to be widely distributed over the area. The company has yet to undertake any drilling.

Chinchilla

The general Chinchilla area is underlain by sub cropping Walloon Coal Measures which strike in a north-westerly direction and dip gently to the south-west. EPC1464 and EPC1565 probably overlay the Taroom Coal Measures and the permits are likely to overlay the Tangalooma Sandstone. Outcrop of the coal measures is rare, with most of the area overlain by a veneer of Tertiary and Quaternary sediments.

Work by BWD has consisted of the compilation and modelling of exploration data compiled by previous explorers comprising data from around 500 holes.

Clarence – Moreton

The Clarence Moreton basin is an elongate cratonic basin covering approximately 26,000km^2, separated from the Surat Basin to the west by the Kumbarilla Ridge. The basin has been subject to more extensive deformation and uplift than the basins to the west and the sediments are disposed in a series of broad northerly trending fold structures. Numerous volcanic plugs of Tertiary age intrude the basin sequence and the strata are obscured over much of the basin by basaltic lava flows.

The basin contains sedimentary strata of Jurassic and Cretaceous age and as in the Surat Basin the principal coal bearing unit is the Walloon Sub Group. This sequence is extends across the Kumbarilla Ridge and is widely developed in the Clarence Moreton Basin. The detailed stratigraphy of the Walloon Sub Group appears to be similar to that of the Surat Basin, in that there are two principal coal bearing intervals, at least in the north-west, referred to as the Upper Coal Bearing Unit and the Lower Coal Bearing Unit. These are likely equivalent to the Juandah and Taroom Coal Measures, respectively. These intervals are separated by the Barren Unit (Tangalooma Sandstone equivalent).

Coal seams are widely developed but commonly lenticular and highly banded. Individual seams may be up to 10m thick locally. The coal is of bituminous rank, bright in appearance and per-hydrous.

No surface work has been carried out on any of the Project areas although BWD has surveyed all areas using reinterpreted and reprocessed regional airborne geophysics.

Millmerran

Situated on the Kumbarilla Ridge, the strata in the Millmerran area are essentially flat lying. The Walloon Coal Measures in the Millmerran area comprise two principal coal bearing intervals, as occurs elsewhere in the Basin. However, in this area, the Juandah Coal Measures is a sequence is largely devoid of significant coal seams, leaving the Taroom coal Measures as the principal target sequence.

There is a reasonable likelihood that significant thermal coal deposits will be identified in this project area.

Warwick North
There is a limited development of Walloon coal Measures along the southern part of the Project Area.

It is likely that some thick low ash coal seams may occur, but given the limited development of the Walloon Coal Measures in the area, extensive basalt cover and increasingly intensive surface development, it is considered unlikely that a significant accessible resource will be identified.

Warwick South
The Walloon coal Measures are widely developed in the project area but are partially affected by Tertiary age volcanic intrusions.

The initial review of the southern part of this area would indicate that the coal seams are likely to be too thin and lenticular and it is considered unlikely that a significant coal resource would be identified.

Other Permits
BWD holds five exploration areas in the Northern Territory and one in Western Australia held under a subsidiary company. The permits are for mineral exploration and although reportedly maintained in good order, they do not feature as a material part of the company's activities and have not been described in any detail in the review. They have been reviewed on the basis of similar tenements with prospectivity but no JORC resources.

4.0 VALUATION OF TENEMENTS

4.1 Valuation Methodologies Available for Other Tenements

As part of the brief, BDA has been requested to estimate the value of the BWD Exploration Tenements to provide a guide as to their contribution to the overall value of BWD. BDA has examined the information available on the tenements and has considered the valuation methods that would be most appropriate, given the level of exploration to date and the extent and degree of definition of any identified resources. BDA has reviewed the methodologies available under the Valmin Code for the Technical Assessment and Valuation of Mineral Assets and Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and as amended and updated in 2005 (the "Valmin Code") and has then discussed each of the projects in terms of their status and valuation.

Effective Date
The effective date for the valuation is 20 November 2013.

Standards and Procedures
This report has been prepared in keeping with the Valmin Code. Resource and reserve estimation procedures and categorisations have been reviewed in terms of the JORC Code, December 2012.

Valuation Principles
As a general principle, the fair market value of a property as stated in the Valmin Code (Definition 43) is the amount a willing buyer would pay a willing seller in an arm's length transaction, wherein each party acted knowledgeably, prudently and without compulsion.

Valuation Methods
There is no single method of valuation which is appropriate for all situations. Rather, there are several valuation methods, each of which has some merit and is more or less applicable depending on the circumstances. The following are appropriate items to be considered:

- discounted cash flow
- amount an alternative acquirer might be willing to offer
- the amount which could be distributed in an orderly realisation of assets
- the most recent quoted price of listed securities
- the current market price of the asset, securities or company.

The *discounted cash flow* or net present value method is generally regarded as the most appropriate primary valuation tool for operating mines or mining projects proceeding to development in the immediate future. Valuing properties at an earlier stage of exploration where ore reserves, mining and processing methods, and capital and operating costs, are yet to be fully defined, involves the application of alternative methods.

The methods generally applied to exploration properties are the *related transaction* or real estate method, the value indicated by *alternative offers* or by *joint venture terms,* and the *past expenditure* method. *Rules of thumb or yardstick values* based on certain industry ratios can be used for both mining and exploration properties. Under appropriate circumstances values indicated by *stock market valuation* should be taken into account as should any *previous independent valuations* of the property.

The valuation methods considered are briefly described below.

Net Present Value (NPV) Method
BDA considers the NPV or DCF method is not an appropriate method for valuing the BWD exploration tenements, as there are insufficient technical details to derive reliable projections.

4.2 Alternative Valuation Methods

Comparable Transactions
Recent comparable transactions can be relevant to the valuation of projects and tenements. While it is acknowledged that it can be difficult to determine to what extent the properties and transactions are indeed comparable, unless the transactions involve the specific parties, projects or tenements under review, this method can provide a useful benchmark for valuation purposes. The timing of such transactions must be considered as there can be substantial change in value with time.

BDA has considered whether any comparable relevant transactions have taken place in recent years which can be used as a basis for estimation of value of the mining assets assessed herein. BDA has used this approach as one of the methods of valuing the BWD tenements.

Alternative Offers and Joint Venture Terms
If discussions have been held with other parties, and offers have been made on the project or tenements under review, then these values are certainly relevant and worthy of consideration. Similarly, joint venture terms where one party pays to acquire an interest in a project, or spends exploration funds in order to earn an interest, provide an indication of value.

Rules of Thumb or Yardsticks
Certain industry ratios are commonly applied to coal mining projects to derive an approximate indication of value. The most commonly used ratios are $/t of coal in resources, $/t of coal in reserves, and $/t of annual production. The ratios used commonly cover a substantial range which is generally attributed to the ‘quality’ of the coal, the infrastructure to reach markets and the status of the tonnes estimates.

Low cost of production tonnes are clearly worth more than high cost tonnes. Where a project has substantial future potential not yet reflected in the quoted resources or reserves, a ratio towards the high end of the range may be justified. Trading multiples of comparable listed companies may provide a guide to appropriate multiples.

Prospectivity
Over-riding any mechanical or technical valuation method for exploration ground must be recognition of prospectivity and potential, which is the fundamental value in relation to exploration properties.

Exploration Expenditure
Past expenditure, or the amount spent on exploration of a tenement is commonly used as a guide in determining the value of exploration tenements, and ‘deemed expenditure’ is frequently the basis of joint venture agreements. The assumption is that well directed exploration has added value to the property. This is not always the case and exploration can also downgrade a property and therefore a ‘prospectivity enhancement multiplier’ (“PEM”), which commonly ranges from 0.5-3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement.

To eliminate some of the subjectivity with respect to the use of the PEM method, BDA has applied a scale of PEM ranges as follows to the exploration expenditure:

- PEM 0.5 – 1.0 Previous exploration indicates the area has limited potential, with no identified economic resources.
- PEM 1.0 - 1.5 Existing (historical and/or current) data consists of exploration, drilling and fieldwork, with no identified economic resources but sufficiently encouraging to warrant further exploration.
- PEM 1.5 – 2.0 One or more defined significant and potentially economic targets warranting additional exploration.
- PEM 2.0 - 2.5 Significant drill hole intersections, or preliminary potentially economic resource estimates.
- PEM 2.5 – 3.0 Exploration is well advanced and infill drilling is required to define an economic resource.
- PEM >3.0 A resource has been defined but a (recent) pre-feasibility study has not yet been completed.

BDA has considered exploration expenditure in determining a value for some of the exploration tenements.

Prospectivity
Over-riding any mechanical or technical valuation method for exploration ground must be recognition of prospectivity and potential, which is the fundamental value in relation to exploration properties. Exploration and other expenditure on the tenement may provide guidance as to value of exploration tenements.

Market Valuation
On the fundamental definition of value, as being the amount a knowledgeable and willing buyer would pay a knowledgeable and willing seller in an arm's length transaction, it is clear that due consideration has to be given to market capitalisation. In the case of a one project company or a company with one major asset, the market capitalisation gives some guide to the value that the market places on that asset at that point in time, although certain sectors may trade at premiums or discounts to net assets, reflecting a view of future risk or earnings potential. Commonly however a company has several projects at various stages of development, together with a range of assets and liabilities, and in such cases it is not possible to define the value of individual projects in terms of the share price and market capitalisation. BDA has used this approach as one of the methods of valuing the BWD tenements.

Other Expert Valuations
Where other independent experts or analysts have made recent valuations of the same or comparable properties these opinions clearly need to be reviewed and to be taken into consideration. BDA has access to three such valuations, one of which was prepared for a proposed transaction and two of which are broker assessments.

Special Circumstances
Special circumstances of relevance to mining projects or properties can have a significant impact on value and modify valuations which might otherwise apply. Examples could be:

- *environmental risks* - which can result in a project being subject to extensive opposition, delays and possibly refusal of development approvals
- *indigenous peoples/land rights issues* - projects in areas subject to claims from indigenous peoples can experience prolonged delays, extended negotiations or veto
- *country issues* - the location of a project can significantly impact on the cost of development and operating costs and has a major impact on perceived risk and sovereign risk
- *technical* - issues peculiar to an area or orebody such as geotechnical or hydrological conditions, or metallurgical difficulties could affect a project's economics.

BDA has considered whether any such factors apply to the projects and prospects under review. The BDA valuation does not include any adjustment for the potential future impact of any Carbon Tax Scheme.

4.3 BWD Valuation Considerations

In considering the valuation of the BWD tenements, and BWD's 374Mt of JORC resources, BDA has reviewed several alternative methods and has made comparisons between the methods used to determine what it considers a reasonable valuation. It is important to recognise that valuation of such properties is not precise, and is time dependent. It is fundamentally an opinion, based on the particular nature and circumstances of the assets being valued and the particular market conditions being experienced at the time of valuation.

Based on the foregoing considerations, and the alternative methods available for tenements of the type being considered here, as set out in Section 4.2, BDA has used three methods for comparison – the *Comparable Transaction Method*, the *Comparable Trading Multiples Method* and the *Exploration Expenditure Method*, all of which have some application to the BWD tenements. BDA has also considered *Other Expert Valuations*, of which it is aware of three, to determine whether the BDA valuation is reasonable in the current market.

With regard to the valuation of Surat Basin projects, BDA notes that the recent shelving of Xstrata's Wandoan project, which included the long-awaited Surat Basin Rail ("SBR") link (also referred to as the "missing link"), which would have provided rail connection to the northern ports (Gladstone and Rockhampton), has effectively delayed many of the prospective developments in the northern Surat Basin. The consequence is that the access to rail and port capacity has been effectively delayed, possibly by more than five years for the larger projects and possibly longer for others.

While many of these projects will still have some value, particularly to those (generally larger) companies interested in "warehousing" resources for the long term, the market pricing for such projects has undoubtedly been reduced by this announcement. BDA notes there have been several transactions that have involved relatively modest initial payments, usually with a carried participating interest, either as a royalty ($/t sold) or as a net profits interest arrangement. While these sales may appear attractive, the value of the participating interest needs to be discounted to take account of the time that is likely to elapse before the value is realised. BDA's view is that these circumstances will tend to push values to the lower end of the spectrum for any projects affected by the current product chain impasse.

4.4 Comparable Transactions

Table 4.1 shows recent comparable transactions, primarily relating to thermal coal deposits and generally excluding coking and PCI coals. The reason for this distinction is that many of the thermal coal projects under consideration would be regarded as marginal in the current market environment, as reflected by the recent shelving of a number of projects in the thermal coal market. It is also important to recognise that, for a variety of reasons, many transactions are not comparable when the specifics of each project are considered. Spot thermal coal prices fell materially between March and June 2012, and have not strengthened to any marked extent since.

Table 4.1

Comparable Recent (2010/11/12) Transaction Multiples

Date	Transaction	M+I+I** Resources Mt	EV/ JORC (M+I+I) $/t
05/10	Belvedere/Vale*	2,475	0.18
08/10	Linc Energy/Adani	7,800	0.06
10/10	NEC/Arkdale*	565	0.39
04/11	Guildford/Tiaro	1,209	0.02
01/12	MetroCoal/DADI	3,121	<0.01
05/12	Coalworks/Whitehaven	1,009	0.15
10/12	Endocoal/U&D	499	0.14
	Average		**0.13**
	Range		**0.01-0.39**

* *Includes PCI & coking coal ("CC")* ** *M+I+I = Measured + Indicated + Inferred JORC Resources*

The comparable transactions shown in Table 4.1 are those that are considered appropriate to use as a guide to assess the value of BWD. The range of values is from $0.01 to $0.39/t of M+I+I JORC resources, with an average of $0.13 per tonne of resource. BDA notes that the higher values among the projects considered generally relate to 2010 transactions, and that more recent sales reflect lower commodity prices and project development prospectivity.

BDA considers that, in the current market and investment environment, the value of Surat Basin properties in particular, but thermal projects in general, are significantly lower than 12-18 months ago. As a consequence, BWD resources would fall towards the lower end of the range indicated, likely in the $0.035-$0.065/t range for the identified resources. This would place the value of BWD in the range of $13.1M-$24.3M, with a most likely valuation of A$20.6M.

4.5 Comparable Trading Multiples

Table 4.2 reviews recent trading multiples for coal exploration companies with properties which have comparable resources and are similar in terms of the current stage of development.

Table 4.2

Comparable Resource Multiples – Coal Exploration Companies*

Date	Company	EV* $M	Total JORC Resource (M+I+I)	EV / M+I+I $/t
08/13	Bandanna Coal	21	1,700	0.01
07/13	Allegiance Coal	5	98	0.05
06/13	Stanmore Coal	22	910	0.02
08/13	Cuesta Coal	47	610	0.08
07/13	Malabar Coal	11	190	0.06
06/13	Tiaro Coal	11	300	0.04
08/13	Guildford Coal	88	2,260	0.04
	Average			**0.04**
	Range			**0.01-0.08**

* *Source – public domain information, Grant Thornton data base, Wentworth Coal Report*

Table 4.2 shows the calculated value per JORC Resource tonne for several ASX listed coal companies broadly comparable in terms of stage of development and coal type. Several of the lower values are for resources that have lower prospectivity than BWD. On the basis of value based on market capitalisation of companies with comparable resources of status, BDA considers that this would place the value of BWD towards the centre of the range, at $0.035-0.055/t of resource, or $13.1M-$20.6M, with a most likely valuation of A$18.5M.

4.6 Exploration Expenditure Valuation

As discussed in Section 4.2, past expenditure, or the amount spent on exploration of a tenement, is commonly used as a guide in determining the value of exploration tenements. Acquisition costs or joint venture agreements are also determined on a similar basis, where the incoming party is effectively matching the value of the work carried out by the other party. BDA has used the past expenditure method as a comparison with other methods as a guide to the value of the BWD tenements.

In assessing the effective exploration expenditure on the property, BDA has utilised 100% of the BWD resource evaluation expenditure. BDA considers this approach effectively represents the deemed value of exploration work carried out at that time or on those tenements.

On this basis, BDA has estimated the total effective exploration expenditure at A$16.9M. This does not include any acquisition costs or incorporate any expenditure from prior to BWD's acquisition of the tenements. As described in Section 4.2, a Prospectivity Enhancement Multiplier or PEM is typically applied to exploration expenditure to reflect the effectiveness and success of that exploration effort in adding value to the property. The highest PEMs of 2.5-3 are applied when exploration has proved effective in developing a material potentially economic resource capable of supporting a feasibility study and further development. Lower values can be applied to reflect the relative level of success in advancing the project towards development through exploration towards a possible development.

In BDA's opinion, the exploration expenditure approach is more applicable to properties at an early stage of exploration and does not necessarily provide a fair value for a project which is at a feasibility study stage with well-defined resources and substantial development studies having been undertaken. BDA considers that none of the BWD studies are at this stage of development.

BDA rates the Pentland South and Taroom resources in the range of PEM 1.0-1.5, with selected value at PEM 1.4. This is based on the fact that the resources are all Inferred (up to 4,000m hole spacing between points of observation and extrapolation up to 1,000m from the last point of observation) and the potential economics for extraction of the rank of coal identified at the depths indicated, and with consideration of the deposit locations and the infrastructure investment required, are not compelling with regard to economics at this stage.

For properties with no identified resources, BDA has generally assigned the preferred PEMs in the range of 0.5-1.2 to the effective expenditure, excluding any acquisition costs, on the basis that the exploration expenditure has affected the value of the properties to variable degrees. Specifically, BDA has applied a PEM of 1.0-1.5 to those properties where there are identified resources, and a PEM within the range of 0.5-1.2 for the remainder. Of these, the Dingo, Chinchilla and Millmerran properties are assessed as having a marginally higher preferred PEM values than the other tenements, on the basis of their potential suitability to neighbouring operations.

In addition to the coal tenements, the mineral exploration tenements in the Northern Territory and West Australia have been assigned a nominal value of $100,000, on the basis of exploration expenditure to date and taking note of a previous valuation of $300,000 (Maynard, 2012). This approach gives a valuation range for the BWD tenements of A$16.4-$21.7M, with a most likely valuation of A$18.9M.

4.7 Other Valuations

BDA is aware of three other valuations of BWD, the first two prepared in early 2011 and the third in 2012. BDA has reviewed these valuations, and the basis used to determine value, and has used these as a guide to what would be reasonable in the current market. The brokers' valuations (RBS Morgans, February 2011 and BGF Equities, March 2011) arrived at similar conclusions, from a market capitalisation at that time in the range \$45M-\$47M (\$0.25-\$0.29/share), with cash on hand of around \$11M, that there was upside in the stock and that a target price of \$0.35/share (RBS) would be reasonable. At that time (Q1 2011), the implied value of the exploration assets was of the order of \$34M-\$36M, in a thermal coal sector outlook described as "undergoing constant expansion" and "expected strong growth in demand in India and ASEAN countries". It was noted at that time that, over the previous 12 months, the share price had traded in the range of \$0.05-0.34/share.

In June 2012, Al Maynard & Associates ("Maynard") issued a valuation of the BWD exploration tenements for BDO in support of an Independent Expert's Report to BWD shareholders as to whether a proposed Share Placement Agreement with Mulsanne Resources Pty Limited, a company associated with the Tinkler Group Pty Limited, was fair and reasonable. This assessment reviewed all the BWD tenements, their perceived prospectivity and the resource targets that had been identified by BWD. Under this valuation, the BWD exploration tenements were valued in the range of approximately \$43-\$58M, with a preferred value of \$50M. In addition to the coal tenements, the mineral exploration tenements in the Northern Territory and West Australia were assigned a nominal value of \$300,000. With that valuation, and taking consideration of BWD's financial status, BDO valued BWD at that time at \$0.30/share, or \$84M fully diluted (\$56M pre transaction at 185M shares, or \$84M post the transaction, for 279.74M shares). At that time, the BWD share price was trading at \$0.25/share, for a market capitalisation of \$46.3M, with net current assets of approximately \$3.3M (BDO Independent Expert Report, 1 June 2012, Consolidated Financial Statement, current assets (cash and receivables \$4.06M, liabilities - payables \$0.74M), giving the BWD exploration tenements an implied value of \$43.0M at that time, compared with a carried value in the accounts of \$9.9M at 1 June 2012, or \$11.6M as at 30 June 2012 (Annual Report, 2012).

BDA notes that market conditions and levels of pricing, in terms of prospectivity for predominantly thermal coal assets, have deteriorated significantly over the past 12 months. The reasons for this are varied, but primarily relate to market pricing and project economics, where the thermal coal commodity trading prices have dropped below the profitable threshold for many of the prospective developers. It is important to recognise that this does not mean that prices are so low or have dropped so far that many of the established producers cannot continue to operate in profit. What it does mean is that, for those existing and prospective producers that fall on the high end of the cost curve, it is extremely difficult in the current economic climate to justify committing capital to either expanding or developing new projects. In support of that view, several existing projects have significantly reduced or stopped operation in mines with marginal economics (eg. Stratford Coal), and several very advanced projects (eg. Xstrata Wandoan Project) have been shelved until market conditions improve.

BDA notes that BWD's current share price is currently trading in the range \$0.07-\$0.10/share in the two months prior to the offer, for a market capitalisation in the range of \$13-18M. Many of the small listed coal developers and explorers have suffered a similar fate, in terms of significantly reduced share pricing and market capitalisation, commonly to values of the order of 25-30% of previous levels experienced within the past 12 months. BDA considers that this trend is a reflection perceived of market value and that BWD would be considered in much the same position as many of the other comparable companies.

