

3 January 2014



The Manager
Company Announcements Office
ASX Limited

Dear Sir/Madam

**Carabella Resources Limited (ASX: CLR) – takeover bid by Wealth Mining Pty Ltd
Target's Statement**

We attach, by way of service pursuant to item 14 of section 633(1) of the *Corporations Act 2001* (Cth), a copy of the target's statement of Carabella Resources Limited (**Carabella**) in response to the off-market takeover bid by Wealth Mining Pty Ltd for all the ordinary shares in Carabella.

Yours sincerely

A handwritten signature in black ink that reads "Anderson".

Kylie Anderson
Company Secretary

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt about how to deal with this document, you should contact your broker,
financial adviser or legal adviser immediately.



TARGET'S STATEMENT

IN THE ABSENCE OF A
SUPERIOR PROPOSAL YOUR
DIRECTORS RECOMMEND
THAT YOU **ACCEPT** THE
TAKEOVER OFFER FROM
WEALTH MINING PTY LTD*

This Target's Statement has been issued in response to the off-market takeover bid made by Wealth Mining Pty Ltd (ACN 162 884 068) (an indirectly wholly owned subsidiary of China Kingho Energy Group) for all the ordinary shares in Carabella Resources Limited.

* Subject to Wealth Mining receiving all remaining Chinese regulatory approvals or waiving this as a condition.

FINANCIAL ADVISER



LEGAL ADVISER



Important notices

Nature of this document

This document is a Target's Statement issued by Carabella Resources Limited (ABN 66 143 355 471) (**Carabella**) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Wealth Mining Pty Ltd (ACN 162 884 068) (**Wealth Mining**), an indirectly wholly-owned subsidiary of China Kingho Energy Group, for all the ordinary shares in Carabella.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 3 January 2014. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

Carabella Shareholder information

Carabella has established a shareholder information line which Carabella Shareholders may call if they have any queries in relation to Wealth Mining's Offer. The telephone number for the shareholder information line is 1300 309 589 (for calls made from within Australia) or +61 2 8022 7902 (for calls made from outside Australia). Calls to the shareholder information line may be recorded in accordance with the Corporations Act.

Further information relating to Wealth Mining's Offer can be obtained from Wealth Mining's Bidder's Statement dated 5 December 2013 and the Supplementary Bidder's Statement dated 24 December 2013.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in Section 11 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Carabella operates 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 Carabella, Carabella's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, 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 Target's Statement reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on Wealth Mining and China Kingho Energy Group contained in this Target's Statement has been prepared by Carabella using publicly available information. The information in the Target's Statement concerning Wealth Mining and China Kingho Energy Group and the companies' assets and liabilities, financial position and performance, profits and losses and prospects, has not been independently verified by Carabella. Accordingly Carabella 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 Target's Statement 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 Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Maps and diagrams

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

Privacy

Carabella has collected your information from the Carabella register of Shareholders and Optionholders for the purpose of providing you with this Target's Statement. The type of information Carabella has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in Carabella. Without this information, Carabella would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders and Optionholders to be held in a public register. Your information may be disclosed on a confidential basis to Carabella's related bodies corporate and external service providers (such as the share registry of Carabella and print and mail service providers) and may be required to be disclosed to Wealth Mining under the Bid Implementation Agreement and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Carabella, please contact Boardroom Pty Limited at the address shown below. Carabella's privacy policy is available at www.carabellaresources.com.au. The registered address of Carabella is Level 1, 1 Breakfast Creek Road, Newstead, QLD, AUSTRALIA, 4006. The address for Boardroom Pty Limited is Level 7, 207 Kent Street, Sydney, NSW, Australia, 2000.

Key Dates

Date of Wealth Mining's Offer	19 December 2013
Date of Wealth Mining's Revised Offer	24 December 2013
Date of this Target's Statement	3 January 2014
Close of Wealth Mining's Offer Period (unless extended or withdrawn)	7.00pm Sydney time on 20 January 2014

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Chairman's letter

On 24 December 2013, Carabella announced that it had entered into a Bid Implementation Agreement with Wealth Mining Pty Ltd (**Wealth Mining**), an indirectly wholly-owned subsidiary of China Kingho Energy Group, under which it has agreed to recommend the terms of a revised offer for Wealth Mining to acquire all of the shares in Carabella by way of an off-market takeover (**Revised Offer**). Under the Revised Offer, Wealth Mining has offered \$0.455 cash for each Carabella Share.

Directors' recommendation

In the absence of a Superior Proposal, each of your Directors recommend that you accept the Offer, subject to Wealth Mining receiving all remaining Chinese regulatory approvals, or waiving this as a condition of the Offer. Carabella notes that while SAFE and MOFCOM approvals remain outstanding, Wealth Mining has received NDRC approval.