BDA recognises that markets for junior coal explorers have been depressed, perhaps more than justified in the current market. BDA considers that, based on the foregoing, the BWD tenements should be valued by this method in the range of \$14.8M-\$18.5M, with a preferred value of \$15.5. This compares with a carried value in the accounts of \$16.1M as of 30 June 2013.

With net current assets of around \$3.2M (Consolidated Financial Statement June 30, current assets - cash and receivables of \$12.7M, liabilities -payables and Noble loan, of \$9.5M), this would value the company at \$18.7M, or approximately \$0.10/share.

4.8 BWD Valuation

With regard to the valuation of Surat Basin projects, BDA notes that the recent shelving of Xstrata's Wandoan project, which included the long-awaited Surat Basin Rail ("SBR") link (also referred to as the "missing link"), which would have provided rail connection to the northern ports (Gladstone and Rockhampton), has effectively delayed many of the prospective developments in the northern Surat Basin. The consequence is that the access to rail and port capacity has been effectively delayed, possibly by as long as 10 years.

While many of these projects will still have value, particularly to those (generally larger) companies interested in "warehousing" resources for the long term, the market pricing for such projects has undoubtedly been reduced by this announcement. BDA notes there have been several transactions that have involved relatively modest initial payments, usually with a carried participating interest, either as a royalty ($/t sold) or as a net profits interest arrangement.

At first pass, these sales may appear attractive, but the value of the participating interest needs to be discounted to take account of the time that is likely to elapse before any value is realised. BDA's view is that these circumstances will tend to push values to the lower end of the spectrum for any projects affected by the current product transport chain impasse.

4.9 Summary of Valuations of BWD Exploration Tenements

Table 4.3 shows a summary of the BDA methods used in valuing the BWD exploration tenements.

Table 4.3

Summary of Valuations

Valuation Method Used	Low A$M	High A$M	Preferred A$M
Comparable Transactions	13.1	24.3	20.6
Resource Multiples	13.1	20.6	18.5
Exploration Expenditure	16.4	21.7	18.9
Other Valuations	14.8	18.5	15.5
Range	**13.1-16.4**	**18.5-24.3**	**15.5-20.6**
Average	**14.4**	**21.3**	**18.4**

Based on an assessment of these values, BDA considers that the valuation of the BWD exploration tenements is in the range **$14.4M to $21.3M, with a preferred valuation of $18.4M**. Adjusted for net debt, this equates to a share price of around $0.12/share, within the range of $0.10-$0.14/share. BDA considers it a reasonable assessment of the value under current market and commodity conditions. BDA notes that the carrying value of the tenements (Consolidated Statement of Financial Position as at 30 June 2013, Exploration and evaluation assets) is $16.1M.

Sincerely yours
BEHRE DOLBEAR AUSTRALIA PTY LTD

John McIntyre
Managing Director

APPENDIX A - BDA ASSOCIATES' AND CONSULTANTS' QUALIFICATIONS

This report has been prepared by Behre Dolbear Australia Pty Ltd, a subsidiary of Behre Dolbear & Company Inc. Behre Dolbear has offices in Denver, New York, Toronto, Guadalajara, Santiago, Sydney, Vancouver and London. The firm specialises in mineral evaluations, due diligence assessments, independent expert reports, strategic planning and technical geological, mining and process consulting.

The valuation was prepared by John McIntyre, Managing Director of BDA, and Dr Ian Blayden, with some assistance from others as required. As the Competent Person for the review of exploration, resource and reserve estimates, Dr Blayden is qualified as required under the JORC Code, and is a Member of the AusIMM, a Recognised Professional Organisation ("ROP") under the JORC Code. Mr McIntyre is a Competent Person for the review of estimation, assessment, evaluation and economic extraction of Ore Reserves, as required under JORC, and is a Fellow of AusIMM, a ROP under the JORC Code.

Mr McIntyre is also Certified Mineral Valuer ("CMV") as a Member of Australasian Institute of Minerals Valuers and Appraisers ("AIMVA") and is a Certified Minerals Appraiser (CMA #2012-01) as a Member of the American Institute of Minerals Appraisers ("AIMA"). These are professional qualifications designed to indicate to regulators and kindred professional bodies that the individual has demonstrated that he/she has more than 10 years of experience in this/her nominated area of expertise and has been assessed as a recognised expert, competent to sign off on public and corporate documentation in assessing and appraising minerals projects. This is consistent with requirements under Listing Rules for the Australian, Canadian (Toronto), Hong Kong and Singapore Securities Exchanges and is intended to establish minimum qualification standards for public domain reporting.

The BDA team comprised the following personnel:

- **Dr Ian Blayden** (BSc Hon, PhD, MBA. MAusIMM, MMICA, CP (Geol), MAIG) is a Senior Associate of BDA with over 35 years' experience in exploration, exploration management, prospect assessment, resource audits and the preparation of Independent Experts Reports. Principal areas of experience are resource and reserve assessments of coal, base metals, precious metals and precious stones, as well as geological technical audits and resource and reserve evaluation and determination. He is familiar with the latest ore reserve terminology under the JORC Code. Ian is experienced in the assessment of the status of the reserves and resources estimates and exploration assets.
- **John McIntyre** (BE (Min) Hons., FAusIMM, CP (Min), MMICA, MAIMVA (CMV), MAIMA (CMA)) is the Managing Director of BDA. He is a qualified mining engineer, with over 40 years of experience in engineering, operations and management of mines and mining projects, in Australia, New Zealand, South East Asia and Africa. His principal fields of expertise include technical audit, project feasibility and development, mine and project evaluation, operating experience in open pit and underground mining of coal, base and precious metals, management review and operations optimisation. He has been a professional consultant for more than 25 years and has held several senior management positions, including General Manager Operations and CEO.
- **Malcolm Hancock** (BA, MA, FGS, FAusIMM, MIMM, MMICA, CP (Geol), MAIMVA (CMV)) is a Principal and Executive Director of BDA. He is a geologist with more than 40 years of experience in the areas of resource/reserve estimation, reconciliation, project feasibility and development, mine geology and mining operations. Before joining BDA he held executive positions responsible for geological and mining aspects of project acquisitions, feasibility studies, mine development and operations. He has been involved in the feasibility, construction, and commissioning of several mining operations. He has worked in Australia, Africa and South East Asia, on both open pit and underground operations, on gold, base metal, iron ore and industrial mineral projects, and has been directly involved in the management and direction of the BDA Independent Engineer operations in recent years. His role has been on QA/QC on the BDA public documents.

APPENDIX B - LIMITATIONS AND CONSENT

6.1 Scope of Work

Grant Thornton has commissioned Behre Dolbear Australia Pty Limited ("BDA") to prepare an independent valuation of the BWD coal exploration assets. Details of the assets to be assessed are covered under several tenement packages that cover various areas in Queensland. For the purpose of definition, these assets include projects involving Galilee Basin, Bowen Basin, Clarence-Moreton Basin and Surat Basin tenements, all in Queensland, plus base and precious metal and industrial mineral tenements in the Northern Territory and WA.

Details of the assets to be assessed are:

- 3 projects involving Galilee Basin tenements
- 5 projects involving Bowen Basin tenements
- 4 projects involving Surat Basin tenements.

BDA will provide an independent technical report to Grant Thornton for inclusion in an Independent Expert's Report to Shareholders in relation to the proposed Takeover of BWD by COK. BDA will endeavour to complete the report within a reasonable timeframe and meet any proposed timetable prepared by BWD, and will rely on documentation provided by BCL in the description and status of all tenements and prospects.

6.2 Limitations and Consent

BDA consents to making the Report available to the Independent Directors of BWD and Grant Thornton on the understanding that both parties are aware of and understand the scope of BDA's engagement as set out. This assessment in this report has been based on data, reports and other information made available to BDA by BWD and their advisors and referred to in this report. BWD has advised BDA that all relevant documentation relating to the projects has been provided, that the information is complete as to material details and is not misleading.

BDA has reviewed the data, reports and information provided and has used consultants with appropriate experience and relevant to the valuations. The opinions stated herein are given in good faith. BDA believes that the basic assumptions are factual and correct and the interpretations are reasonable. This BDA report contains assessments based on information provided by BWD and its advisors.

BDA has independently analysed data provided by BWD and its advisors, but the accuracy of the conclusions of the review largely relies on the accuracy of the supplied data. BDA does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from third party use of it. BDA reserves the right to change its opinions on the valuations expressed in this report should any of the fundamental information provided by BWD or its advisors be significantly or materially revised.

This report is provided to the Directors of BWD in connection with the requested fair market valuation assessment of BWD assets, and should not be used or relied upon for any other purpose. This report does not constitute a legal audit. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any purpose without BDA's written consent to the form and context in which it appears.

Consent

Dr Blayden and Mr McIntyre each consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

APPENDIX C SOURCES OF INFORMATION

The principal reports and documents reviewed for the preparation of this report are listed below:

Baralaba Coal Project

- Blackwood Corporation Limited, Prospectus, November 2010
- RBS Morgans Company Research, Blackwood Corporation Limited, February 2011
- BGF Equities Company Research, Blackwood Corporation Limited, March 2011
- Blackwood Corporation Limited, Annual Report 2011
- Blackwood Corporation Limited, Annual Report 2012
- Blackwood Corporation Limited, Consolidated Statement of Financial Position, 01 June 2012
- Blackwood Corporation Limited, Consolidated Statement of Financial Position, 30 June 2012
- Blackwood Corporation Limited, Consolidated Statement of Financial Position, 30 June 2013
- Al Maynard & Associates Pty Ltd, Independent Valuation Report for BDO Corporate Finance (WA) Pty Ltd, May 2012
- Blackwood Corporation Limited, Independent Expert's Report, BDO Corporate Finance (WA) Pty Ltd, 01 June 2012
- Blackwood Corporation Limited, Quarterly Report to 31 December 2012, February 2013
- Blackwood Corporation Limited, Quarterly Report to 31 March 2013, May 2013
- Blackwood Corporation Limited, Quarterly Report to 30 June 2013, July 2013
- Blackwood Corporation Limited, Discovery of Shallow High Quality PCI Coal at Dingo, September 2013
- Blackwood Corporation Limited, Maiden JORC Resources at South Pentland & Taroom, September 2013
- Blackwood Corporation Limited, Website, Project Overviews and Announcements, 2013
- Blackwood Corporation Limited, Schedule of Tenements, September 2013

General Data

- Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports – The VALMIN Code, 2005 Edition (Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives of the Australian finance sector).
- Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves - Report of the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2012

APPENDIX D FULL LISTING OF BLACKWOOD PERMITS

Project	Lease Name	EPC/EPCA	No. of Subblocks - Aug 2013	Square Kms	Carrying Value (Historical Spend To 31/8/13)
Biloela	Biloela	1495	38	118.62	$310,637
Bowen East	Dysart	1458			$34,881
	Burton Downs East	2104	1	3.19	$1,866
	Burton Downs West	2130	1	3.19	$117
	Mt Hillalong	2139			$0
	Cooroora Creek	2171		62.97	$0
Bowen North	Calen	2138	15	47.94	$9,976
Bymount	Injune	1563	40	123.13	$235,387
	Injune #2	1600	4	12.32	$117,927
	Bymount East	1724	4	12.31	$92,212
Capella	Emerald West	1466	5	15.72	$121,762
	Dysart	1564	6	18.92	$17,586
	Capella	1599	14	53.51	$232,650
	Valeria North	1725	10	31.51	$143,185
Carmichael North	Lake Buchanan	1483	37	117.65	$504,183
Chinchilla	Barakula	1464	10	30.71	$313,092
	Chinchilla	1565	6	23.63	$107,070
	Chinchilla	1596	14	42.92	$16,976
	NA	1602	7	21.43	$76,684
	Noola Plains	2064	3	9.18	$30,334
	Colamba Creek	2199	5	15.34	$89,449
	Wongongera	2200	2	6.13	$19,183
	Charleys Creek	2212	14	45.93	$11,194
	Chinchilla North	2781	3	9.19	$5,695
		2782	4	12.25	$6,901
Dalby	Dalby	1459	1	3.05	$42,248
	Dalby	1461	11	33.57	$62,534
	Dalby	1462	15	45.68	$97,344
	Dalby	1601			$13,031
	Dalby	1691	4	12.21	$61,886
	Dalby	1733	11	42.62	$67,782
	Greenmount West	1734	7	21.33	$48,918
Dingo	Dingo	1535	20	62.72	$19,216
	Dingo	1562	4	12.54	$215,196
Millmerran	Inglewood (North)	1474	30	89.93	$69,820
	Inglewood (South)	1475	13	39.23	$131,215
	Mount Emlyn	1555	16	48.43	$177,032
	Millmerran	1702	4	12.12	$49,124

Project	Lease Name	EPC/EPCA	No. of Subblocks - Aug 2013	Square Kms	Carrying Value (Historical Spend To 31/8/13)
	Commodore East	1703	4	12.12	$50,933
	NA	1761	50	151.20	$86,900
North Hughenden	Galilee Basin	1485	60	192.70	$1,601,709
	Hughenden	1496	159	510.93	$260,773
NT	Pine Hill	EL26071	45	135	$9,853
	Barrow Creek	EL26820	250	767	$22,097
	Krakatoa	EL26891	178	571	$14,297
	NA	EL28874	60	92	$14,835
	NA	EL29433	201	602	$22,555
	NA	EL29438	250	782	$18,119
Rolleston North	Rolleston	1467	9	34.35	$111,042
	Rolleston	1531	11	34.36	$710,071
	Rolleston North	2191	2	6.25	$31,504
Rolleston South	Rolleston	1468	138	429.60	$31,714
	Warrinilla	2106	48	149.16	$23,841
	NA	2112	3	9.33	$26,216
	Rolleston	2205	11	34.31	$5,930
	Wild Horse	2311	26	80.96	$4,752
	Mt Panorama	2326	20	62.34	$3,200
	Mt Ceres	2329	59	183.60	$7,500
	NA	2922	24	74.71	$4,439
South Pentland	Pentland South (Lake Moocha)	1486	299	959.64	$6,781,574
	Pentland	1762	240	767.88	$227,095
	Galilee	2842	1	3.20	$2,724
	Horse Creek	2853	1	3.20	$7,843
Springsure North	Springsure	1522	43	169.32	$118,856
Taroom	Taroom	1436	59	182.40	$315,862
	Taroom West	1465	51	157.70	$540,919
	Taroom	1556	16	49.38	$342,533
	Taroom (Kinnoul Creek)	1557	18	58.69	$271,714
	Taroom	1558	20	61.68	$183,169
	NA	1603	1	3.20	$86,485
	NA	2924	17	52.59	$19,926
WA	Jetty Creek	E70/3292	4	13.0	$4,383
Warwick North	Toowoomba	1509	125	379.42	$227,200
	Greenmount West	1760	8	24.26	$61,149
Warwick South	Warwick East	1430	9	27.16	$43,666
	Warwick East	1431	10	30.23	$216,234
	Warwick East	1530	26	78.53	$61,868

Project	Lease Name	EPC/EPCA	No. of Subblocks - Aug 2013	Square Kms	Carrying Value (Historical Spend To 31/8/13)
	Warwick North (Hendon)	1533	8	24.20	$40,482
	Warwick East #2	1597	5	15.10	$33,128
	Warwick East	1706	4	15.12	$41,600
	Freestone	1711	2	6.05	$55,979
	Freestone	2045	1	3.02	$19,277
	Swan Creek	2067	17	51.40	$9,252
TOTAL					**$16,894,515.00**

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AUSTRALIA

BDA

Minerals Industry Consultants

ACN No. 065 713 724

Level 9, 80 Mount Street
North Sydney, NSW 2060
Australia

Tel: 612 9954 4988
Fax: 612 9929 2549
Email: bdaus@bigpond.com

20 November 2013

Mr Andrea De Cian
Director
Grant Thornton Corporate Finance Pty Limited
Level 17, 383 Kent Street
Sydney NSW 2000

Dear Sir,

REPORT FOR GRANT THORNTON CORPORATE FINANCE PTY LIMITED

INDEPENDENT TECHNICAL REVIEW OF COCKATOO COAL LIMITED

1.0 EXECUTIVE SUMMARY

1.1 Introduction

Grant Thornton Corporate Finance Pty Limited ("Grant Thornton") has been engaged by Blackwood Corporation Limited ("BWD") to prepare an independent report in relation to a proposed Takeover of BWD by Cockatoo Coal Limited ("COK") that will be subject to approval by BWD shareholders. The Directors of BWD require Grant Thornton to prepare an Independent Expert's Report ("IER") in relation to the Takeover that will be prepared for BWD shareholders and state whether, in its opinion, the proposed consideration is in the best interests of BWD shareholders.

The IER will include Grant Thornton's assessment of the COK assets to determine whether the COK offer is fair and reasonable to BWD shareholders. It is understood that an Explanatory Memorandum will be prepared for the BWD shareholders with regard to the BWD Takeover, and Bidder's and Target's Statements will be prepared for BWD shareholders.

For the BWD shareholders, the Directors of BWD have commissioned Grant Thornton to prepare an IER on the proposed Takeover and state whether, in its opinion, the proposed Takeover is fair and reasonable to BWD shareholders. Pursuant to providing advice to the BWD shareholders on the value of the COK assets, Grant Thornton has commissioned Behre Dolbear Australia Pty Limited ("BDA") to prepare an independent technical review of the Baralaba operations and to provide independent specialist advice regarding certain valuation assumptions adopted by Grant Thornton in the valuation assessment of the COK's assets outside the Baralaba Complex. This BDA report is effectively the same as that supplied earlier to COK shareholders, and sets out the conclusions that BDA has reached in regard to the assessment of the existing Baralaba Central mine and expansion of the mining operations to the north in the Baralaba North Expansion Project ("BNEP"), with a design capacity of 3.5 million tonnes per annum ("Mtpa") of product coal.

This report has been prepared in accordance with the relevant requirements under the Listing Rules of the ASX and the regulatory guides issued by the Australian Securities and Investment Commission ("ASIC") as they apply to the preparation of independent expert reports and valuations. It contains forecasts and projections based on information provided by COK and its advisors. BDA's assessment of the projected production schedules and capital and operating costs are based on technical reviews of project data and site visits. However, these forecasts and projections cannot be assured and factors both within and beyond the control of COK could cause the actual results to be materially different from the assessments and projections contained in this report.

With respect to estimates of resources and reserves, BDA has conducted its review in recognition of the requirements of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserve Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC) – Effective December 2004 ("the JORC Code")[1]. BDA has neither undertaken an audit of the Baralaba data nor re-estimated the resources, but has reviewed the resource and reserve estimating methodology and comparative estimates carried out by COK personnel and/or consultants.

1.2 BDA Capability and Independence

This report has been prepared as advisory information to Grant Thornton by the signatories, whose qualifications and experience are summarised in Annexure A to this report. BDA provides a range of technical advisory services to the mineral resource industry, to mining operators, investors and financiers. The parent company, Behre Dolbear Group Inc., has operated continuously as a mineral industry consultancy since 1911 and has offices or agencies in Beijing, Denver, Guadalajara, Hong Kong, London, New York, Santiago, Toronto and Vancouver, and as well as Sydney. Behre Dolbear has worldwide coal experience spanning a broad spectrum of exploration, management, resource and reserve analysis, metallurgical studies, surface and underground mine design, technical due diligence, operations optimization and total project feasibility.

BDA has previously independently reviewed the Baralaba operations as part of assignments for potential financiers. BDA has considered the matter of potential conflict of interest concerning former reviews and has concluded that it would not be conflicted to prepare the requested report, on the basis that it is being prepared as an independent third party report, BDA has not provided COK with technical advice, BDA will be paid professional fees (on a fixed fee basis) and expenses only for the work and payment will not be dependent on the outcome of the BDA report. None of the BDA Directors, Principals, Associates or Consultants who contributed to this report has any material interest or entitlement, direct or indirect, in:

- Blackwood Corporation Limited, its subsidiaries, securities or companies associated with it; or
- Cockatoo Coal Limited, its subsidiaries, securities or companies associated with it; or
- Baralaba Coal Limited, its subsidiaries, or any companies associated with it; or
- the Relevant Assets being considered; or
- the outcome of the acquisition.

Separately, BDA has also been engaged to prepare an independent valuation in relation to coal exploration assets of BWD, as part of the proposed Takeover of BWD by COK.

BDA has independently assessed the Relevant Assets of COK on the basis of both specific information provided by COK and BWD, and individual experience in relation to the estimation of resources and reserves, life of mine plans, production and productivity estimates, operating and capital cost projections, coal quality assessments, manpower estimates, environmental requirements and compliance, workforce and community issues and Health, Safety and Environmental standards and compliance.

1.3 Scope of Work/Materiality/Limitations and Exclusions

BDA has reviewed the COK Relevant Assets in accordance with the Scope of Work provided as set out in Annexure B and the limitations and exclusions specified and set out in Annexure C to this Report.

1.4 Methodology of Assessment

BDA has been provided with financial models which include forecasts and projections of COK's plans for the BNEP. The BDA brief excludes commentary on commodity prices, exchange rates or economic viability and the review has been confined to assessing the technical issues relating to the Baralaba project. With regard to the valuation of exploration properties, the criteria applied are set out in Annexure D to this report.

[1] JORC resources and reserves are currently reported in compliance with the JORC Code 2004 edition. The latest update to the Code, effective December 2012 edition, does not become mandatory for reporting until December 2013.

The assumptions adopted in the financial model, and their accuracy and reliability, are largely the subject of this Report. The parameters considered include annual mining rates (coal and waste), strip ratios (in opencuts), development rates and longwall productivity (for underground operations), washery yields and product coal quality, materials handling and logistics, product transport, operating and capital costs. BDA did not consider financial issues such as loan funding aspects, cashflows, profit and loss, balance sheet, non-cash items and the valuation of the operating mines and defined projects. BDA has examined the exploration assets and has provided valuation of those where appropriate and as specified.

The BDA review has focussed on the technical inputs to the financial model and has sought to validate the raw data that constitutes the mine plans and drives the financial model. It specifically excludes review of commodity price and exchange rate forecasts. In particular, the BDA review covered the following areas:

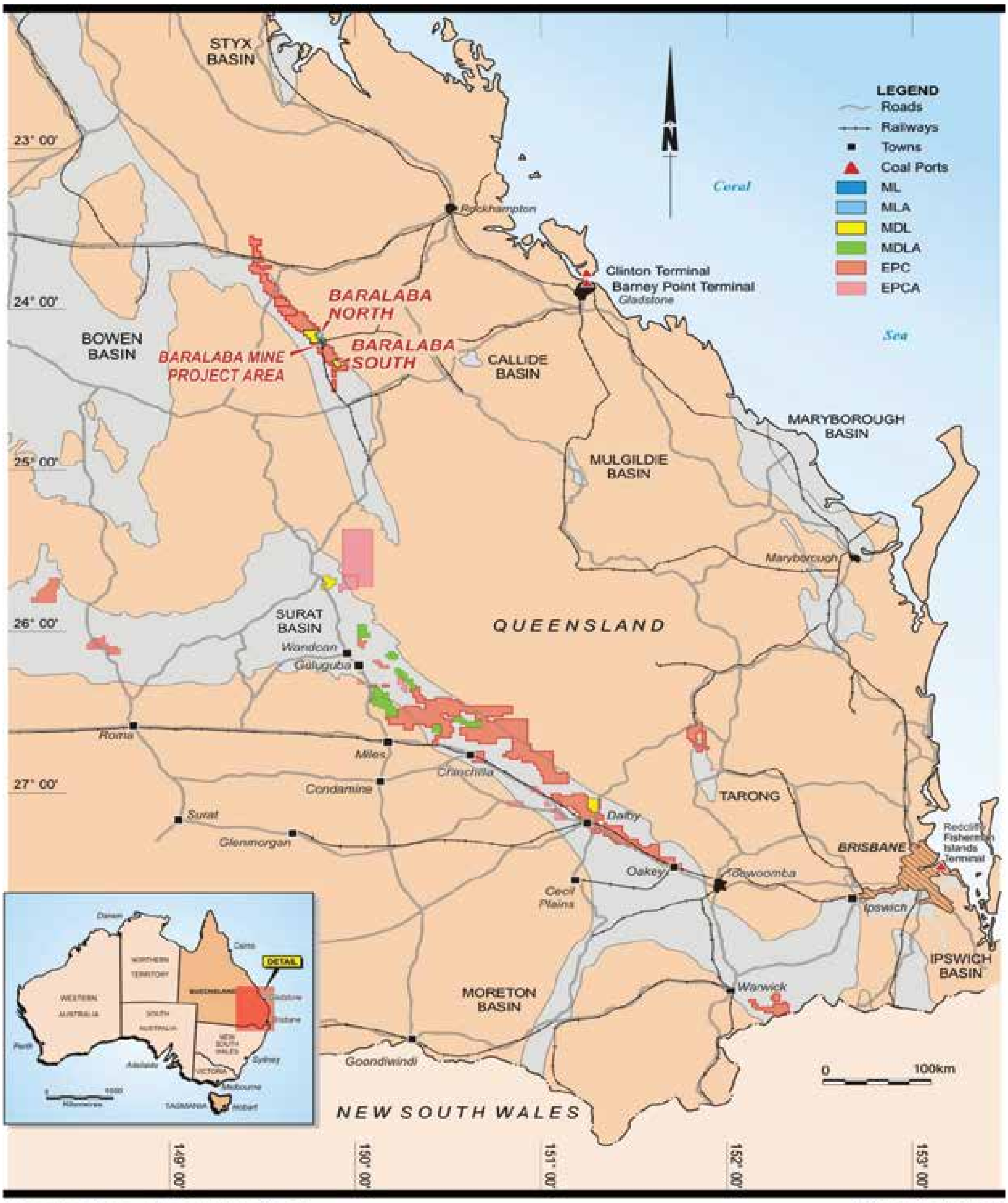
- Operations: BDA personnel have conducted site visits to the Baralaba operations and projects, held discussions with senior management personnel and inspected the mining, processing and transport operations in the opencut operation. BDA has inspected the site for environmental compliance and has reviewed the plans for the development of mining activities.
- Resources and Reserves: BDA personnel conducted check calculations of the resource estimates to confirm the statements were JORC compliant. The JORC-defined tonnages were checked against the sales tonnages in the financial model.
- Budgets and Life of Mine Plans: BDA checked the projected annual and life of mine production tonnages and yields against the resource base and the financial model inputs.
- Environmental Approvals and Compliance: BDA checked the environmental, statutory and regulatory licensing and compliance requirements and reviewed environmental management, annual audits, and returns.
- Capital and Operating Cost Estimates: BDA checked the projected annual and life of mine operating cost projections and capital expenditure allowances. Operating costs were checked on the basis of comparison with historical performance, or first principles estimates, contract conditions and quotations, where applicable.
- Key Potential Risk Issues: BDA has reviewed each operation from the perspective of material potential issues that could jeopardise the projected cash flows or the product tonnages and has provided comment on the potential risk areas where discounts may need to be applied.

All material revisions that BDA considers should be applied in the financial model have been provided to Grant Thornton for incorporation in the valuation.

1.5 Inherent Mining Risks

When compared with many industrial and commercial operations, coal mining carries a relatively higher risk, conducted in an environment where not all events are predictable. Each coal deposit is unique. The nature of the coal deposit, the occurrence and quality of the coal, and its behaviour during mining and processing can never be wholly predicted. Estimations of the tonnes, quality and characteristics of a coal deposit are not precise calculations but are based on interpretation and on samples from drilling which, even at close drill hole spacing, provide a very small sample of the whole coal deposit. Reconciliations of past production and reserves can confirm the reasonableness of past estimates, but cannot categorically confirm the accuracy of future predictions.

An experienced management team can identify the known risks and put in place measures to mitigate the potential for interruptions consequent to such risks. However, the extent of knowledge is limited and there is always the possibility that unexpected or unpredicted events may occur, to the extent that it is considered not possible to remove all risks or to state categorically that events that may have a material impact on the operation will not occur. Detailed planning and experienced management should mitigate the risks to a reasonable extent.



Cockatoo Coal Limited | Queensland

Figure 1 — PROJECT LOCATIONS

BDA - 0152 (03) May 2013

Behre Dolbear Australia Pty Ltd

2.0 BARALABA OPERATIONS OVERVIEW

2.1 Summary

COK purchased the Baralaba mine from Peabody Energy in December 2008 and has operated it continuously since then. COK has operated the Baralaba mine for over four years, during which time, over 2 million tonnes ("Mt") of coal has been produced. The Baralaba project ownership for Mining Leases ("ML") ML5605, ML80157 and ML80169 is COK (62.5%) and JFE Shoji of Japan (37.5%); for ML80170, the ownership is COK 80%, JFE 20%. JFE Shoji and its related body corporate, JFE Steel, are also buyers of coal from the mine.

COK is planning to increase the production from the Baralaba mine to 3.5Mtpa by opening an extension to the north to be known as the Baralaba North mine. This can be regarded as the expansion of an existing operation, with much of the infrastructure required for the expanded operation already in place; this reduces the technical risk when compared to a "greenfields" site. When planning the development of the Baralaba Coal Expansion Project ("BCEP"), COK has prepared a Bankable Feasibility Study ("BFS") and Supplementary Bankable Feasibility Study ("SBFS"), both of which form part of the planning for the BCEP.

BDA considers that COK management team is experienced and capable, with a demonstrated capacity to operate the existing mines and to construct, implement and commission the planned developments reasonably within the projected budgets and timeframes. COK management has adopted practical, realistic and not overly conservative assumptions and understands the operational and risk constraints that drive the projects. While there will be variances from the projected production and unit cost performances, the short- and long-term forecasts are considered to be based on realistic reserves and resources, proven technology and equipment, reliable historic costs and productivities, sound environmental and regulatory management and practice, appropriate infrastructure and established markets with a broad customer base.

2.2 Description of Assets

Baralaba Central mine operation is an established multi-seam open cut mine with known and predictable operating costs and established markets. Current production is at a level of around 750,000 tonnes per annum ("tpa"), with a high proportion of pulverised coal injection ("PCI") coal. Coal mined is crushed and screened before railing to port. The operation can broadly be regarded as a low technical risk coal operation, producing coal for both PCI and thermal applications.

Section 4 of this report contains more detailed descriptions of the BNEP.

2.3 Summary of Resources and Reserves

COK has used Competent Persons for the preparation of JORC Code-compliant resources and reserves estimates for all operations and developing projects. The resources and reserves estimated by COK and/or their consultants have been reviewed in accordance with Australian industry standards and for compliance with the Code and Guidelines for Reporting of Identified Mineral Resources and Ore Reserves - Joint Ore Reserve Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia - December 2012 ("the JORC Code"). Resource categories are Measured, Indicated and Inferred to reflect decreasing levels of confidence due to drill-hole spacing, availability of geological data, geological and geometric constraints.

COK has a JORC compliant Resource estimate of 257Mt of coal at the Baralaba Central Mine, Baralaba North and Baralaba South[2], suitable for the export PCI and thermal coal markets. In the Baralaba North area only, COK has a JORC compliant Reserve estimate of approximately 29Mt[3] of Proven and Probable coal. In addition to those reserves, there are 37Mt of JORC Recoverable Reserves in the Baralaba South area and COK holds title over approximately 64Mt of JORC Resources around 15km to the north-west of Baralaba North, in the Lochinvar area.

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2 Excludes 85Mt of Inferred Resources within the Wonbindi and Lochinvar projects.
3 ASX release of 5 April 2013

Reserve categories are Proved and Probable, having been converted from Measured and Indicated resources respectively, after the application of appropriate mining designs, with provisions for dilution and coal losses from mining activities and coal left in pit walls and ramps and around infrastructure. Inferred resources do not convert to reserves due to the lower level of confidence in the estimates.

Table 2.1

Baralaba Summary Resources and Reserves* June 30 2013

	Resources Mt				Marketable Reserves Mt		
Mine**	**Measured**	**Indicated**	**Inferred**	**Total**	**Proved**	**Probable**	**Total**
Total	**65.2**	**49.1**	**142.5**	**257.1**	**18.5**	**51.5**	**70.0**

* *Source: COK Statement of Resources and Reserves as at 5 April 2013– all tonnages rounded*

BDA has examined the reserve estimates and considers that they are representative of the available mineable coal and take suitable account of the prevailing conditions, consistent with experience to date in Baralaba Central pit. BDA notes that appropriate levels of mine planning and design layouts have been developed within the identified Measured and Indicated resources to allow a suitable basis for the estimation of reserves.

2.4 Coal Production

COK has provided forecasts of run-of-mine ("ROM") or raw coal before processing, and saleable coal tonnages for the expanded project, over the life-of mine ("LOM"). COK is an established coal exporter, with current coal production of around 0.7Mtpa.

For the year ending 30 June 2013, Baralaba produced 707,000t of ROM coal, compared to 600,000t in 2012. Product sales for FY2013 were 544,000t of PCI coal. Over the next year, the plan is to increase saleable coal production to 1Mtpa and over the subsequent three years, the plan is to increase production from Baralaba North by 2.5Mtpa, to 3.5Mtpa by 2017. This is to be achieved through the Stage 1 expansion to 1Mtpa (recently approved) and the subsequent Stage 2 expansion to 3.5Mtpa.

For the financial model, the production forecast from each stage of the operations is considered reasonable and achievable and the estimates are set out in summary in Table 2.3.

It is important to recognise that, while there are substantial resources available at the Baralaba tenements and that further expansions could be considered, the major constraints at this stage are the currently depressed market and the limitation of the available off-site product coal transport infrastructure. COK is a participant in the new Wiggins Island Coal Export Terminal ("WICET") under construction, and the timing of the Stage 2 expansion is closely linked with the projected completion and commissioning of WICET Stage 1. These circumstances will obviously change at some point in the future and additional capacity may become available through a variety of possible opportunities, but the current limitations have been applied in the financial model.

2.5 Operating Costs

BDA has reviewed the forecast operating costs for both the existing and proposed Baralaba operations in comparison with historical figures and is satisfied that, subject to the comments in relation to variations in some areas that should be modelled, the estimates contained in the financial model are reasonable and realistic. BDA has provided Grant Thornton with its opinion with regard to the operating costs that should be applied to the Baralaba operation in the financial model.

2.6 Capital Costs

COK has provided detailed capital cost estimates for Stages 1 and 2 of the BNEP construction and commissioning. BDA has reviewed the estimates and considers that appropriate levels of study have been used to provide realistic estimates, including adequate contingency provisions of around 10-15%. BDA has provided Grant Thornton with its opinion with regard to the capital costs that should be applied to the Baralaba projects in the financial model.

BDA recognises that there will be variations in the forecast capital expenditures over time, but considers the estimates and allowances are reasonable for the projected developments. BDA considers the ongoing capital provisions in the financial model are appropriate and compatible with industry trends.

2.7 Risks

BDA has reviewed the potential risks for the Baralaba operations and considers that, in the short term, the principal risk to projected cash flows would be the slower than planned development and ramp up to full production in the mine, delays in receiving development consents for Stage 2 and failure to achieve planned production levels in achieving the cost forecasts following expansion. These would have the effect of delaying revenue from export coal sales and increasing working capital until full production was achieved.

In the longer term, BDA considers that once the Stage 2 production level is achieved, there are relatively few apparent technical risks in the mining and processing area. The planned operation is conventional and straightforward, and while there is some risk from geotechnical aspects as the pits become deeper, any adverse effects should be relatively localised. Similarly, while the projected percentages of by-pass coal and CHPP coal yields appear to have been reasonably conservatively estimated, there is always an element of material uncertainty, as there may be some variance in coal quality from projections.

Aside from the foregoing identified technical risks, BDA considers the principal risk to the operation is the potential for flooding from the Dawson River. Baralaba has previously suffered an inundation some three years ago, and planning for the expansion has taken that into account, with levees constructed to above the 1 in 1,000 year flood levels, with additional freeboard, and infrastructure has been positioned to minimise risk from flooding. While extreme rain events invariably pose some specific risks, BDA considers that COK management has demonstrated its awareness of the potential issues and has taken or planned established measures of good mining practice to mitigate such potential conditions.

2.8 Financial Model Inputs

Reserve tonnes, yields, washery throughput, capital and operating costs are all estimates, and in practice will be subject to variations when compared with the projections in the LOM Plan and the financial model. It is appropriate therefore that, in providing Grant Thornton with advice on the technical aspects of the valuation of both the existing operation and the planned expansion, BDA has reviewed all the technical physical inputs, as well as giving consideration to the impact of the more sensitive parameters. BDA has commented in the report on risk areas where appropriate, as summarised in Table 2.2.

BDA has held detailed discussions with COK executive management and site operators and has reviewed the technical inputs to the financial model. With the exception of the aspects specifically identified to Grant Thornton, BDA is satisfied that the technical inputs to the financial model are appropriate, realistic, reflective of historical experience and planned expansions and accurate within the normal limits expected for resource projects. These levels of accuracy are reflected in the sensitivities suggested.

2.9 Sensitivity Analysis

BDA has examined the potential risks and possible operational variations to the project and has provided a guide to test the range of valuations that may be derived.

Table 2.2

Project Sensitivity Studies Recommendations

Item	Range	Comment
Production levels	±10%	Risk of not achieving forecast
Operating costs	±10%	Test the sensitivity to operating costs.
Yield	±5%	Forecast CHPP yields may affect sales mix changes
Capital costs	±10%	Test the sensitivity to capital forecasts.
Start ups	+12 months	WICET delays, Government approvals risk

* *CHPP=coal handling and preparation plant*

3.0 BARALABA MINE

3.1 Baralaba Project Outline

The Baralaba Coal Mine is located within the Bowen Basin, Central Queensland, approximately 150km west of Rockhampton and 210km west of the Port of Gladstone. The mine is located 3km north of the township of Baralaba, which has a population of approximately 300 people and is supported predominantly by the mining and farming industries. Baralaba North is located directly north of Baralaba Central Mine, separated from the site by an anabranch of the Dawson River. Baralaba South is located 10km south of the township of Baralaba as shown in Figure 1.

The existing Baralaba Coal Mine is owned and operated by Baralaba Coal Pty Ltd (62.5% Cockatiel Coal Pty Ltd, 37.5% JS Baralaba Wonbindi Pty Ltd). Cockatiel Coal Pty Limited is a subsidiary company of Cockatoo Coal Limited. JS Baralaba Wonbindi Pty Ltd is a subsidiary of JFE Shoji from Japan. Baralaba North and Baralaba South Mines are planned to be operated by Baralaba Coal Pty Ltd and/or Wonbindi Coal Pty Limited. Wonbindi Coal is also a 100% subsidiary of Cockatoo Coal Limited and holds the majority of mining and exploration licenses around the existing Baralaba mine. Current ownership of the planned North and South Mines is approximately 80% Cockatoo Coal Limited, 20% JS Baralaba Wonbindi Pty Ltd.

Since COK's acquisition of the mine in 2008, operations have progressed on an open cut basis and have produced more than 2Mt of run of mine ("ROM") coal and removed nearly 23 million bank cubic metres ("Mbcm") of overburden at a strip ratio of 11:1 (BCM/ROM tonne). In CY2012, the mine produced 760,000t at a strip ratio of 9.2:1. The ROM is crushed and screened to produce a PCI product and several grades of thermal coal, which are transported by road train to a dedicated rail siding for transport by rail and export via Gladstone. Product specification is based on ash content, and the coal is sold unwashed.

In examining the feasibility to extend and expand the mining operations in the Baralaba area, COK completed a scoping study during 2010. This study indicated that an opportunity existed for COK to expand production and further investigations were undertaken. COK continued with more detailed feasibility investigations during 2012, culminating in completion of the Baralaba Coal Expansion Project ("BCEP") Bankable Feasibility Study ("BFS") in September 2012, based on an integrated development of opencut mines at Baralaba North and Baralaba South.

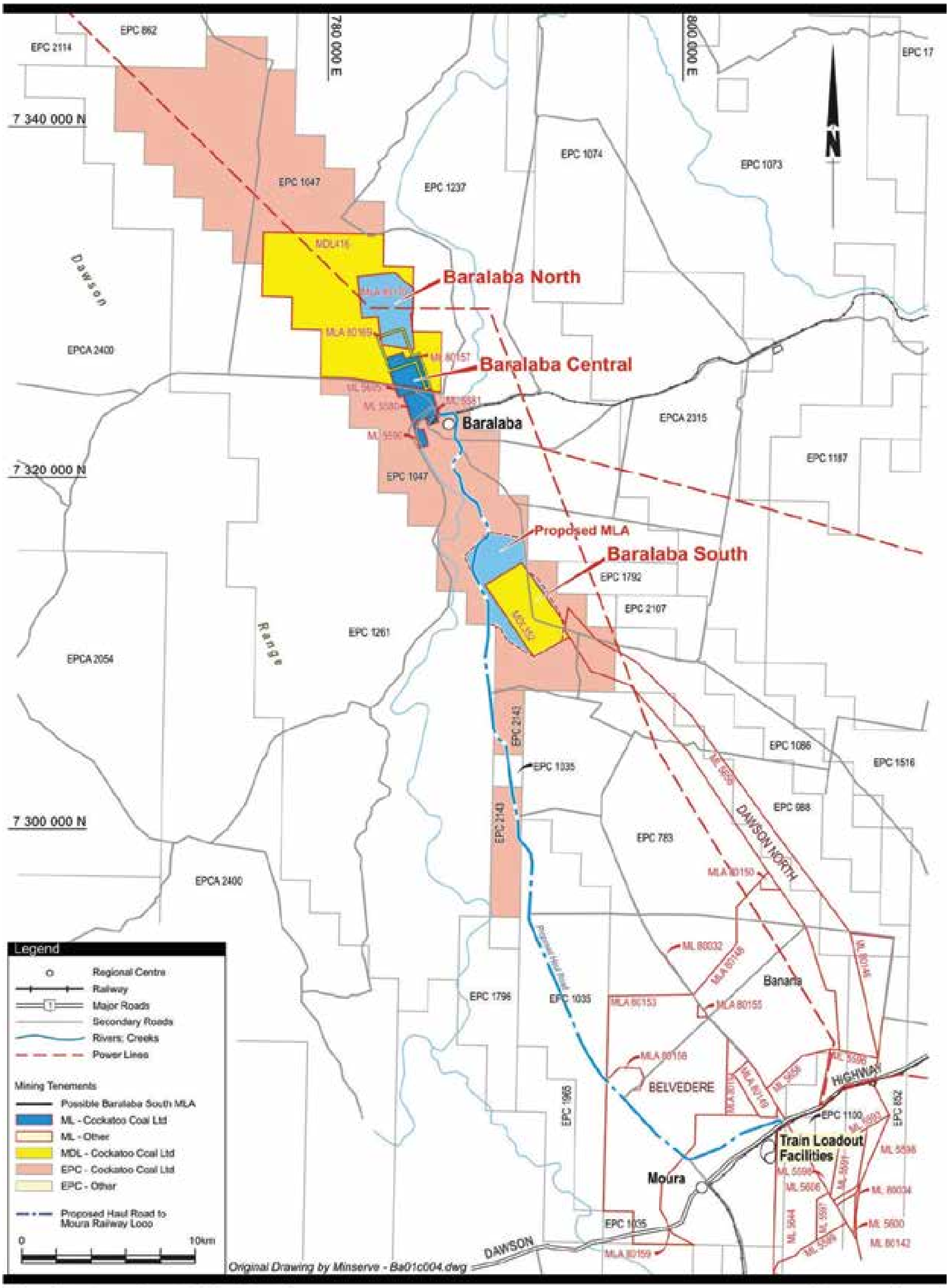
However, as a consequence of the projected delay in the WICET commissioning to March 2015 and higher development costs for the Baralaba South coal deposit, COK has re-evaluated the initial BFS and now proposes to proceed with a "North only" future development strategy. A Supplementary BFS ("SBFS"), completed in April 2013, documents the details and benefits of this change in development strategy. It is now proposed that the BCEP will comprise an extension to the north of the existing Baralaba Central operation which will enable the continuation of mining at the nominal rate of 0.75Mtpa. Following this extension, a further expansion to increase production from Baralaba North only to 3.5Mtpa is planned to enable COK shipping commitments at WICET to be met.

Based on the SBFS findings, the Baralaba South Project will be commenced at a later date, which is yet to be determined.

3.2 Baralaba Tenements

Baralaba Central
Baralaba Central is covered by three tenements, all of which are owned by Baralaba Coal Pty Ltd: Mining Leases ML5605 and ML80157 and Mineral Development Lease MDL184. Table 5.1 following lists tenements currently held by Baralaba Coal Pty Ltd and Wonbindi Coal Limited. These tenements are also shown in Figure 2.

In addition to the active leases ML5605 and ML80157, Baralaba Coal Pty Ltd also holds the inactive lease ML5580, ML5581, ML5582 and ML5590 over old underground mine workings where some 1.2Mt of coal was extracted between 1922 and 1969. These leases are currently being held on a care and maintenance basis with extensive underground resources identified on these leases.



Cockatoo Coal Limited *Queensland*

Figure 2 **BARALABA PROJECT AREAS**

BDA - 0152 (03) May 2013 Behre Dolbear Australia Pty Ltd

BEHRE DOLBEAR

MDL184 covers Baralaba Central and extends north across the anabranch and adjoins MDL416 to the north. Exploration Permit for Coal ("EPC") EPC1047 completely surrounds these two MDLs. Both MDL416 and EPC1047 are owned by associate company Wonbindi Coal Limited. The whole area is covered by an Exploration Permit for Petroleum ("EPP") 831 granted to Pure Energy Resource Pty Ltd for coal seam gas and conventional gas exploration rights.

Baralaba North Project Tenements

Two mining lease applications have been applied for which cover the Baralaba North proposed mining expansion area. ML80169 (held by Baralaba Coal Pty Ltd) and ML80170 (held by Wonbindi Coal Pty Ltd) were applied for in July 2010 and were granted by the Department of Natural Resources and Mines in September 2013.

The split in the mine lease applications is due to separate underlying tenement ownership. The project tenements are bordered to the north by EPC1047, which is held by Wonbindi Coal Pty Ltd, an 80% owned subsidiary of COK.

Baralaba South Tenements

The Baralaba South coal deposit is located some 14km south of the current Baralaba Central operations with the northern most MDL352 boundary some 8km south of the Baralaba township. MDL352, which covers the Baralaba South coal deposit, was granted on 28 February 2005. Additional coal resources surrounding MDL352 are held under EPC1047. COK has lodged a Mining Lease application ("MLA'') MLA80193 covering the majority of the Baralaba South coal deposit.

Table 3.1

COK Baralaba Coal Project Tenements

Tenement	Holder	Grant	Expiry	Term	Area (Ha)	Status
Baralaba Central Mine						
ML5605	Baralaba Coal Pty Ltd	13/05/1969	31/08/2032		259.99	100%
ML5580	Baralaba Coal Pty Ltd	01/12/1962	30/11/2028		258.63	100%
MDL184	Baralaba Coal Pty Ltd	30/07/1997	31/07/2007		357.5	100%
ML 0157	Baralaba Coal Pty Ltd	19/07/2010	31/07/2040		153.23	100%
ML5581	Baralaba Coal Pty Ltd	01/11/1953	31/10/2016		25.62	100%
ML5590	Baralaba Coal Pty Ltd	07/08/1975	21/08/2029		72.43	100%
Baralaba North Expansion Project						
EPC1047	Wonbindi Coal Pty Ltd	23/01/2007	22/01/2012			100%
MDL416	Wonbindi Coal Pty Ltd	01/06/2012	31/05/2017			100%
ML80169	Baralaba Coal Pty Ltd	27/08/2013	31/08/2043			100%
ML80170	Wonbindi Coal Pty Ltd	03/09/2013	30/09/2043			100%
MDL184	Baralaba Coal Pty Ltd	30/07/1997	31/07/1012	Renewal lodged		100%
Baralaba South Deposit						
MDL352	Wonbindi Coal Pty Ltd	28/02/2005	28/02/2010			100%
EPC1047	Wonbindi Coal Pty Ltd	23/01/2007	22/01/2012			100%
MLA80193	Wonbindi Coal Pty Ltd	Application	-			100%

Notes: "MLA" denotes mining lease application; ML – Mining Lease; MDL denotes Mineral Development Licence; EPC – Exploration Permit Coal; EPP – Exploration Permit for Petroleum

3.3 Baralaba Regional Geology

The principal coal bearing strata at Baralaba are the Baralaba Coal Measures of Permian age, which occur along the entire south eastern flank of the Bowen Basin and is the same sequence mined further to the south at Moura. They are also laterally equivalent to the Rangal Coal Measures, which are widely distributed on the western flank of the Bowen Basin.

The Baralaba Coal Measures are underlain by the Burngrove Formation (Karoola Formation) also containing minor coal horizons and overlain by the Rewan Formation of Triassic age. Much of the area is overlain by a veneer of unconsolidated sediments up to 20m in thickness and comprising clays overprinted by a lateritic weathering profile. As such, outcrop of the coal measures sequence is very rare.

The coal measures' sequence is upwards of 400m in thickness and contains up to thirteen seams, relatively evenly distributed through the sequence. The seams are generally from <1m to over 3m in thickness. There are eight seams currently being mined at Baralaba Mine within ML5605, referred to, from top to bottom, as the Reid, Doubtful, Dawson, Dunstan, Sub Dunstan, Wright, Double and Coolum seams. The interburden consists primarily of sandstone and siltstone with some mudstone and claystone.

The Baralaba-Wonbindi Project is located on the eastern flank of the Mimosa Syncline, a major north trending structural feature of the southern Bowen Basin affecting rocks of the Permian and Triassic age. The eastern rim of the syncline is affected by the Dawson Tectonic Zone characterized by a complex pattern of north westerly trending folds and thrust (reverse) faults with displacements of up to 200m.

In the Baralaba area, the principal structures affecting the coal measures from east to west include a major syncline, adjacent anticline and a second syncline. These structures are cut by major east-dipping thrust faults. Smaller-scale faulting and folding are superimposed on these structures such that dips of up to 45° are common along with the repetition of strata.

3.4 Baralaba Coal Resource and Reserve Estimates

JORC-compliant Resource and Reserve estimates have been signed off by Competent Persons and are summarised to 200m depth from surface for Baralaba North and Central, and 175m for Baralaba South, as shown in Table 3.2.

Table 3.2

Baralaba Summary Resources and Reserves* June 30 2013

	Resources Mt				Marketable Reserves Mt		
Mine**	**Measured**	**Indicated**	**Inferred**	**Total**	**Proved**	**Probable**	**Total**
Baralaba Central	12.8	10.7	12.5	36.0	3.9	0.5	4.4
Baralaba North	16.9	21.2	16.0	54.1	14.6	14.0	28.6
Baralaba South	35.5	17.2	114.3	167.0	0.0	37.0	37.0
Total	**65.2**	**49.1**	**142.5**	**257.1**	**18.5**	**51.5**	**70.0**

* *Source: COK Statement of Resources and Reserves as at 5 April 2013 – all tonnages rounded*

BDA considers the methodology used for preparation of the Resource and Reserve estimates appropriate and the open cut reserves in the various pits are considered reasonable estimates of the mining recoverable coal. The criteria adopted for resource classification are consistent with industry best practice and the JORC Code 2004 and BDA considers the estimates reasonable and appropriate, and compliant with JORC definitions.

3.5 Baralaba Current Mining Operations

The current Baralaba Central mine is a relatively small-scale open cut coal operation. It is a conventional excavator and truck operation, with coal crushing and screening being the only treatment method used at present.

COK purchased the mine in 2008 from Peabody, who had been operating the mine for approximately three years prior to that date. Since COK took ownership, the Baralaba mine has produced approximately 2.1Mt of ROM coal at a strip ratio of approximately 11:1 (bcm/ROM t). Mining has been in a number of phases, as shown in Table 3.3.

Table 3.3

Baralaba Production History

Period		**Coal (000t)**	**Waste (000bcm)**	**Strip Ratio (bcm/t)**	**PCI % (% Production)**
2009	Main Pit	521	5,092	9.8	31
2010	Main Pit	405	4,248	10.5	43
2011 Q1-Q2	Flooded	17	1,015	59.7	40
2011-12	Dog's Bowl Pit	612	7,722	12.6	93
2012-13 YTD	Dog's Bowl Pit	520	4,756	9.1	100
Total		**2,084**	**22,800**	**10.9**	**65**

- Phase 1, 2009 and 2010: Mine production from the Main Pit of 500,000tpa at a strip ratio of 10:1, producing around 80% of PCI, with the balance being placed as thermal coal.
- Phase 2, first half 2011: Recovery from mine flooding in late December 2010.
- Phase 3, FY2011-12 and 2012-13 YTD: Mining in the newly established Dog's Bowl Mine area. 1,100,000t produced at a strip ratio of 11:1 and with a high proportion of PCI production and a minor amount of thermal coal.

Since 2010, the mining operation at Baralaba has been conducted under a conventional mining contract. The mining fleet comprises 250t, 180t and 100t sized excavators, 50t and 90t haul trucks, drills, dozers, water carts and grader.

Since commencement, all mining has been in ML5605 and ML80157, known as Baralaba Central mine. Part of the mine is on the Dawson River floodplain; in the December 2010 floods, the 1:100 ("1:100") year design flood levee was breached, leading to major flooding of the operating Central pit. Since then, a new 1:1,000 year levee has been constructed, designed to protect all mining areas from a repeat of the 2010 flooding.

Seams mined in the Central mine include the Dirty, Coolum, Wright, Dawson and Sub Dirty. Following flooding of the Main Pit, mining was commenced on a syncline area known as the Dog's Bowl Pit, which included the Dirty and Coolum seams.

3.6 Planned Baralaba North Expansion Project Mining Operations

While the coal seams in the Baralaba Central mine continue to the north, the open pit is constrained to the north by an anabranch[4] of the Dawson River. COK has applied to continue mining to the north after leaving an unmined zone to protect the anabranch. This will be the Baralaba North mine, with mining planned to initially be in ML80169 and to progress north into ML80170.

The planned mining rate in Baralaba North is 4.1-4.2Mtpa ROM to produce 3.5Mtpa PCI product coal, using a similar open cut terrace mining technique as is being used in Baralaba Central. Initially coal will be crushed and screened and then in 2016 the ROM coal will be hauled to a coal processing plant to be built to the south-east of the Baralaba North mine. The Baralaba North mine will commence in the south-east and progress to the north. Planned pit depth is 200m[5]. The mine will progress approximately 8km to the north-west during its 20 year planned life, with a life of mine strip ratio of 9.7:1. Initially waste will be placed to the east of the mine, until in-pit dumping is commenced.

[4] An anabranch is a section of a river or stream that diverts from the main channel or bed of the watercourse and rejoins the main section of the river downstream.
[5] Baralaba Central has been mined to approximately 100m depth.

Mining Methods
Topsoil: The topsoil horizon is assumed at 0.3 m thickness, with topsoil from all disturbed area stockpiled and utilized in rehabilitation.

Alluvium: The alluvium horizon will be mined as either two passes, split according to clay content or, as proposed for later in the mine life, as a single pass with dozer assist. The nature of the alluvium horizon is highly unconsolidated, limiting the ground-bearing pressure and equipment suited for use in this material. As a result, some clay and soil will be initially removed predominately using a scraper fleet and used for levee construction. This allows for low cost removal at variable horizon depths. The main alluvium horizon will be extracted with a hydraulic face shovel to ensure a stable operating bench is achieved during the mining process.

Drill and Blast: Baralaba North drill and blast assumptions have been selected based upon the specific nature of the geological structure, rock characteristics and mining method. The footwall requires variable drill angles to achieve the in-situ batter to bedding wall design consistent with geotechnical conditions. A combination of standard rotary drills (typically vertical and pre-split drill holes) and rock crawler drills have been selected to accommodate conditions involving both variable drill angles and confined bench space. Drilling estimates include provision for both production and pre-split holes, in both under-burden and inter-burden horizons. As currently practiced, total blast volume and tonnage estimates are based on powder factors in the range 0.3 to 0.6 kg/bcm.

Terrace Mining: The terrace mining strategy adopted for the Baralaba North operation will see a total of nineteen stages, including two Outrigger stages and seventeen terraces in the Main BN pit. The pit development begins with the Outrigger pit, followed by the southern-most terrace, and then progressively develops to the north. Terraces have been spaced approximately 400m apart to ensure appropriate bench space to allow the pit to be mined to the full depth of approximately 200m. Several benches will be mined within each active terrace to allow for continuous operation of all mining activities. This method is consistent with current practice and minimises in-pit equipment congestion and proximity, thereby improving safety and working efficiency.

Coal Mining: Coal mining and top of coal clean-up/uncovering will be completed using small excavators with articulated, smooth edge buckets. This practice is employed in the current Baralaba Central mining operation and successfully delivers clean coal mining with minimal dilution. The BC mining operation has previous experience in mining faulted regions of the deposit, balancing the trade-off between minimising dilution and maximizing mining recovery.

3.7 Life of Mine Plan For Baralaba North

The targeted production profile at Baralaba North (“BN”), upon commencement of steady state mining, generates sufficient ROM coal to give saleable production of 3.5Mtpa. The initial boxcut development has commenced to assist levee construction, with first coal product targeted for Quarter 4 of calendar year 2014 (“CY14”) to coincide with the ramp down in production at the Baralaba Central pit. Production at BN in CY14 through to July 2015 is consistent with current Baralaba port allocations at RG Tanna. As at July CY15, the BN production profiles are scheduled to increase to meet export requirements at Wiggins Island Coal Export Terminal (“WICET”).

In the first two years of production, average ROM coal feed ash (air-dried basis) is estimated at 11.5% in CY14 and approximately 12% in CY15. As a result, the only treatment required of product coal is limited to mobile screening and crushing, as at present in Central pit. During this period, production schedules target bypass PCI product of 10.5% Ash (ad basis) at 8% moisture.

An increase in ROM coal ash is expected in CY16 with the commencement of mining in the main pit. At that time, mining of the full range of BN coal measures will become integral in meeting export commitments. As a result, additional coal beneficiation, in the form of a coal handling and preparation plant (“CHPP”), is required to maintain product ash specifications. The production schedule and pit sequence seeks to maximize the proportion of bypass feed coal. To achieve this, bypass/washed ash cut-offs have been optimized on annual basis for the purposes of the BFS. Blending of bypass and washed product streams enables an overall product ash of 10.5% (ad basis) on a mixed moisture basis, being 8% for bypass and 13% for washed.

Key components of the life of mine ("LOM") plan are shown in Table 3.4. This plan is based on the geological model and planned mining equipment and appropriate allowances for dilution and coal losses.

Table 3.4

Baralaba LOM Mine Plan

Fiscal Year	Waste Mbcm	Total ROM Coal Mt	By-Pass Mt	CHPP Feed Mt	Yield %	CHPP Product Mt	Total Product Mt
2014	29	0.9	0.9	-		0.0	0.9
2015	29	1.5	1.5			0.0	1.5
2016	42	3.8	2.5	1.3	76%	1.0	3.5
2017	43	4.0	2.1	1.9	82%	1.6	3.6
2018	45	3.6	1.8	1.8	76%	1.4	3.2
2019	42	3.9	2.8	1.1	76%	0.8	3.6
2020	39	4.0	2.5	1.5	78%	1.2	3.7
2021	37	4.0	1.8	2.2	80%	1.8	3.6
2022	34	3.7	2.0	1.7	80%	1.3	3.4
2023	32	3.9	2.2	1.7	82%	1.4	3.6
2024-39	464	54.2	19.2	35.0	83%	29.1	48.3
Totals	**837**	**87.6**	**39.4**	**48.2**	**82%**	**39.5**	**78.9**

Mining in the early years is primarily from the current JORC 2010 reserves which comply with the 2004 JORC Code. It should particularly be noted that, in years 1-10, greater than 90% of production is planned to be from JORC Reserves, with the remainder mostly from JORC Inferred Resources.

Further drilling is part of the mine development plan, to prove up further reserves as the mine progresses to the north. BDA considers this as reasonable and standard practice for a developing mine.

Geotechnical Aspects

A geotechnical study was completed in May 2012 for the BN area of the BCEP and is included in the SBFS. It was based on the results of 13 part-cored holes drilled for the purpose, as well as laboratory testwork, historical operations data and reviews conducted from 2007 to 2012, and examines the feasibility of pit depths to 200m from surface.

The SBFS recognises key geotechnical risks at BN are from potential foot-wall failure, given the bedding planes are approximately parallel to the open pit footwall. The main risk to the highwall occurs when folding creates bedding at an unfavourable angle to the highwall. It recommends wall drainage for wall depressurisation concurrent with mining, and bench heights designed to optimise the factors of safety.

The report concludes that there will be challenges to stability as the pit progresses and that there are likely to be two main modes of failure experienced, being planar (or slab) failures, typically involving a single bench, and bilinear failures, where the toe plane of sub-horizontal shears are exposed through mining. Both these issues appear to be most likely in the low-wall of the pit and the numerical analyses conducted to date support the design slopes and bench heights and ongoing analyses as mining progresses are recommended.

BDA has reviewed the geotechnical reports and considers that the potential risks of failure are mitigated by the work conducted to date, but notes that ongoing monitoring will be required, possibly using state-of-the-art systems such as slope stability radar and surveyed prisms in the walls. This is considered a reasonable approach. The magnitude of potential failures is also mitigated by the geometry of the pit, whereby mining advance will be along strike rather than down dip, and the terrace mining benches provide partial wall support and the pit widths limit the exposure of men and equipment to possible failures.

Hydrological Setting of Baralaba Mine

The Baralaba Mine is located substantially within the floodplain of the Dawson River. COK has commissioned several hydrological investigations of the proposed BCEP and has adopted a higher level of protection than was previously in place. The existing Baralaba Central ("BC") mining operations are bounded by the Dawson River to the south-east and by an ephemeral anabranch of the Dawson River on all other sides. The operations were flooded during a 1:200 Annual Exceedance Probability ("AEP") flood event in December 2010.

The Anabranch of the Dawson River is situated between the existing BC and proposed BN mines. The anabranch is also located within the Dawson River floodplain. It is proposed to retain a 600m anabranch corridor between the BC and BN flood protection levees.

Surface flow in the Dawson River is regulated by a low weir (the Neville Hewitt Weir) close to the Baralaba township. The 8.5m high weir has a crest elevation of 80.4m Australian Height Datum ("AHD").

Baralaba Central

The BC mine is located entirely within the Dawson River floodplain, and following the failure of the 1:100 year design flood levee in the December 2010 floods, the new 1:1,000 year levee (under construction at the time of the flood) has now been completed around the mine. The levee is constructed in accordance with DEHP Guideline. The 1:1,000 year flood level for the levee design corresponds to a height of approximately 90m AHD and includes a 0.5m freeboard.

Baralaba North

The southern end of the proposed BN mine is also located on the Dawson River floodplain and requires the construction of a flood protection levee for an AEP 1:1,000 year flood event. Hydrological investigations have determined the location of the proposed levee and the separation width of the proposed levee with the current Baralaba Central levee. It is proposed to retain a 600m anabranch corridor between the BC and BN flood protection levees. The minimum level for the BN levee crest (based on the AEP 1:1,000 design event, and 0.5m freeboard) is recommended to be 89.1m AHD for Baralaba North for the peak flood level.

BDA considers that the hydrological investigations have been thorough and extensive, and that, in response to investigations, COK has taken appropriate measures to protect the BCEP pits and facilities from potential flooding as happened in the past. It is noted that flood levees in the form of earthworks will be used in all sections of the operation that can reasonably be protected, with the criterion being an AEP 1:1,000 event, plus a 0.5m freeboard, plus a similar provision to take account of levee settlement with time. The main risk, under this scenario, would appear to be a flood of greater magnitude than a 1:1,000 event.

It is noted that the CPP and stockpile areas will be located beyond the immediate floodplain and outside the 1:1,000 contours, but that the roads and river crossings will not be protected against such events. As at present, in the event of Dawson River flooding, coal haulage from site will be suspended until river levels drop, and that product shipments will be supplied from stockpile at the rail loadout.

BDA considers that the hydrological and water management studies are appropriate to the project and its exposure to major flood events and that COK's adoption of the recommendations will provide a reasonable level of risk mitigation. However, it should be recognised that extreme flood events causing wall failures are unlikely but possible and that there remains a low likelihood but nevertheless a risk that such an event would cause inundation of the pit. While this would be a serious and material occurrence, there would be some scope for insurance to cover such an event and the project would be recoverable, but with a loss of production during the period until pumping cleared coal working faces and benches.

3.8 Coal Handling and Preparation Plant

The CHPP design is well advanced and the necessary coal processing requirements have been well established through testwork and experience. The initial plant will have a capacity of 300tph and consist of dense medium cyclones, spirals and froth flotation. This plant is a proven design for these coals and the configuration has been selected to cover the operational density range necessary to cover the variety of coal feed types to be encountered.

The plant design utilizes a raw coal handling system with a feeder breaker to crush coarse lumps while minimizing fines production. A roller screen with the oversize reporting to a secondary crusher will take the raw coal to the final -50mm size. This design should be able to minimize the generation of fines, despite the very soft coal type.

The process selection is considered appropriate for the range of coal qualities available. The use of spirals will reduce the yield marginally on low yielding coals, where the dense medium cyclone cutpoint is low, due to the incremental ash content of the spirals being much higher than the dense medium cyclone.

BDA notes that the use of conventional mechanical froth flotation rather than column cells is a departure from more recent coal preparation plants in the Rangal Coal Measures in Queensland. On the fine sized fraction expected for this plant, the column cell types have been shown to be more selective, probably due to the deeper froth layer and froth washing that allows the removal of the very fine non-coal particles. In the Rangal coal measures, much of this dilution is soft clay-type material that breaks down readily in water, generating very fine, high ash material that will be partially transported into the product froth. While not material to the overall plant performance, the difference in cell-type could result in a higher ash content in the product fines fraction.

Moisture control will be an important factor in the operation, as the coal is very soft and mining and coal handling/washing will generate a large proportion of fine material. The plant design has been developed to effectively control the moisture from the coal preparation plant.

The product handling is designed to handle the expected high level of product yield, which should exceed 80%, consistent with comparable coal from the Rangal coal measures.

The plant stockpiling system is only designed to handle a single product, as the coals from the North and Central areas should be able to be processed to produce 100% of PCI coal. Any thermal coal needed to avoid quality difficulties would be produced in the bypass circuit. The product stockpile is a simple system that has been used elsewhere in the Bowen Basin and should be able to cope effectively with the planned washed product. The blending of bypass and washed products will occur at the train load-out (“TLO”).

3.9 Environmental Issues & Approvals Status

BDA has reviewed those environmental aspects which are a material part of the Baralaba coal mine expansion projects and which may have significant implications for project feasibility, costs and timing. BDA considers the plan and approach being taken for gaining the necessary approvals for the Baralaba mine expansion are reasonable and appropriate.

Initial assessments show that the major “environmental” issue to be dealt with in relation to approvals is the potential risk of flooding from the Dawson River. Each of the proposed mining leases is located to some degree within the Dawson River floodplain. A number of relatively minor issues will include strategic cropping land, endangered regional ecosystems, community relations including perceived impacts on air quality and noise in Baralaba township and general water management issues. These issues are addressed in the EMP/EA approval process.

Based on the approvals and licensing information provided to BDA by COK, BDA is of the opinion that all the necessary development consents and licensing requirements under Queensland environmental and planning legislation have either been obtained (ie. for Baralaba Central Operations) or are being progressed through the stipulated consenting process (ie. for Baralaba North/Wonbindi North projects). Based on the Plan of Operations and Environmental Management Plan, the environmental risks associated with operating the Baralaba open cut coal mine appear acceptable, provided that all environmental management strategies are applied diligently and commitments implemented.

The current environmental challenge for Baralaba Central Services is the management of residual in-pit flood water, and surface run-off waters, particularly the potential Dawson River flood waters following significant rainfall events. A Transitional Environmental Programme (“TEP”) was granted in May 2013 to enable discharge of residual flood water. COK is implementing a Water Management Plan which incorporates significant flood protection levee infrastructure for each of the current and proposed open cut coal mines.

3.10 Capital Expenditure

The capital cost estimate for the BNEP is based on the costs of equipment, material and labour as at March 2013, with an allowance for escalation to forecast project completion in accordance with the project schedule and key milestones. The accuracy of the capital cost has been prepared to meet the ±15% level, as required by the Cockatoo Coal Feasibility Study Standard (AACE Class 3 Estimate).

The data for this estimate has been obtained from numerous sources, with the basis including first principles estimates, feasibility study-level engineering design, take-off quantities schedules, actual expenditures and costs to date, contractor estimates, plant, equipment and materials supplier quotations, existing labour rates and detailed quantities estimates.

The estimate has been organised using the Work Breakdown Structure ("WBS"), which was developed to reflect the project scope broken into logical discipline components. Disciplined use of the WBS structure throughout the project development has facilitated the efficient scoping, design, scheduling, pricing and contracting of the project scope of works. Details of the capital cost estimates, their categorisation and the timing of proposed expenditures are provided in the base case financial model.

BDA notes that, while there is a schedule of development proposed, it is dependent on timely approvals; similarly, while an EPCM-type contract for the CHPP and loadout is envisaged, no contracts or agreements have been entered at this stage. The construction activities scheduled for the first year are predominantly earthworks on levees, the industrial area and Baralaba North prestrip, and roadworks. Construction of the CHPP and loadout will require approval of the Stage 2 (3.5Mtpa) license application.

The capital cost estimate amounts to approximately $360M (including contingency), spread over three years from 2013 and BDA has advised Grant Thornton with regard to an appropriate sensitivity to apply to the P50 estimate for valuation purposes.

BDA considers the capital cost estimate is detailed and accurate within ±15%. This conclusion is based on the facts that much of the estimation is based on established costs and local factors and that the project is an expansion of an existing project, rather than a greenfields estimate. The estimation process appears to have been reasonably conservative and BDA considers there may be scope for some reductions as the detailed engineering estimates are further developed.

3.11 Operating Costs

For the operating costs estimate, the project team and current COK Management identified all activities relating to the extraction of coal from the Baralaba mine, including overheads and taxes. Cost estimates were then provided for each activity benchmarked against first principle estimates, suppliers' budget quotations, consultants' data derived from similar external projects and actual costs from the existing operation at Baralaba Central.

Operating costs prepared on a first principles basis included ground preparation, mining, earthworks, roads and services, support services, rehabilitation and mine closure, CHPP operational costs, road haulage and overheads. Operating costs based on pre-existing contracts included fuel costs, road and rail haulage and port facilities and costs based on the existing operation at BC included drilling and testing, accommodation and flights. Other costs related to statutory requirements included royalties, carbon tax, fuel rebate and financial assurance bonds for mine closure costs. COK provided estimates for power costs, which were benchmarked costs against current operational values.

Operating and maintenance costs are presented in real terms as at 30th June 2013 with the financial model beginning escalation of cost inputs from 1st July 2013. Cost assumptions based on existing operations were derived from data up to December 2012. Equipment operating cost assumptions were derived from quotations provided by suppliers between January and March 2013. Cost assumptions have been held constant until 1 July 2013 as there has been limited if any inflation due to the negative economic climate for mining operations.

All cost estimates are provided in real terms and a nominal inflation rate has been applied to provide nominal cost values. The general cost inflation is based on forecasts provided by The Australian Treasury Department. This Economic Analysis assumes annual changes to the Treasury's "Consumer Price Index ("CPI") with the effects of carbon pricing", for financial years 2013-2017. The Economic Analysis also applies a notional business improvement cost savings to be derived from the engineering and operations teams of 1% per annum beginning in 2015.

BDA considers that the operating cost estimates have been diligently prepared and that estimates are likely to be accurate within ±10%. This assessment is based on the fact that COK has detailed knowledge of the existing operations, estimates have incorporated known costs as well as local and industry factors and that the proposed activities are effectively unchanged from current operations.

3.12 Road Haulage to Train Loadout

Coal from Baralaba is currently hauled approximately 60km from the mine to a rail loader near the Moura mine. As part of the BNEP capital expenditure, a new train load-out ("TLO") is planned to the west nearer the town of Moura.

A staged approach to the delivery of suitable transport infrastructure is planned that reflects the two stages of mine development proposed. Initial transport infrastructure is required that facilitates Stage 1 production and haulage of 0.75Mtpa of product (or 900,000t of ROM coal) per annum. The Stage 2 transport infrastructure is then necessary to support the transition to 3.5Mtpa of product coal haulage that is ultimately required in late 2015/early 2016.

In overview, the preferred transport infrastructure solution comprises the construction of a new Anabranch crossing between the North & Central Mine, planned improvements and upgrades of the existing coal haulage route via public roads (including road widening, pavement strengthening, and re-seals), construction of truck dump facility, travelling stacker and reclaim within the TLO stockyard; and construction of a single train balloon loop, stockyard and train load out that will support the 3.5Mtpa output of product coal.

Product coal from the existing central mine pit is currently delivered to an existing TLO on the Moura rail line approximately 60km away via the public road network, and approximately 6km to the east of the new TLO proposed. Road registered AB triple trailer trucks provide the mode of transportation between mine pit and TLO with a payload of 60t per vehicle. The initial Stage 1 production from the North Mine pit will continue to use the existing TLO facility via the same network of public roads and vehicular fleet.

Upon the Stage 2 expansion to 3.5Mtpa from the North pit, product coal will then be transported to the new rail balloon loop and train load out facility to be located on the southern side of the Dawson Highway. With the increased production scale, it is proposed that the AB triple truck-trailer units will be replaced by units with an AAB Quad configuration. This means an increase in the length of vehicle to 53m and a payload increase to between 97t and 106t, depending on final approval and vehicle permit conditions. At 3.5Mtpa productivity, this will result in a total of six loaded trucks per hour on average.

3.13 Train Load-Out ("TLO")

COK has prepared a design for a new rail loop to support the BNEP output of 3.5Mtpa, with provision for increased stockpile capacity. Key to the design has been accommodating a single train off the main line, of "Surat" based configuration with 136 wagons and a total payload of 10,800t as the base design case.

The coal stockyard is designed to stockpile 14 days' supply of coal, with the pad sized for additional contingency stockpile capacity via dozer "push out" during the wet season. The expanded stockyard capacity will mitigate rail to port supply risk that may result from road haulage interruption.

Design of an office and coal quality laboratory building are incorporated within the stockyard facilities. Raw water supply from a reservoir to be constructed within the rail loop has been designed. Rainfall and runoff assessment indicates that this will retain 18 months' supply of water (on average), and hence has formed the basis of design for raw water supply. This design is supplemented by provision of a bore to 'top up' the reservoir during periods of low rainfall. Potable water for the offices and amenities has been designed on the basis of storage tanks to be refilled via truck during the life of operation. A small dozer workshop and coal haulage truck workshop / depot have been incorporated within the stockyard design.

3.14 Rail

Construction of rail components is underway and currently on target for a March 2015 delivery date. The rail haulage (above-rail) arrangements have been negotiated and agreed with Aurizon Operations Pty Limited, priced at a significant reduction to COK's previous coal haulage contract, with a further rate reduction should below-rail capacity be installed for the operation of larger Surat Basin consists.

COK is party to the Wiggins Island Rail Project ("WIRP") Deed, with Aurizon Network Pty Ltd providing necessary additional rail capacity on the rail network to support the additional capacity at the Port of Gladstone. In addition to the Aurizon Network rail infrastructure, coal from the Baralaba mine will also traverse part of the Queensland Rail ("QR") rail network. The WIRP Deed places additional obligations on Aurizon to acquire and upgrade this rail infrastructure.

The scope of works for WIRP comprises six separate segments across the Blackwater and Moura rail networks, of which four are operationally and commercially relevant to COK's BNEP. The WIRP Deed provides for delivery of the infrastructure upgrades in two stages linked to the availability of WICET facilities and the ramp up profile of WICET Stage One Owner mines. Aurizon is currently on schedule for delivery of WIRP. Costs associated with the development of WIRP will be borne by Aurizon Network and recovered from customers through both on-going access charges and a WIRP fee payable for 19.5 years.

3.15 Port

The coal export port facility for the Baralaba Mine is located at the Port of Gladstone, one of the world's top five coal export ports as well as Queensland's largest multi-commodity port and second largest coal export port. It handles approximately 20% of Australia's coal export capacity through two existing terminals, the RG Tanna Coal Terminal ("RGTCT") and the Barney Point terminal, owned and operated by the Gladstone Port Corporation ("GPC"). Combined, these terminals have a nameplate capacity of 85Mtpa, which is currently fully contracted constraining any increase in coal export volumes through the Port of Gladstone.

There are several port developments currently proposed within the Gladstone region, including WICET, the Fitzroy Terminal Project ("FTP") and the Tenement to Terminal Limited ("3TL") development. WICET is the most advanced of these proposed new terminals. In addition to these developments, Xstrata had secured exclusive rights to develop a dedicated coal terminal at Balaclava Island, adjacent to the proposed FTP site, but has recently announced that it will not be proceeding with the development.

COK will be a user in the Stage One development of the WICET, with an allocation of 3.0Mtpa. COK is also party to the WIRP Deed with the QR Network for 3.0Mtpa of Stage One capacity, adding to the existing export capacity through Gladstone's RG Tanna facility.

COK is an owner in the Stage One development of WICET, with an allocation of 3.0Mtpa with first coal shipments expected from early 2015. Stage One of WICET is owned by eight coal producers and will be operated by Gladstone Ports Corporation. The eight owners are Aquila Resources, Bandanna Energy, Caledon Resources, COK, Northern Energy Corporation, Xstrata Coal, Yancoal Australia and Wesfarmers.

The development and construction cost of $2.5B is privately funded by domestic and international banks and investors, through a financing package of senior debt and subordinated debt arranged by ANZ, as WICET's Financial Advisor. The financing package and tenure arrangements were finalised on 30th September 2011, allowing construction of the 27Mtpa first stage of WICET to commence. Construction of Stage One of the terminal is estimated to cost $2.4B, or $2.6B with a P50 contingency provision applied.

The deterministic end date for mechanical completion has been revised to November, 2014. The P50 date has been scheduled for March, 2015. As at 31 January 2013, construction works were approximately 50% complete and work completed to date includes the dredging for the channel and berth pockets.

4.0 COCKATOO COAL EXPLORATION AREAS

4.1 Surat Basis Exploration Projects (51% interest)

COK currently holds 100% interests in coal exploration tenements covering approximately 4,000km^2 in the Surat Basin region of South Eastern Queensland, inclusive of the Kingaroy project.

In addition, Cockatoo has a 51% interest in the Collingwood, Taroom and Woori projects which form the North Surat Joint Venture with MCH Surat Basin Investment Pty Ltd (a subsidiary of Mitsui Coal Holdings Pty Ltd) ("Mitsui") holding a 49% interest. The consolidation of the Collingwood, Taroom and Woori projects into one joint venture activity to be managed by Cockatoo facilitates the orderly development of these projects, with combined Measured + Indicated + Inferred ("M+I+I") resources of 746Mt, of which the COK equity interest is 380Mt.

COK holds 100% interest in all other Surat Basin Projects, where total M+I+I resources total 1.01Bt. Exploration potential in the different projects remains open in most directions.

The Company has stated that the Surat Basin projects have advanced to a stage where no further substantial activities are planned until there is additional clarity regarding the development progress of the proposed Surat Basin Railway ("SBR") and other major coal mine developments in the region. BDA notes that on 11 September 3013, Xstrata Coal announced that the Wandoan project, which is the key Surat Basin project for the SBR development, has been shelved until further notice, to be considered when market conditions are more favourable. BDA considers that this development, which included construction of the SBR link to the north, effectively in the immediate future stalls all proposed developments in the upper Surat, as the only port access available from the area is via the southern line to Port of Brisbane, and its capacity is fully committed to the current producers.

4.2 Bowen Basin Exploration Projects

Aside from the Baralaba mining leases, there are additional areas in the Bowen Basin where COK has identified JORC resources. These are the Wonbindi and Lochinvar projects, where drilling to date has delineated 4Mt of Indicated and 85Mt of Inferred resources. Exploration potential in the different projects remains open in most directions.

4.3 Valuation of COK Surat Basin Tenements

BDA notes that the recent shelving of Xstrata's Wandoan project, which included the long-awaited Surat Basin Rail ("SBR") link (also referred to as the "missing link"), which would have provided rail connection to the northern ports (Gladstone and Rockhampton), has effectively delayed many of the prospective developments in the northern Surat Basin. The consequence is that the access to rail and port capacity has been effectively delayed, possibly by more than five years for the larger projects and possibly longer for others.

While many of these projects will still have some value, particularly to those (generally larger) companies interested in "warehousing" resources for the long term, the market pricing for such projects has undoubtedly been reduced by this announcement. BDA notes there have been several transactions that have involved relatively modest initial payments, usually with a carried participating interest, either as a royalty ($/t sold) or as a net profits interest arrangement. While these sales may appear attractive, the value of the participating interest needs to be discounted to take account of the time that is likely to elapse before the value is realised. BDA's view is that these circumstances will tend to push values to the lower end of the spectrum for any projects affected by the current product chain impasse.

BDA has reviewed Grant Thornton's valuations of the COK development and exploration projects on the basis of implied values through the use of comparable resource multiples, and considers they are reasonable and consistent with other resources of similar status in the same general areas. The Surat Basin tenements have been suitably assigned to reflect the lack of infrastructure and the likelihood of being able to access markets. The Bowen Basin resources reflect both the location and the status of the resources in terms of their value to a prospective buyer in an arm's length transaction. BDA considers the estimates used are reasonable.

BDA has also reviewed the technical assumptions and the timing of proposed development adopted by Grant Thornton in the valuation of the Baralaba South. BDA considers the estimates used are reasonable and consistent with long-term planning considerations.

Yours faithfully
BEHRE DOLBEAR AUSTRALIA PTY LIMITED

John McIntyre - Managing Director – BDA

ANNEXURE A QUALIFICATIONS AND EXPERIENCE

This report has been prepared by Behre Dolbear Australia Pty Ltd, a subsidiary of Behre Dolbear & Company Inc. Behre Dolbear has offices in Denver, New York, Toronto, Guadalajara, Santiago, Sydney, Vancouver and London. The firm specialises in mineral evaluations, due diligence assessments, independent expert reports, strategic planning and technical geological, mining and process consulting.

This report and valuation was prepared by John McIntyre, Managing Director of BDA, and Dr Ian Blayden, with some assistance from others as required. As the Competent Person for the review of exploration, resource and reserve estimates, Dr Blayden has sufficient experience which is 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 2004 and 2012 Editions of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Blayden is a Member of the AusIMM, a Recognised Professional Organisation ("ROP") under the JORC Code.

Mr McIntyre is a Competent Person for the review of estimation, assessment, evaluation and economic extraction of Ore Reserves, as required under JORC 2004 and 2012, and is a Fellow of AusIMM. Mr McIntyre is also a Certified Mineral Valuer ("CMV") as a Member of Australasian Institute of Minerals Valuers and Appraisers ("AIMVA") and is a Certified Minerals Appraiser (CMA #2012-01) as a Member of the American Institute of Minerals Appraisers ("AIMA"). These are professional qualifications designed to indicate to regulators and kindred professional bodies that the individual has demonstrated that he/she has more than 10 years of experience in this/her nominated area of expertise and has been assessed as a recognised expert, competent to sign off on public and corporate documentation in assessing and appraising minerals projects.

BDA has undertaken site visits to COK operations and has reviewed the technical and engineering data. The principal consultants engaged in the review are as follows:

John McIntyre (BE (Min) Hons., FAusIMM, CP (Min), MMICA, MAIMVA (CMV), MAIMA (CMA)) is the Managing Director of BDA. He is a qualified mining engineer, with over 40 years of experience in engineering, operations and management of mines and mining projects, in Australia, New Zealand, South East Asia and Africa. His principal fields of expertise include technical audit, project feasibility and development, mine and project evaluation, operating experience in open pit and underground mining of coal, base and precious metals, management review and operations optimisation. He has been a professional consultant for more than 25 years and has held several senior management positions, including General Manager Operations and CEO.

Dr Ian Blayden (BSc Hon, PhD, MBA. MAusIMM, MMICA, CP (Geol), MAIG) is a Senior Associate of BDA with over 35 years' experience in exploration, exploration management, prospect assessment, resource audits and the preparation of Independent Experts Reports. Principal areas of experience are resource and reserve assessments of coal, base metals, precious metals and precious stones, as well as geological technical audits and resource and reserve evaluation and determination. He is familiar with the latest ore reserve terminology under the JORC Code. Ian is experienced in the assessment of the status of the reserves and resources estimates and exploration assets.

Mr Adrian Brett (BSc Hons (Geology), MSc (Geotech), M.Envir.Law, MAusIMM) is a Senior Associate of BDA with more than 25 years of experience in environmental and geo-science, including the fields of environmental planning and impact assessment, site contamination assessments, environmental audit, environmental law and policy analysis and the development of environmental guidelines and training manuals. He has worked in an advisory capacity with several United Nations and Australian government agencies. He has completed assignments in Australia, Indonesia, Thailand, the Philippines, Africa and South America and has reviewed the environmental aspects of the projects.

Mr Dick Dunstone (BSc Metallurgy, MAusIMM) is a Senior Associate of BDA, Principal of Dunstone Coal Technology and a graduate of the University of NSW in Metallurgy. He has over 40 years in the coal industry, with experience in coal testing and evaluation from borecores, development of coal preparation plant flowsheets and the commissioning and operation of coal preparation plants. Mr Dunstone acts as Marketing Consultant for a number of coal producers and has reviewed the washery operations, costs and product coal specifications of the Queensland operations.

ANNEXURE B SCOPE OF WORK

With regard to the proposed Takeover of BWD by COK and independent advice to Grant Thornton, BDA has been engaged to assist with the technical assessment of the assets and to provide assistance in preparing financial models to reflect the cash flow contributions of various assets. BDA's scope of work in assisting Grant Thornton with the review comprises the following:

- technical overview of the COK Projects including:
  - approvals and licenses to develop the mines
  - geology and exploration, including reserve and resource estimates
  - progress and status of the coal projects
  - reviewing the feasibility studies and life of mine plans for the coal projects
- identifying and assessing the reasonableness of the following technical assumptions contained in the financial models in relation to the COK coal projects:
  - quantum of reserves and resources according to the Joint Ore Reserves Committee (JORC) Code and production profiles
  - expected life of mine ("LOM"), recovery rates and production volumes
  - operating costs estimates
  - the quantum and timing of capital cost estimates
  - rehabilitation and closure costs
  - an appropriate resource multiple to apply to JORC compliant resources that have not been considered in the Models
  - any other technical assumptions considered relevant.
- conduct site visits to the COK Projects
- provide views on:
  - potential mineralisation outside of what is considered to be reserves (as reflected in the financial models), including expected conversion rates to reserves and possible development profile (timing and capital cost)
  - alternative technical assumptions, where considered appropriate
  - estimate the value of the exploration assets (if specifically requested).

The above scope of work is collectively referred to as the Services.

The Services specifically exclude any work in relation to:

- marketing, commodity price and exchange rate assumptions adopted in the Model
- financial and/or corporate taxation analysis.

BDA will prepare a summary independent technical review summarising the key findings of the Services. BDA will provide a draft to Grant Thornton, subject to various review activities. BDA would undertake to provide Grant Thornton with their advice to be finalised subject to the availability of data and timely presentations from COK.

BDA will provide its findings in the form of a report summarising the key findings of the Services. To the extent that BDA identifies alternative assumptions to those contained in the Model, BDA will also provide Excel spreadsheets containing revised technical assumptions.

BDA understands that Grant Thornton will refer to BDA in the IER and the report may be reproduced as an appendix to the IER. Subject to review of the form and context of the use of the document, BDA consents to Grant Thornton reproducing the report and referring to BDA and the Services in the IER. Grant Thornton will obtain BDA's consent to the manner in which Grant Thornton refers to BDA within the IER.

BDA confirms that it is able to act independently in regard to the Services and is competent in the areas covered by the scope of the Services.

ANNEXURE C LIMITATIONS AND CONSENT

Limitations

BDA consents to making the Report available to the Directors of BWD and Grant Thornton on the understanding that both parties are aware of and understand the scope of BDA's engagement as set out. The assessments in this report have been based on data, reports and other information made available to BDA by COK, BWD and their advisors and referred to in this report. COK has advised BDA that all relevant documentation relating to the projects has been provided, that the information is complete as to material details and is not misleading.

This report does not constitute a technical or legal audit. This assessment in this report has been based on data, reports and other information made available to BDA by COK and their advisors and referred to in this report. COK has advised BDA that all relevant documentation relating to the projects has been provided, that the information is complete as to material details and is not misleading.

BDA has reviewed the data, reports and information provided and has used consultants with appropriate experience and expertise relevant to the various aspects of the project. The opinions stated herein are given in good faith. BDA believes that the basic assumptions are factual and correct and the interpretations are reasonable. This BDA report contains forecasts and projections based on information provided by COK. BDA's assessment of the mine plans, projected production schedules and capital and operating costs are based on technical reviews of project data and site visits. However, these forecasts and projections cannot be assured and factors both within and beyond the control of COK could cause the actual results to be materially different from the assessments and projections contained in this report.

BDA has independently analysed data provided by COK, but the accuracy of the conclusions of the review largely relies on the accuracy of the supplied data. BDA does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from third party use of it. BDA reserves the right to change its opinions on the COK coal mining studies expressed in this report should any of the fundamental information provided by COK be significantly or materially revised.

This report is provided to the Directors of BWD in connection with the requested independent technical assessment of the COK assets, and should not be used or relied upon for any other purpose. This report does not constitute a legal audit. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose without written consent from BDA as to the form and context in which it appears.

Consent

Dr Blayden and Mr McIntyre each consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ANNEXURE D VALUATION METHODOLOGIES FOR EXPLORATION AREAS

As part of the brief, BDA has been requested to estimate the value of the COK exploration tenements to provide a guide as to their contribution to the overall value of the Related Assets. BDA has examined the information available on the tenements and has considered the valuation methods that would be most appropriate, given the level of exploration to date, the extent and degree of definition of any identified resources. BDA has explained the methodologies available under the Valmin Code for the Technical Assessment and Valuation of Mineral Assets and Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and as amended and updated in 2005 (the "Valmin Code") and has then discussed each of the projects in terms of their status and valuation.

Effective Date

The effective date for the valuation is 20 November 2013.

Standards and Procedures

This report has been prepared in keeping with the Valmin Code. Resource and reserve estimation procedures and categorisations have been reviewed in terms of the JORC Code, December 2004.

Valuation Principles

As a general principle, the fair market value of a property as stated in the Valmin Code (Definition 43) is the amount a willing buyer would pay a willing seller in an arm's length transaction, wherein each party acted knowledgeably, prudently and without compulsion.

Valuation Methods

There is no single method of valuation appropriate for all situations. Rather, there are several valuation methods, each of which has some merit and is more or less applicable depending on the circumstances. The following are appropriate matters to be considered:

- discounted cash flow
- amount an alternative acquirer might be willing to offer
- the amount which could be distributed in an orderly realisation of assets
- the most recent quoted price of listed securities
- the current market price of the asset, securities or company.

The *discounted cash flow* or net present value method is generally regarded as the most appropriate primary valuation tool for operating mines or mining projects proceeding to development in the immediate future. Valuing properties at an earlier stage of exploration where ore reserves, mining and processing methods, and capital and operating costs, are yet to be fully defined, involves the application of alternative methods. The methods generally applied to exploration properties are the *related transaction* or real estate method, the value indicated by *alternative offers* or by *joint venture terms,* and the *past expenditure* method. *Rules of thumb or yardstick values* based on certain industry ratios can be used for both mining and exploration properties. Under appropriate circumstances values indicated by *stock market valuation* should be taken into account as should any *previous independent valuations* of the property. BDA considers neither the NPV nor the stockmarket methods are not appropriate for valuing the exploration tenements, as there are insufficient technical details to derive reliable projections and the listed entities have other assets.

Alternative Valuation Methods

Related Transactions

Recent comparable transactions can be relevant to the valuation of projects and tenements. While it is acknowledged that it can be difficult to determine to what extent the properties and transactions are indeed comparable, unless the transactions involve the specific parties, projects or tenements under review, this method can provide a useful benchmark for valuation purposes. The timing of such transactions must be considered as there can be substantial change in value with time.

BDA has considered whether any comparable relevant transactions have taken place in recent years that can be used as a basis for estimation of value of the mining assets assessed herein.

Alternative Offers and Joint Venture Terms
If discussions have been held with other parties and offers have been made on the project or tenements under review, then these values are certainly relevant and worthy of consideration. Similarly, joint venture terms where one party pays to acquire an interest in a project, or spends exploration funds in order to earn an interest, provide an indication of value.

Rules of Thumb or Yardsticks
Certain industry ratios are commonly applied to coal mining projects to derive an approximate indication of value. The most commonly used ratios are dollars per tonne of coal in resources, dollars per tonne of coal in reserves, and dollars per tonne of annual production. The ratios used commonly cover a substantial range which is generally attributed to the 'quality' of the coal, the infrastructure to reach markets and the status of the tonnes estimates. Low cost of production tonnes are clearly worth more than high cost tonnes. Where a project has substantial future potential not yet reflected in the quoted resources or reserves a ratio towards the high end of the range may be justified.

Prospectivity
Over-riding any mechanical or technical valuation method for exploration ground must be recognition of prospectivity and potential, which is the fundamental value in relation to exploration properties.

Market Valuation
On the fundamental definition of value, as being the amount a knowledgeable and willing buyer would pay a knowledgeable and willing seller in an arm's length transaction, it is clear that due consideration has to be given to market capitalisation. In the case of a one project company or a company with one major asset, the market capitalisation gives some guide to the value that the market places on that asset at that point in time, although certain sectors may trade at premiums or discounts to net assets, reflecting a view of future risk or earnings potential. Commonly however a company has several projects at various stages of development, together with a range of assets and liabilities, and in such cases it is not possible to define the value of individual projects in terms of the share price and market capitalisation. BDA notes that the COK exploration tenements are part of several assets owned by the companies and that the COK market capitalisation is thus not appropriate as a guide to the value of the exploration tenements, so this method was not used as a primary guide.

Other Expert Valuations
Where other independent experts or analysts have made recent valuations of the same or comparable properties these opinions clearly need to be reviewed and to be taken into consideration. BDA provided a valuation of Monash in May 2011 of $0.33/t of M+I+I Resources, which is comparable to the current BDA valuation. We have inquired whether any other recent valuations of the COK exploration tenements have been undertaken and have been advised that there are no relevant recent transactions.

Special Circumstances
Special circumstances of relevance to mining projects or properties can have a significant impact on value and modify valuations which might otherwise apply. Examples could be:

- *environmental risks* - which can result in a project being subject to extensive opposition, delays and possibly refusal of development approvals
- *indigenous peoples/land rights issues* - projects in areas subject to claims from indigenous peoples can experience prolonged delays, extended negotiations or veto
- *country issues* - the location of a project can significantly impact on the cost of development and operating costs and has a major impact on perceived risk and sovereign risk
- *technical* - issues peculiar to an area or orebody such as geotechnical or hydrological conditions, or metallurgical difficulties could affect a project's economics.

BDA has considered whether any such factors apply to the projects and prospects under review. The BDA valuations do not include any adjustment for the potential future impact of any Carbon Pollution Reduction Scheme.

ANNEXURE E SOURCES OF INFORMATION

The principal reports and documents reviewed for the preparation of this report are listed below:

Baralaba Coal Project

- Baralaba Coal Expansion Project Bankable Feasibility Study (BFS) – CCL, September 2012
- Baralaba Coal Expansion Project Supplementary BFS + Appendices (SBFS) – CCL, April 2013
- Cockatoo Coal - Baralaba Expansion Study Model Sup LIVE 020413EXT.xlsm
- Baralaba-Wonbindi Project Scoping Study - Minserve, December 2010
- Baralaba Central and Baralaba North Environmental Management Plan (EMP) – CCL, May 2012
- Baralaba South Project, General Project Description - Initial Advice Statement – CCL, July 2012
- Baralaba Coal Project Plan of Operations (PoO) April 2010 to December 2013 – CCL, May 2010
- Baralaba-Wonbindi North Environmental Management Plan (EMP) – CCL, May 2012
- Environmental Authority MIN100860309 – Baralaba Coal Mine – Department of Environment and Resource Management
- Aurecon Hatch (2012). *"Geotechnical Investigation Report, Baralaba Mine Northern Levee, Cockatoo Coal",* prepared for CCL, July 2012.
- Australasian Groundwater and Environmental Consultants, (2005), *"Baralaba Coal Mine: Groundwater Regime and Monitoring Program"*, prepared for Baralaba Coal Pty Ltd, December 2005
- Australasian Groundwater and Environmental Consultants, (2012), "*Baralaba North Mine Extension: Groundwater Management Plan"*, prepared for CCL, January 2012.
- DPI Queensland (1994). *"Report on Dawson Valley Appraisal Study"*, October 1994.
- Fredrikson Maclean and Associates (2011). *"Dawson River Flood – December 2010",* prepared for CCL, January 2011.
- Hatch Associates (2013a). *"Cockatoo Coal Pty Ltd – Baralaba North Flood Protection Levee – Levee Design Report",* prepared for CCL, March 2013.
- Hatch Associates (2013b). *"Cockatoo Coal Baralaba North Flood Protection Levee – Geotechnical Design Report",* prepared for CCL, March 2013.
- JBT Consulting Pty Ltd (2012), *"Report on Groundwater Seepage Studies and Operational Monitoring Review – Baralaba North Project"* dated December 2012.
- Pells Sullivan Meynink (2012). *"Baralaba Expansion Project, Baralaba North Operation: Geotechnical Feasibility Investigation"*, prepared for CCL, May 2012.
- Water Solutions Pty Ltd (2010). *"Baralaba Coal Project – Detailed Flood Study" (WS100052 Rev 1),* prepared for Baralaba Coal Pty Ltd, xx 2010.
- Water Solutions Pty Ltd (2012). *"Baralaba North Flood Study" (Rev 3),* prepared for CCL, Nov. 2012.
- WRM Water and Environment Pty Ltd (2012). *"Baralaba North Project Surface Water Management"*, prepared for CCL, May 2012.
- Baralaba North 2013 Reserve Report by MEC Mining
- Cockatoo Coal Ltd Baralaba Mine MDL 184 and MLA 1069 JORC Statement 21 March 2013
- Cockatoo Coal Ltd Baralaba MDL 416 and MLA 80170 JORC Statement 21 March 2013
- Cockatoo Coal Ltd Baralaba ML 5605 and ML 80157 JORC Statement, 11 July, 2011
- Cockatoo Coal Ltd Report on Activities for Qtr Ended 31 March 2013
- Best Practice Analysis by GBI May 2012

General Data

- Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves - Report of the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2012

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Attachment 2 – Independent Expert's Additional Report

Blackwood Corporation Limited

Independent Expert's Report and Financial Services Guide

25 November 2013

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

Level 19
2 Market Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
T + 61 2 8297 2400
F + 61 2 9299 4445
E info@gtnsw.com.au
W www.grantthornton.com.au

The Independent Directors
Blackwood Corporation Limited
Level 9
288 Edward Street
BRISBANE QLD 4000

25 November 2013

Dear Sirs

Independent Expert's Report and Financial Services Guide

Cockatoo Coal Limited ("COK") and Blackwood Corporation Limited ("BWD") entered into a Bid Implementation Agreement ("BIA") on 17 October 2013 under which COK has agreed to acquire all of the issued share capital of BWD by the way of an off-market takeover offer ("the Takeover"). Under the Takeover, shareholders of BWD will receive 2 shares in COK for every share in BWD held.

The Takeover is conditional on the successful completion of an equity raising by COK ("the Proposed Recapitalisation") to extinguish existing debt obligations and provide funding for the development of the Baralaba North Expansion Project. If the Proposed Recapitalisation is completed, COK will issue 866.0 million COK Shares to Noble Group Limited ("Noble") at an issue price of A$0.050 per share to raise A$43.3 million ("Noble Subscription").

Subject to the Proposed Recapitalisation[1] being completed, COK has granted exclusive global (excluding Korea and Taiwan)[2] coal marketing rights to Noble ("Noble Marketing Agreement").

The Independent Directors of BWD, (Directors not associated with Noble), have requested Grant Thornton Corporate Finance to provide an opinion as to whether:

- The Noble Marketing Agreement and Noble Subscription are on an arm's length basis.
- The terms of the Marketing Agreement and of the Noble Subscription constitutes the receipt of a net benefit for the purpose of the Corporations Act as interpreted in Guidance Note 21 Collateral Benefits issued by the Takeovers Panel ("GN21").

[1] The Proposed Recapitalisation includes the Noble Subscription, the SK Subscription and the Institutional Placement as outlined in section 1.1.
[2] The sole and exclusive marketing rights for Korea and Taiwan have been provided to SK on substantially equivalent terms as the Noble Marketing Agreement.

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This opinion has been commissioned in order to assist the Independent Directors of BWD in forming their opinion in relation to the Takeover taking into account, among other things, whether or not a net benefit has been received by Noble in conjunction with the Noble Subscription and the Noble Marketing Agreement.

Conclusion

Based on the analysis, procedures and limitations outlined throughout this document and the requirements of GN21, we are of the opinion that:

- COK and Noble are dealing at arm's length in relation to the Noble Marketing Agreement and the Noble Subscription.
- Nothing has come to our attention that would cause us to believe that the terms of the Noble Marketing Agreement and the Noble Subscription would constitute the receipt by Noble of a net benefit.

We note that our opinion is based on the legal agreements in relation to the Noble Subscription and SK Subscription dated on or around 17 October 2013 and the executed Noble Marketing Agreement dated on or around 30 September 2013 as amended by the First, Second and Third Letters of Understanding[3]. Should the terms of the agreements at completion of the Proposed Recapitalisation be materially different from the draft agreements reviewed, we may need to reconsider our conclusions.

The factual accuracy of the report and in particular the statements in relation to the parties acting at arms' length have been confirmed by COK and Noble.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the Takeover is a matter for each BWD Shareholder to decide based on their own views of value of BWD and expectations about future market conditions, BWD's performance, risk profile and investment strategy. If BWD Shareholders are in doubt about the action they should take in relation to the Takeover, they should seek their own professional advice.

[3] Dated 11 October, 17 October and 17 October 2013 respectively.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

PHILLIP RUNDLE
Director

25 November 2013

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Blackwood Corporation Limited ("BWD") to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Takeover. This report is included in the Company's Target Statement.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from BWD a fee, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of BWD in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with BWD (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Background to the Marketing Agreement and Noble Subscription

1.1 Overview of the proposed transactions

Cockatoo Coal Limited ("COK") and Blackwood Corporation Limited ("BWD") entered into a Bid Implementation Agreement ("BIA") on 17 October 2013 under which COK has agreed to acquire all of the issued share capital of BWD ("the Takeover"). The consideration offered to shareholders in BWD ("BWD Shareholders") is shares in COK based on a share exchange ratio of 2 COK Shares for every 1 BWD Share.

The Takeover is subject to a minimum acceptance condition of 52.1% (equal to 50.1% on a fully diluted basis). Noble Group Limited ("Noble") currently holds a 51.2% interest in BWD on an undiluted basis through its wholly owned subsidiary Janvel Pty Limited[4] and it has indicated its intention to accept the Takeover, in the absence of a superior proposal.

Among other things, the Takeover is conditional on the successful completion of an equity raising by COK ("the Proposed Recapitalisation"). The key elements of the Proposed Recapitalisation are:

- Issue of 1,000 million COK Shares to SK Networks ("SK") (or its nominee) at an issue price of A$0.050 per share to raise A$50 million ("SK Subscription");
- Issue of 866.0 million COK Shares to Noble (or its nominee) at an issue price of A$0.050 per share to raise A$43.3 million ("Noble Subscription"); and
- Issue of 1,333.3 million COK Shares to institutional and sophisticated investors at an issue price of A$0.045 per share to raise A$60 million ("Institutional Placement"). The Institutional Placement was cornerstoned by Harum Energy Australia Limited ("Harum") with an investment of A$20.2 million.

The three placements above are inter-conditional but interdependent of each other.

Subject to the Proposed Recapitalisation being completed COK will grant exclusive coal marketing rights to SK Networks for Korea and Taiwan ("SK Marketing Agreement") and to Noble for the rest of the world ("Noble Marketing Agreement").

The Proposed Recapitalisation, the Noble Marketing Agreement and the SK Marketing Agreement are not conditional on the outcome of the Takeover.

In conjunction with the Proposed Recapitalisation, COK has announced the launch of a Share Purchase Plan ("SPP") at A$0.045 per share to enable existing COK Shareholders to participate in the equity raising by subscribing for up to A$15,000 each shareholder (irrespective of the number of shares held)[5].

Finally, COK intends to seek proposals from potential investors to provide a mezzanine financing facility of up to A$50 million to ensure the conditions precedent to the drawdown of the project finance facility for the Baralaba North Expansion are fully met. The Company has already received

[4] Ownership of Janvel through Noble's wholly owned subsidiary Osendo Pty Limited.
[5] The record date for the SPP is 7.00 pm (Sydney time) on 16 October 2013.

a number of indicative term sheets and expression of interest, including from Noble, and will look to run a formal a process after the completion of the Proposed Recapitalisation. The size of any mezzanine facility will depend on the funds raised from the SPP, as well as any funds raised from sale of non-core assets (although no sales are agreed at this time).

1.2 Noble Marketing Agreement

On 30 September 2013 and later amended via three Letters of Understanding[6], COK and Noble entered into a sale and marketing agreement under which COK agreed to appoint Noble on a worldwide basis (except for Korea and Taiwan) as the sole and exclusive sales and marketing agent for all coal produced by COK except for coal covered by certain existing agreements between COK and third parties.

The completion of the Noble Marketing Agreement is subject to the following:

- Completion of the Recapitalisation Proposal; and
- The offer period for the Takeover (if any) has ended.

The key terms of the Noble Marketing Agreement are summarised below:

- Marketing fee – Noble is entitled to a marketing fee equal to 2.5% of the final invoiced sales price per tonne ("Noble Marketing Fee"). Given COK already have in place certain royalty/marketing arrangements, whilst these arrangements are in place, Noble will rebate the commissions payable under the existing marketing agreements. In addition, no marketing fee will be payable for coal acquired by Noble or a related corporate body of Noble as principal.
- Marketing services – Noble is required to provide certain on-going marketing services in relation to all international coal markets (excluding Taiwan and Korea), including assisting with procuring and executing offtake agreements.
- If COK enters into a long-term off-take agreement in relation to the supply of coal to end-users[7], COK must provide Noble with a first right of refusal and a last right of refusal to acquire the coal that is subject of the long-term off-take agreement[8] before the long-term off-take agreement is entered into.
- Noble is not authorised to enter into any contracts for the sale of coal without the prior approval of COK.
- Other terms and conditions customary for an agreement of this type.

The SK Marketing Agreement is substantially and materially on the same terms as the Noble Marketing Agreement.

[6] Dated 11 October, 17 October and 17 October 2013 respectively.
[7] We note that one of the conditions precedent for COK to draw down the project finance facilities for the development of the Baralaba North Expansion Project is to enter into an off-take agreement for 75% of the coal produced.
[8] Noble has the right for the supply of coal anywhere in the world except Korea and Taiwan where this right is held by SK.

1.3 Noble Subscription

The key terms of the Noble Subscription are:

- The issue of 866.0 million new ordinary shares to Noble at $0.05 per share.
- Noble will be able to:
  - Appoint one director to the board of COK.
  - Select in conjunction with COK an independent Chair-person.
  - Select in conjunction with COK an independent director.
- Noble will be entitled to appoint a senior management employee and junior employee, to be agreed with COK.
- The Noble Subscription is subject to the key following conditions precedent:

– Approval by the Foreign Investment Review Board ("FIRB").

– COK Shareholders approval under the Corporations Act and ASX Listing Rules (if required).

– The credit approved financing term sheet in relation to the Baralaba Expansion not being terminated by completion of the Proposed Recapitalisation.

– No impediments to the Noble Subscription or the performance of the Noble Marketing Agreement and BWD Product Sales Agreement[9].

– There being no regulatory actions, including those associated with the Takeover Offer, that could prohibit the placements and / or related transactions

The SK Subscription is on substantially the same terms as the Noble Subscription.

[9] The BWD Product Sales Agreement is an existing binding heads of agreement between BWD and Noble under which Noble has agreed to purchase all of BWD's future coal production free on board (FOB) and on-sell the coal as principal for a marketing fee of 3.5% of the final gross sales price.

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2 Purpose and scope of the report

The Independent Directors of BWD have requested Grant Thornton Corporate Finance to provide an opinion as to whether:

- The Noble Marketing Agreement and Noble Subscription are on an arm's length basis.
- The terms of the Noble Marketing Agreement and the Noble Subscription constitute the receipt of a net benefit for the purpose of the Corporations Act as interpreted in Takeovers Panel Guidance Note 21 ("GN21").

We note that Grant Thornton Corporate Finance has also been engaged in relation to the following:

- By the Independent Directors of BWD to form an opinion on whether or not the Takeover is fair and reasonable to BWD Non-Associated Shareholders.
- By the Directors of COK to form an opinion whether or not the Noble Subscription and the SK Subscription are fair and reasonable to COK Non-Associated Shareholders.

2.1 Basis of assessment

2.1.1 Introduction and limitations

We are of the opinion that whether or not the Noble Marketing Agreement and the Noble Subscription are on arm's length and whether or not there is a net benefit are interrelated issues. We note that the completion of the Noble Marketing Agreement is subject to completion of the Noble Subscription. Whilst in our analysis, we have dealt with the Noble Marketing Agreement and the Noble Subscription separately, our conclusions are based on considering the net benefits (if any), that will accrue to Noble.

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by BWD, COK and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by BWD and COK through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of BWD and COK.

In our analysis and conclusion, we have relied to a large extent on publically available information on comparable marketing agreements. Whilst, we have no reason to believe that the data relied upon in our analysis is impaired, inaccurate or incomplete, this analysis is inherently limited by the level of information that is publically available.

2.1.2 Marketing Agreement

Arm's length basis

In forming our opinion whether or not the terms of the Noble Marketing Agreement are on an arm's length basis, we have had regard to the meaning of 'arm's length' set out in Section C of ASIC Regulatory Guide 76 Related Party Transaction ("RG76").

The Corporations Act does not define 'arm's length'. RG76 specifies that the meaning of 'arm's length' refers to a relationship between parties where neither bears the other any special duty or obligation, they are unrelated, uninfluenced and each acts in its own interests.

Accordingly, we have considered the following:

- Whether COK and Noble were dealing with each other at arm's length in negotiating the Noble Marketing Agreement.
- Rationale and genesis for entering into the Noble Marketing Agreement.
- Whether or not the terms of the Noble Marketing Agreement are comparable to those of similar agreements.
- The relationship between the Noble Marketing Agreement and the Takeover Offer.

Net Benefits

In the circumstances of a takeover offer, one of the purposes of Chapter 6 of the Corporations Act is to ensure that security holders have a reasonable and equal opportunity to participate in the benefits arising under a proposal. Section 623 prohibits a benefit that is likely to induce an acceptance and is not offered to all security holders in the same class.

GN21 indicates that an expert's opinion about whether there is a net benefit should meet the standard in ASIC Regulatory Guide 111 Content of Expert's Report ("RG111").

The basic principle of GN21 is that, prima facie, a net benefit not offered to all the security holders in a specific class offends the equality principle. A net benefit should be assessed on a holistic basis and having regard to the commercial balance of advantages flowing to and from the security holder. In accordance with GN21, the factors affecting the balance of advantages include:

- The substance and commercial reality of the transaction.
- The context in which the benefit is given.
- The overall effect of the transaction.
- An objective assessment of the transaction (rather than the parties' intentions).

In assessing whether or not a net benefit has been provided to Noble, we have considered the following:

- We have considered whether the Marketing Fee payable to Noble and the other terms of the Marketing Agreement are on an arms' length basis. In undertaking this assessment, we have compared the Marketing Fee payable to Noble with a number of other marketing agreements.
- The substance and commercial reality of the Noble Marketing Agreement and the rationale for entering into the Noble Marketing Agreement.
- The process undertaken to negotiate the Noble Marketing Agreement.
- The balance of the advantages flowing to and from Noble.
- Any other factors.

2.1.3 Subscription Agreement

Arm's length basis

In forming our opinion whether or not the terms of the Noble Subscription are on an arm's length basis, we have taken into account similar factors considered for the Noble Marketing Agreement. Refer to section 2.1.2 for further details.

Net Benefits

We have set out below the framework used in forming our opinion on the net benefits in relation to the Noble Subscription. We acknowledge that in the absence of a statutory or other well defined framework, it may be possible to adopt different approaches in forming an opinion in relation to this matter.

In our opinion, the key principles in GN21 applicable to the circumstances of the Noble Subscription are summarised below:

- The equality principle – if COK provides Noble something of value which it does not offer to other security holders, this may give rise to unacceptable circumstances. Under the circumstances of a change of control transaction, such as the Takeover, all the shareholders must have a reasonable and equal opportunity to participate in any benefits.
- The Panel takes the view that, prima facie, a benefit offends the equality principle if it is a net benefit. A net benefit is assessed by reference to the commercial balance of advantages flowing to and from the security holder.
- The Panel indicates that market testing of the transaction, for example, by a public sale process is the preferable way to seek to establish no net benefit.

In assessing whether or not a net benefit has been provided to Noble based on the terms of the Noble Subscription, we have had regard to the following:

- Whether the terms of the Noble Subscription are on an arm's length basis.
- Whether the Noble Subscription offends the equality principle of the Takeover.
- Market testing undertaken by COK in relation to the terms of the Noble Subscription.
- Whether or not substantially the same terms of the Noble Subscription have been offered to the other BWD security holders or parties not associated with Noble.
- The balance of the advantages flowing to and from Noble.
- Other qualitative factors.

3 Noble Marketing Agreement

3.1 Arms' length assessment

In forming our opinion whether the Noble Marketing Agreement is on arm's length, we have considered the following:

1. *Relationships between COK and Noble*

- COK is an ASX listed company mainly engaged in the production, development and exploration of coal assets in the Bowen and Surat Basins of Queensland.

- Noble is a Singapore Stock Exchange listed investment holding company based in Hong Kong. The company is mainly engaged in the provision of supply chain management services to the agriculture industry and energy sectors worldwide. Noble had a market capitalisation of approximately A$6.2 billion as at 24 November 2013 and is ranked number 76 in the 2013 Fortune Global 500.

- Noble is unrelated to COK and it currently does not have direct or indirect interest in COK. We have also been advised that Noble and COK do not currently have any commercial relationships.

2. *The negotiation process undertaken*

- Based on discussions with COK, we understand that COK and Noble have heavily negotiated the terms and conditions of the Noble Marketing Agreement. We note that both parties have their own legal and financial advisors[10].

- We have also been advised that:

  i) Noble has undertaken extensive due diligence in relation to COK Assets.

  ii) Noble and COK were only concerned to achieve the best available commercial outcome for themselves in all circumstances.

3. *The genesis of the Noble Marketing Agreement*

- It is a common practice for Noble and consistent with its business model and strategy to negotiate a marketing agreement in conjunction with a subscription agreement. This approach is common to other large resources marketing companies. In addition, as set out in section 3.2, there are several examples of marketing agreements entered into by Noble with other coal companies in conjunction with subscription agreements.

4. *Rationale for entering into the Noble Marketing Agreement*

Based on discussions with COK and its advisors, we understand that:

[10] We note that Noble has an in-house M&A team.

- Noble's global operations and footprint should ensure that COK is best positioned to achieve a higher price for coal than it would otherwise without the Noble Marketing Agreement (all other things being equal).

- The Noble Marketing Agreement in conjunction with the Noble Subscription align the interest of the parties and provide a superior motivation for Noble to extract the best possible coal price for COK.

- Noble is able to provide access to high quality end market users. This is also expected to enhance the likelihood of COK entering into an offtake agreement on more favourable terms than it would in the absence of the Noble Marketing Agreement.

- As discussed above, it is a common practice for Noble and consistent with its business model and strategy to negotiate a marketing agreement in conjunction with a subscription agreement.

Based on the information made available to us, the limitations included throughout this document and discussions/correspondence with the parties involved and their advisers, we are of the opinion that COK and Noble are dealing at arm's length in relation to the Noble Marketing Agreement.

3.2 Assessment of the net benefits

We have had regard to GN21 in assessing whether Noble is receiving a net benefit in conjunction with the Noble Marketing Agreement. Section 623 of the Corporations Act prohibits a benefit that is likely to induce an acceptance if it is not offered to all holders in the asset class. Under GN21, a net benefit that is not in accordance with the equality principle may give rise to unacceptable circumstances.

In forming our opinion as to whether or not a net benefit has been provided to Noble in conjunction with the Noble Marketing Agreement, we have undertaken both a quantitative and qualitative analysis.

3.2.1 Quantitative analysis

As discussed in section 1.2, Noble will receive a marketing fee of 2.5% of the final invoiced sales per tonne (this will be reduced to take into account marketing fees payable by COK to third parties under certain existing agency agreements).

In order to test whether the marketing fee that Noble will receive under the Noble Marketing Agreement is on commercial arm's length basis, Grant Thornton Corporate Finance has observed other publicly available comparable transactions involving marketing rights in the coal mining industry as set out in the table on the following page.

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Date[1]	Producer	Location[2]	Stage[2]	Main product[2]	Area/ Project[3]	Agent/ purchaser	Funding[5]	Fee %[6]	Fee base	Offtake[7]	Additional comments
Tier 1 - Australian coal assets											
2013	Springsure Mining PL	Australia	Exp	Coal	Springsure coal project	Guildford Coal Limited	Y	5.25%	Final sales (US$)	N	Guildford owns 50.69% of Springsure Mining PL and is operator of the project as well as holding 100% marketing rights.
2012	Stanmore Coal	Australia	Dev	Thermal	15% of coal	Sprint Capital Partners	Y	3.00%	FOB (US$)		5 year term from start of commercial production.
2011	Middlemount Coal Pty Ltd	Australia	Prod	PCI	Middlemount mine	Gloucester Coal Ltd.	Y	4.00%	FOBT (US$)	N	Gloucestor has 50% share of Middlemount mine and is the operator of the mine.
2011	Gloucester Coal Ltd.	Australia	Prod	Coal	All coal sales	Noble	Y	2.00%	FOBT (US$)	N	Marketing fee calculated as 2% x actual sales export in excess of 3.5 million tonnes (but not exceeding 11.75 million tonnes) times the volume weighted average gross sales price per tonne of FOBT.
2010	BWD	Australia	Exp	Coal	All coal sales	Noble	Y	3.50%	Final sales (US$)	Y	Noble will purchase all product from Blackwood free on board (FOB) and will on-sell the product as principal. Term of the agreement will continue until all coal resources are depleted within tenements.
2006	Caledon Resources plc	Australia	Prod	Coking	Cook Project	Xstrata plc	N	3.00%	Final sales (US$)	N	Xstrata is making its general marketing expertise available to Caledon on a take-or-pay basis for the first two years of Cook's operation. The marketing fee will equal to the higher of 3% of gross revenue or US$2.75/t of coal sold. Caledon will have the right to part of Xstrata's quota for rail and port capacity.
Tier 2 - International coal assets											
2013	Guildford Coal Limited	Mongolia	Exp	Coking	South Gobi project	Noble	Y	3.00%[8]	Final sales (US$)	N	Implied marketing fee of 5.5% based on disclosed marketing and royalty fee of US$5/t on coal sold, and consensus forecast for price of thermal coal from FY14 to FY16 (US$90/t) and Mongolia royalty rate of 2.5%.
2012	PT Borneo Lumbung Energi & Metal Tbk	Indonesia	Prod	Coking	NA	Glencore Xstrata plc	N	4.50%	Final sales (US$)	N	PT Borneo marketing fee comes up for renegotiation in 2013, and is likely to be restruck at a lower level.
2011	Pacific Coal Resources Ltd.	Colombia	Prod	Coking	Caypa mine (existing contracts only)	Alorente Trading S.A	Y	5.00%	Final sales (US$)	N	Alorente is entitled to a 5% agency fee on all sales of coal from the contracts that were in place prior to the reverse takeover of Pacific Coal in 2011.
2011	Continental Coal Limited	South Africa, Botswana	Prod	Thermal	Ferreira mine	EDF Trading Limited	Y	2.2%[8]	Final sales (US$)	Y	Any new projects that Continental develops do not automatically fall under the exisitng 20-year off-take. EDF also provided a US$20m "coal loan" to be repaid in coal over 5 years. Implied marketing fee of 2.2% based on consensus forecast for price of thermal coal from FY14 to FY16 (US$90/t) respectivly.
2009	PT Berau Coal Energy Tbk	Indonesia	Prod	Coal	All coal sales	Maple Holdings Limited	N	2.00%	Final sales (US$)	N	Maple has agreed to act as the exclusive marketing agent for all coal sales on a worldwide basis (ex. Japan). The agreement will expire in December 2019 and can be renewed for a further period of 10 years by mutual agreement.
Total average[6]								3.40%			
Total median[6]								3.00%			

Note (1): Year agreement was executed.

Note (2): Location, stage and main product of project/ tenments covered under the agreements.

Note (3): The asset/ project the agreement covers.

Note (5): Whether or not the agent/ purchaser provides funding to the producer.

Note (6): Marketing fee/royalty per agreements. Guildford and Continental agreement fees are in US$/t, we have considered the implied % of final sales based on consensus forecast thermal coal price of US$90/t.

Note (7): Whether or not the agreement has an offtake component/ element.

Note (8): Implied marketing fee based on calculation detailed in additional comments column.

Source: Publically available information and GTCF calculations

Based on the above publicly available marketing agreements[11], the marketing fee ranges between 2.0% and 5.25% of coal sales with a median around 3.0%.

We note that the above benchmark analysis should be considered with the following limitations:

- The publicly available information in relation to the marketing agreement is often succinct and in an abbreviated form which may not necessarily reflect the full material terms.

- The marketing agreements may include different levels of services to be provided by the marketing agent, some of them include off-take rights whilst some others are more similar to royalty agreements.

- There may have been other net benefits accruing to the marketing agent which may not have been captured in our analysis. We note that several marketing agreements were entered into in conjunction with fund raising activities.

- The full marketing agreements in relation to the above comparable transactions are not available in the public domain. If we were able to review in full the above marketing agreements, we may have come up with a different opinion or analysis.

In addition to the above marketing agreements in the public domain, we have also considered other relevant marketing agreements and information. Given they are confidential and commercially sensitive, we have not disclosed them in this report. However, their key commercial terms are not inconsistent with the Noble Marketing Agreement.

Finally, we note that COK has a number of marketing agreements currently in place with certain counterparties. The marketing fee payable under the existing marketing agreement is lower than the Noble Marketing Fee. However we note the following:

- Noble is required to provide certain marketing services[12] in return for the payment of the Noble Marketing Fee whilst the majority of the existing marketing agreements are based on a royalty payment.

- It is reasonable to expect that based on Noble's distribution network, global footprint and number of relationships, the Noble Marketing Agreement should enhance the likelihood of obtaining a higher coal price for COK (all other things being equal).

3.2.2 Qualitative analysis

In assessing whether Noble is receiving a net benefit, we have analysed the commercial balance of advantages flowing from and to Noble and other qualitative factors.

Balance of the advantages flowing from and to Noble

Set out in the table below is a summary of the advantages flowing from and to Noble as a result of the Noble Marketing Agreement.

[11] Identified by Grant Thornton Corporate Finance with the assistance of COK and BWD.
[12] Marketing services include preparation and execution of the marketing program, strategy, customer introduction, administration services and reporting

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Advantages flowing to Noble	Advantages flowing from Noble
Noble will receive a marketing fee equal to 2.5% of the final invoiced sales price per tonne (reduced to take into account marketing fees payable by COK to third parties under certain existing agency agreements). As discussed in section 3.2.1, we are of the opinion that the magnitude of the marketing fee is not inconsistent with similar agreements.	The Noble Marketing Agreement ensures access to high quality end market users for COK coal
If COK enters into a long-term off-take agreement in relation to the supply of coal to end-users[13], COK must provide Noble with a first right of refusal and a last right of refusal to acquire the coal that is subject of the long-term off-take agreement[14]	In conjunction with the Noble Subscription, the Noble Marketing Agreement aligns the interests of COK and its future major shareholder.
	Based on Noble's global operations and footprint, COK is best positioned to achieve a higher price for coal than it would otherwise without the Noble Marketing Agreement (all other things being equal).
	Noble is required to provide certain on-going marketing services in relation to all international coal markets (excluding Taiwan and Korea), including assisting with procuring and executing offtake agreements.

Other qualitative factors

In addition, we have considered the following other qualitative factors:

- Completion of the Noble Marketing Agreement and Noble Subscription is not conditional on the Takeover becoming unconditional.
- If Noble is the only shareholder of BWD to accept the Takeover, the circumstances of BWD Shareholders not associated with Noble will substantially and in all material respect remain unchanged with COK replacing Noble as controlling shareholder of BWD (assuming COK waives the 52.1% minimum acceptance agreement).
- The terms of the SK Marketing Agreement are substantially and in all material respects the same as the Noble Marketing Agreement. SK has its own legal and financial advisors and it is not a related party to BWD or a shareholder of BWD and it does not have any interest in the outcome of the Takeover.
- Under the Noble Marketing Agreement, Noble will be the sole and exclusive agent with the right to market coal produced by COK in all territories except Korea and Taiwan. The marketing rights in Korea and Taiwan are held by SK under the SK Marketing Agreement. We understand that there is no specified allocation of coal volumes set out in the Noble Marketing Agreement and SK Marketing Agreement. Accordingly Noble and SK may be in competition for marketing the coal produced by COK. As a result of the competitive tension between Noble and SK, COK may receive a more advantageous price for the coal it produces (all other things being equal). In addition, this level of competition seems to indicate that it is not the intention of COK to provide Noble with a net benefit in conjunction with the Noble Marketing Agreement.

[13] We note that one of the conditions precedent for COK to drawdown the project finance facilities for the development of the Baralaba North Expansion Project is to enter into an off-take agreement for 75% of the coal produced.
[14] Noble has the right for the supply of coal anywhere in the world except Korea and Taiwan where this right is held by SK.

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- Noble is prevented from entering into any contracts for the sale of coal without the prior approval of COK.

- Noble is not entitled to any Marketing Fees if it acquires coal from COK as principal. The terms of any purchase of coal by Noble as principal will be negotiated with COK from time to time and on a case by case basis.

- As discussed in section 1.2, Noble has a first and last right of refusal to acquire coal from COK if, for financing purposes, COK is required to enter into an off-take agreement[15]. We do not believe this right provides Noble with a net benefit due to the following:

  - COK will be able to approach a number of parties to test their appetite to enter into an off-take agreement.

  - Noble will be required to offer equivalent terms to the other interested party(s) to secure the off-take agreement.

  - The same first and last refusal rights have been provided to SK under the SK Marketing Agreement.

3.3 Conclusions on the Marketing Agreement

Based on the analysis, procedures and limitations outlined above and throughout this document, we conclude that:

- COK and Noble are dealing at arm's length in relation to the Noble Marketing Agreement

- Nothing has come to our attention that would cause us to believe that the terms of the Noble Marketing Agreement would constitute the receipt by Noble of a net benefit.

[15] SK has similar rights for Korea and Taiwan.

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4 Noble Subscription

4.1 Arms' length assessment

In assessing whether or not COK and Noble were acting on arm's length in relation to the Noble Subscription, we note that several of the comments set out in section 3.1 in relation to the Noble Marketing Agreement apply to the Noble Subscription.

We note the following additional matters specific to the Noble Subscription.

Genesis of the Noble Subscription

Over the last 18 months, Directors and Management of COK have been working to provide the required funding to allow COK the timely development of the Baralaba North Expansion and repay the existing debt obligation with KEBA.

The upfront capital expenditure required for the Baralaba North Expansion Project has been estimated to be approximately A$237 million in nominal terms (on a 80% basis and excluding contingencies)[16]. In addition to the Baralaba North Expansion Project, COK is required to refinance/repay the KEBA Loan (A$95 million outstanding balance). SK has guaranteed the repayment of the KEBA Loan which is due to expire on 27 December 2013.

Based on the credit approved terms sheet received by ANZ in relation to the project financing for the Baralaba Expansion, current cash resources and other factors, COK requires funding of approximately A$200 million to develop the Baralaba North Expansion Project and repay the KEBA Loan.

We have been advised that the Directors and Management of COK have considered a number of different options for the required A$200 million funding including the following:

- Private placement with one or more strategic investors.
- The sale of an equity interest in the Baralaba Project.
- Private placement with existing investors.
- The sale of other assets in the Surat Basin.
- Other change of control transactions.

Whilst COK entered into several advanced discussions in relation to a funding solution for the Baralaba North Expansion and KEBA Loan, due to subdued market conditions, volatile commodity prices and diminished appetite in the equity capital markets and investment community for coal development projects, COK has been unable to secure the required funding prior to the Proposed Recapitalisation.

[16] A large component of this capital expenditure is expected to be funded by way of debt.

In addition, we note that the share price of COK has reduced materially from the beginning of the year creating additional challenges to raise the required funding. In June 2013, the share price of COK reached a low of 2.7c per share equivalent to a market capitalisation of approximately $30 million.

We have been advised that the Noble Subscription and the Recapitalisation Proposal are the only funding proposal capable of being completed and able to ensure that COK is fully funded[17] for the Baralaba Expansion and the repayment of the KEBA Loan.

Based on the information made available to us, the limitations included throughout this document and discussions/correspondence with the parties involved and their advisers, we are of the opinion that COK and Noble dealt at arm's length in relation to the Subscription Agreement.

4.2 Assessment of the net benefits

We have had regard to GN21 in assessing whether Noble is receiving a net benefit in conjunction with the Subscription Agreement.

Set out below are the details of our analysis.

4.2.1 Public testing of the subscription price

GN21 indicates that market testing of the transaction, for example, by a public sale process is the preferable way to seek to establish no net benefit. Based on discussions with COK and its advisers we understand that COK has publicly tested the subscription price agreed in the Noble Subscription in a number of different ways:

- As set out in Section 4.1 above, Management of COK have been seeking to raise the required funding for approximately 18 months and have not been able to source a full funding solution with the exception of the current Proposed Recapitalisation.
- The terms of the SK Subscription are substantially and in all material respects equivalent to the Noble Subscription. We have been advised that SK and Noble are not associates or acting in concert for the purpose of the Recapitalisation Proposal.
- Noble Subscription price of A$0.05 is circa 11% higher than the price of A$0.045 offered to sophisticated and institutional investors under the Institutional Placement[18].

4.2.2 Equality principle

In our opinion, the Noble Subscription price does not represent the fair market value of COK Shares due to the following:

- Based on the terms of the KEBA Loan (expiring in December 2013 and already extended three times) and the unsuccessful marketing campaign undertaken by COK over last 18 months to

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[17] Including the mezzanine finance facility.

[18] However, we note that under the Noble Subscription, Noble will have the right to appoint one director to the Board of COK, one member of senior management and one junior employee.

secure the required equity funding, COK can be described as an anxious seller in the circumstances of the Noble Subscription;

- The current share price of COK reflects uncertainty in relation to the ability of the Company being able to raise sufficient equity to repay the KEBA Loan and continue as a going concern.
- The Noble subscription price reflects the current depressed investor sentiment towards coal generally and in particular for coal projects in the development phase.
- The current financial uncertainty facing COK is not conducive to complete funding transactions at prices in line with fair market value. As evidenced by the prices paid in coal transactions over recent years, higher implied valuations of COK could be realised in better market conditions and without COK being an anxious seller.

Based on the analysis above, we believe the Noble Subscription Price reflects an anxious seller scenario which does not meet the definition criteria of fair market value. However, we do not believe the equality principle is breached and a net benefit accrues to Noble due to the following:

- As discussed above, the subscription price offered under the SK Subscription is on terms equivalent to the Noble subscription price. SK is not related to or associated to Noble and it does not have any interest in the outcome of the Takeover.
- The Institutional Placement price is lower than the Noble subscription price. Institutional shareholders are not related to or associated to Noble.
- Based on discussions with the parties, we understand that the share exchange ratio for the purpose of the Takeover has been determined, among other things and factors, having regard to the Noble Subscription price. Accordingly, Non-Associated BWD Shareholders who accept the Takeover will be issued COK shares at an equivalent price to the Noble and SK Subscription.
- COK has announced the SPP in conjunction with the Proposed Recapitalisation. Under the SPP, existing shareholders of COK (at the record date of 16 October 2013) will be entitled to purchase their allocation of COK Shares at the same price as the Institutional shareholders at A$0.045 per share which is lower than the Noble Subscription price of A$0.05 per share.
- The public testing of the Noble Subscription price undertaken by COK as set out in section 4.2.1.

4.2.3 Pro-rata entitlements and board nominees

In addition to the number of COK shares issued to Noble on a pro-rata basis as a consideration for the Takeover, Noble is issued 866.0 million COK Shares in conjunction with the Noble Subscription. The additional shares to be issued to Noble at A$0.05 per share is in conjunction with Noble investing an additional A$43.3 million in the Company on equivalent terms as other non-related parties. Accordingly, as discussed above, we do not believe that this represents a net benefit to Noble.

In addition, Noble will be entitled to appoint 1 nominee on the Board of COK and in conjunction with COK, select an independent chairperson. In addition, both Noble and SK will be able to appoint a member each of the senior management team and at least one junior employee. We do not believe these entitlements constitute the provision of a net benefit to Noble given the magnitude of Noble's investment in COK compared with BWD Non-Associated Shareholders. In addition substantially the same rights and entitlements have been negotiated and offered to SK.

4.2.4 Discount compared with the share price

Set out below is a comparison of the Noble subscription price and recent share prices of COK:

COK Share Price - VWAP as at 16 October 2013	Share price	Difference	Discount
Noble Subscpription Price	0.050		
Share price of COK (A$)			
1 day VWAP	0.060	(0.010)	(16.2)%
5 day VWAP	0.062	(0.012)	(19.2)%
10 day VWAP	0.061	(0.011)	(18.4)%
1 month	0.060	(0.010)	(16.6)%
3 month	0.067	(0.017)	(25.6)%

Source: Capital IQ and Grant Thornton Corporate Finance calculations

Based on the analysis set out in the table above, the Noble Subscription Price is at a discount to the recent share price of COK. The discount is in the range of 16.2% to 25.6% which is consistent with our observations of the rights issue and placement discounts in the mining and resources sector in Australia over the last few years.

4.2.5 Balance of the advantages flowing from and to Noble

Advantages flowing to Noble	Advantages flowing from Noble
As discussed in section 4.2.2, in our opinion, the Noble Subscription Price reflects an anxious seller scenario which does not meet the definition criteria of fair market value. However, we do not believe the equality principle is breached given COK is offering the same or lower price to other non-related parties such as SK and the Institutional Shareholders.	The Subscription Agreement together with the balance of the Recapitalisation Proposal will provide COK with the necessary funding to repay the KEBA Loan and fully develop the Baralaba North Expansion Project.
Noble will be entitled to appoint 1 nominee on the Board of COK and in conjunction with COK, select an independent chairperson and an independent director. In addition, each of Noble and SK will be able to appoint a member each of the senior management team and one junior employee. Substantially the same rights and entitlements have been negotiated and offered to SK.	The KEBA Loan is due to expire on 27 December 2013. This loan is guaranteed by SK. Both the KEBA Loan and the SK guarantee have been extended for 3 times since December 2012 due to the difficulty faced by COK to raise the required funding. In the absence of the Noble Subscription and Recapitalisation Proposal, there would be uncertainty in relation to the ability of COK to continue as a going concern.
	In conjunction with the Noble Marketing Agreement, the Noble Subscription aligns the interests of COK and its future major shareholder.
	The Noble Subscription provides COK with a shareholder which has the financial capacity to further support the Company to deliver its strategic objectives.

4.2.6 Other qualitative factors

We have also considered the following additional factors:

- In our opinion, the terms of the Takeover are fair and reasonable to BWD Shareholders. In our opinion, the Non-Associated BWD Shareholders have benefited from Noble's bargaining power in negotiating the terms of the Takeover.
- The Proposed Recapitalisation, including the Noble Subscription, strengthens COK's share register and business through the introduction of an additional strategic partner.
- Completion of the Noble Subscription is not dependent on the Takeover becoming unconditional.
- If Noble is the only shareholder of BWD to accept the Takeover, the circumstances of BWD Shareholders not associated with Noble will substantially and in all material respects remain unchanged with COK replacing Noble as controlling shareholder of BWD (assuming COK waives the minimum acceptance condition).

4.3 Conclusions on the net benefits – Noble Subscription

Based on the analysis, procedures and limitations outlined above and throughout this document, we conclude that:

- COK and Noble are dealing at arm's length in relation to the Noble Subscription.
- Nothing has come to our attention that would cause us to believe that the terms of the Noble Subscription would constitute the receipt by Noble of a net benefit.

Appendix A – Independence, consent and other matters

Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Takeover with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Reports" ("RG 112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Takeover other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Takeover.

We note that Grant Thornton Corporate Finance has also been engaged in relation to the following:

- By the Independent Directors of BWD to form an opinion on whether or not the Takeover is fair and reasonable to BWD Non-Associated Shareholders.

- By the Directors of COK to form an opinion whether or not the Noble Subscription and the SK Subscription are fair and reasonable to COK Non-Associated Shareholders.

Consent and other matters

Our report is to be read in conjunction with the Target's Statement dated on or around 25 November 2013 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Takeover. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Takeover.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Takeover to BWD Non-Associated Shareholders as a whole. We have not considered the potential impact of the Takeover on individual BWD Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Takeover on individual shareholders.

The decision of whether or not to approve the Takeover is a matter for each BWD Shareholder based on their own views of value of BWD and expectations about future market conditions, BWD's performance, risk profile and investment strategy. If BWD Shareholders are in doubt about the action they should take in relation to the Takeover, they should seek their own professional advice.

Attachment 3 – Announcements made by Blackwood in relation to the Cockatoo Offer

	Date	Description
1.	20 November 2013	COK: S633 Notice for Takeover Bid by COK for BWD
2.	1 November 2013	Quarterly Activities Report and Cashflow Report
3.	23 October 2013	Market Update - Recommended Takeover Offer for Blackwood
4.	18 October 2013	COK: Presentation to Investors
5.	18 October 2013	COK: Funding for Baralaba Expansion/Cockatoo recapitalisation
6.	18 October 2013	Recommended Takeover Offer for Blackwood by Cockatoo Coal
7.	17 October 2013	Trading Halt

Attachment 4 - Announcements made by Blackwood since the publication of its 2013 Annual Report on 28 October 2013

	Date	Description
1.	20 November 2013	COK: S633 Notice for Takeover Bid by COK for BWD
2.	1 November 2013	Amended Notice of Annual General Meeting
3.	1 November 2013	Quarterly Activities Report and Cashflow Report

Corporate Directory

Directors
Barry Bolitho (Chairman)
Rex Littlewood (Non Executive Director)
William Randall (Non Executive Director)
Andrew Simpson (Non Executive Director)

Company Secretary
Patrick McCole

Registered Office
Level 9, 288 Edward Street
Brisbane QLD 4000
AUSTRALIA

Telephone: +61 7 3034 0800
Facsimile: +61 7 3030 0899
Website: www.bwdcorp.com.au

Financial Adviser to Blackwood
Morgans Corporate Limited
Level 9
88 Philip Street
Sydney NSW 2000
AUSTRALIA

Morgans and CIMB – Please visit www.morgans.com.au to understand the products and services within our alliance.

Legal Adviser
Clayton Utz
Level 15
1 Bligh Street
Sydney NSW 2000
AUSTRALIA

Share Registry
Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
AUSTRALIA

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

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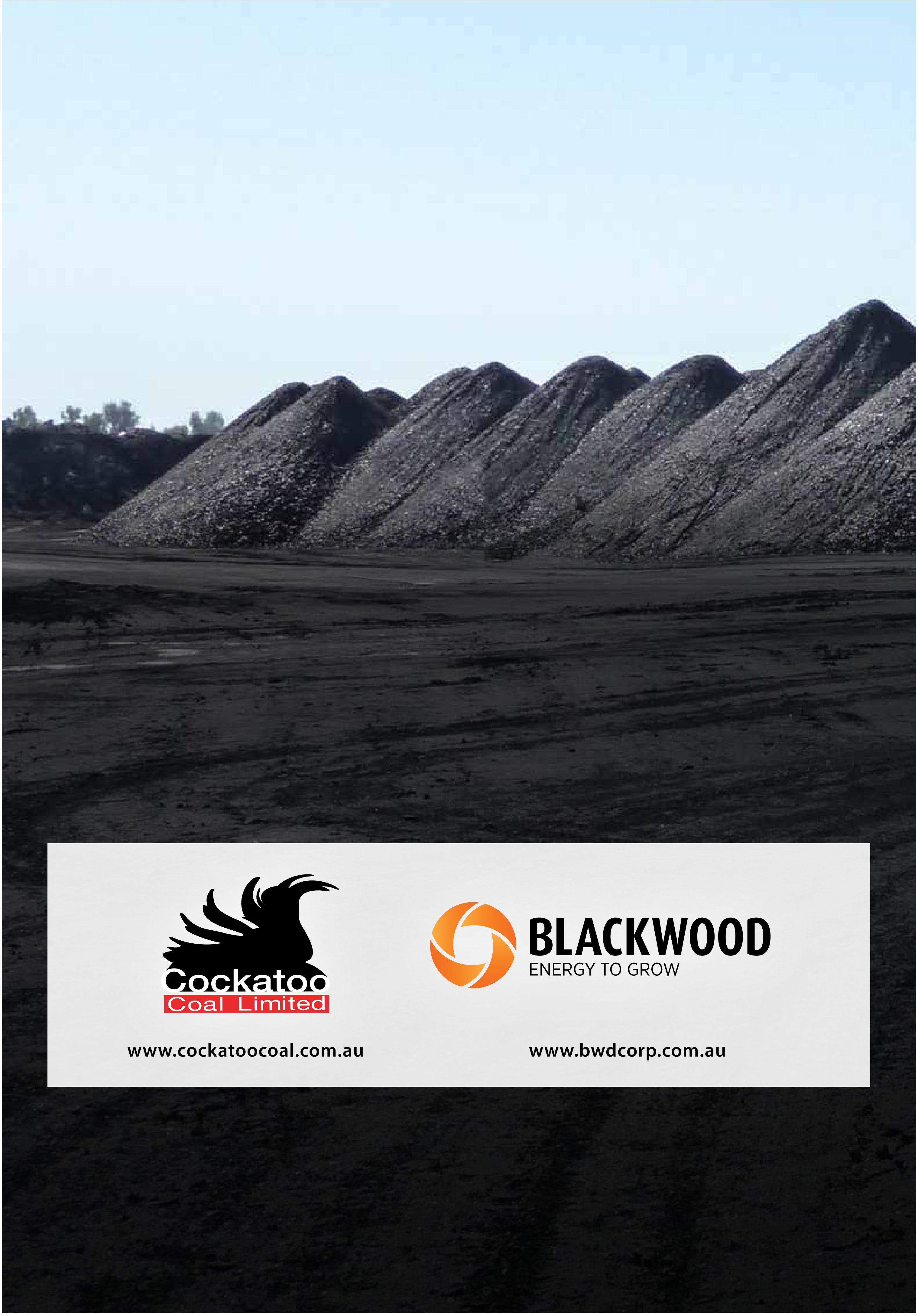

Cockatoo Coal Limited

www.cockatoocoal.com.au

BLACKWOOD
ENERGY TO GROW

www.bwdcorp.com.au

Cockatoo Coal Limited
ABN 13 112 682 158

000001 000 COK
MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Return your Form:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001
Australia

For all enquiries:

Phone:
(within Australia) 1300 395 787
(outside Australia) +61 3 9415 4260

Transfer and Acceptance Form - Share Offer

ISSUER

Your form must be received by the end of the Offer Period.

This is an important document and requires your immediate attention. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

This form relates to an off-market takeover ("**Offer**") by Cockatoo Coal Limited ("**Cockatoo**") to acquire all of your shares in Blackwood Corporation Limited ("**Blackwood**") pursuant to a Bidder's Statement dated 25 November 2013 and any other replacements or supplements ("**Bidder's Statement**"). Terms defined in the Bidder's Statement but not in this form have the same meaning as in the Bidder's Statement unless the context requires otherwise.

How to accept the Offer

As your Blackwood Shares are held in an Issuer Sponsored holding, simply complete and return this form to the address above so that it is received by no later than 7pm (Sydney time) on the last day of the Offer Period.

If you sign and return this Acceptance Form, you warrant to Cockatoo at the time of your acceptance and at the time of the transfer of your Blackwood Shares is registered, that all of your Blackwood Shares are and will be fully paid, you will have full legal and beneficial ownership of the Blackwood Shares to which this Transfer and Acceptance Form relates and that Cockatoo will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer of any kind and free from any third party rights.

Step 1: Registration Name

Your consideration will be issued to the name(s) as they appear on the latest copy of the Blackwood register, as provided to Cockatoo. The current address recorded is printed above and overleaf. If you have recently bought or sold Blackwood Shares, your holding may differ from that shown. If you have already sold all your Blackwood Shares, do not complete or return this form.

Step 2: Consideration and Shares

Please read carefully. You will be deemed to have accepted the Offer for ALL of your Blackwood Shares if you sign and return the form.

Step 3: Signing Instructions

To be effective the Blackwood Shareholder must sign this form according to these instructions:
Individual: Where the holding is in one name, the Blackwood Shareholder must sign.
Joint Holding: Where the holding is in more than one name, all of the Blackwood Shareholders must sign.
Power of Attorney: Please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person in the box labelled 'Sole Director and Sole Company Secretary'. If the company (pursuant to 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone as 'Sole Director'. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to attest to the office held and delete any inappropriate title.
Deceased Estate: All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

Entering the contact details of the person you authorise to speak about this holding is not compulsory, but will assist us if we need to contact you.

Turn over to complete the form ➔

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Transfer and Acceptance Form

For your security keep your SRN/ HIN confidential.

STEP 1 Shareholding Details

Registration Name: MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Securityholder Details: Your holding in Blackwood Corporation Limited **2000**

STEP 2 Consideration and Shares

The consideration applicable under this Offer is 2 Cockatoo Shares for each Blackwood Share.

If you are a Foreign Shareholder then, despite any other provision of the Offer, you will not receive Cockatoo Shares under this Offer. Instead, if you accept this Offer, you will receive a cash amount determined in accordance with Section 14.2.7(c) of the Bidder's Statement.

You will be deemed to have accepted this consideration for ALL of your Blackwood Shares if you sign and return this form.

STEP 3 Signature of Shareholder(s) *This section must be completed.*

I/We accept the Offer made by Cockatoo for all of the Blackwood Shares I/we hold and I/we agree to be bound by the terms and conditions of the Offer (including the instructions as to acceptance of the Offer on the back of this form) and transfer all of my/our Blackwood Shares as per the above instruction for the consideration specified in the Offer.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Director	Director/Company Secretary	Sole Director and Sole Company Secretary

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** / /

Email Address ______________________

Privacy Statement

Personal information is collected on this form by Computershare for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Computershare, or you would like to correct information that is inaccurate, incorrect or out of date, please contact Computershare. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by Cockatoo Coal Limited in addition to general corporate communications. You may elect not to receive marketing material by contacting Computershare. You can contact Computershare using the details provided on the front of this form or e-mail privacy@computershare.com.au

Cockatoo Coal Limited
ABN 13 112 682 158

⊢ 000002 000 COK
MR SAM SAMPLE
UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Return your Form:

To Your Controlling Participant:
Return this form directly to your Controlling Participant

By Mail:
Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Victoria 3001
Australia

For all enquiries:

Phone:
(within Australia) 1300 395 787
(outside Australia) +61 3 9415 4260

Transfer and Acceptance Form - Share Offer

CHESS

Your form must be received by the end of the Offer Period.

This is an important document that requires your immediate attention. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Return your form to your Controlling Participant (normally your stockbroker) and allow enough time for them to initiate acceptance on your behalf in accordance with ASX Settlement Operating Rules.

This form relates to an off-market takeover ("**Offer**") by Cockatoo Coal Limited ("**Cockatoo**") to acquire all of your shares in Blackwood Corporation Limited ("**Blackwood**") pursuant to a Bidder's Statement dated 25 November 2013 and any replacements or supplements ("**Bidder's Statement**"). Terms defined in the Bidder's Statement but not in this form have the same meaning as in the Bidder's Statement unless the context requires otherwise.

How to accept the Offer

As your Blackwood Shares are in a CHESS holding, you may **contact your controlling participant** directly (normally your stockbroker) with instructions to accept the Offer. If you do this, you will need to sign and return this Transfer and Acceptance Form to your Controlling Participant. If you want Cockatoo to contact your Controlling Participant on your behalf, sign and return this form to the address above so that it is received in sufficient time to allow your instruction to be acted upon by the last day of the Offer Period. This will authorise Cockatoo to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf.

If you sign and return this Transfer and Acceptance Form, you warrant to Cockatoo at the time of your acceptance and at the time the transfer of your Blackwood Shares is registered, that all of your Blackwood Shares are and will be fully paid, you have full legal and beneficial ownership of the Blackwood Shares to which this Transfer and Acceptance Form relates and that Cockatoo will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer of any kind and free from any third party rights.

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Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person in the box labelled 'Sole Director and Sole Company Secretary'. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone as 'Sole Director'. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to attest to the office held and delete any inappropriate title.
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Entering the contact details of the person you authorise to speak about this holding is not compulsory, but will assist us if we need to contact you.

Turn over to complete the form ➔

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For your security keep your SRN/ HIN confidential.

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UNIT 123
SAMPLE STREET
SAMPLETOWN NSW 2001

Controlling Participant Identifier:

Securityholder Details: Your holding in Blackwood Corporation Limited **2000**

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Individual or Shareholder 1	Shareholder 2	Shareholder 3
Director	Director/Company Secretary	Sole Director and Sole Company Secretary

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** / /

Email Address ______________________

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