On 24 December 2013, Carabella entered into a Bid Implementation Agreement pursuant to which the Directors of Carabella agreed to accept the Offer in relation to their own shareholdings, in the absence of a Superior Proposal and on the later of 15 Business Days after the Revised Offer and 2 Business Days after Wealth Mining has received all remaining Chinese regulatory approvals or waived this as a condition.

Your Directors continue to believe that Carabella's portfolio includes a number of high quality projects, in particular the Bluff and Grosvenor West projects that have the potential to provide future value for Carabella Shareholders.

However, your Directors have also taken into account that the Revised Offer of \$0.455 per Carabella share represents a substantial premium of 128% to the closing price of Carabella's Shares prior to the announcement of the Offer, and an increase of approximately 8% over the Initial Offer of \$0.42 per Carabella share. The Offer provides Carabella Shareholders with greater certainty relative to the alternative of waiting for the price of Carabella Shares to reflect the potential value of its projects being developed and reaching full production, which has inherent risks. Carabella Shareholders should also consider the risks associated with a continued investment in Carabella, as set out in Section 6.4 of this Target's Statement.

The interest from China Kingho reflects the efforts and achievements of the management and all at Carabella since its listing on ASX, in developing an attractive position in the Queensland coal industry during a particularly difficult period for smaller coal companies. The combination of the large Grosvenor West project with the smaller but substantially advanced Bluff PCI Project and Carabella's work in de-risking each of these projects has resulted in this large-premium cash offer from China Kingho, a sizeable international resources company.

Next Steps

In considering whether to accept the Offer, your Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the alternatives noted in Section 4 of this Target's Statement; and
- obtain financial advice from your broker or financial adviser in respect of the Offer and obtain taxation advice on the effect of accepting the Offer.

To accept the Offer you should carefully follow the instructions in the Bidder's Statement and complete the Acceptance Form enclosed with the Bidder's Statement. The Offer is due to close at 7.00pm Sydney time on 20 January 2014, unless extended or withdrawn. If you have any further queries in relation to the Offer, you can call 1300 309 589 (for calls made from inside Australia) or +61 2 8022 7902 (for calls made from outside Australia). Calls to the shareholder information line may be recorded in accordance with the Corporations Act.

Yours sincerely

Andrew Amer
Chairman

SECTION 1

Frequently Asked Questions

This Section answers some frequently asked questions about the Offer. It is not intended to address all relevant issues for Carabella Shareholders. This Section should be read together with all other parts of this Target's Statement.

Question	Answer
What is Wealth Mining's Offer for my Carabella Shares?	Wealth Mining is offering \$0.455 cash for each Carabella Share held by you. You may only accept the Offer in respect of all of the Carabella Shares that you hold.
What choices do I have as a Carabella Shareholder?	<p>As a Carabella Shareholder, you have the following choices in respect of your Shares:</p> <ul style="list-style-type: none"> • accept the Offer for all of your Carabella Shares; • sell your Shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or • do nothing. <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in Section 4 of this Target's Statement.</p>
What are the Directors of Carabella recommending?	<p>In the absence of a Superior Proposal, each Director recommends that you accept the Offer (subject to Wealth Mining receiving all remaining Chinese regulatory approvals, or waiving this as a condition of the Revised Offer).</p> <p>The reasons for your Directors' recommendation are set out in Section 3 of this Target's Statement.</p> <p>If there is a change in this recommendation or any material developments in relation to the Offer, Carabella will keep you fully informed.</p>
How do I accept the Offer?	Details of how to accept the Offer are set out in section 9.3 of the Bidder's Statement.
What are the consequences of accepting the Offer now?	<p>If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Shares on the ASX or otherwise deal with your Shares while the Offer remains open.</p> <p>Importantly, if you accept the Offer, you will be unable to withdraw your acceptance and accept a Superior Proposal if one emerges, except in certain limited circumstances (set out immediately below and in Section 7.8 of this Target's Statement).</p>
If I accept the Offer, can I withdraw my acceptance?	<p>You may only withdraw your acceptance if Wealth Mining varies the Offer in a way that postpones the time when Wealth Mining is required to satisfy its obligations by more than one month, or if any of the conditions of the Offer have not been fulfilled or freed (see more detail below regarding the conditions of the Offer).</p> <p>(See Section 7.8 of this Target's Statement for further details.)</p>
When does the Offer close?	<p>The Offer is presently scheduled to close at 7.00pm Sydney time on 20 January 2014, but the Offer Period can be extended in certain circumstances.</p> <p>(See Section 7.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.)</p>

Question	Answer
What are the conditions to the Offer?	<p>The Offer is subject to the conditions set out in section 9.7 of the Bidder's Statement. In summary, the conditions to the Offer are:</p> <ul style="list-style-type: none">• Wealth Mining and associates acquiring a relevant interest in at least 57% (by number) of Carabella Shares;• no material adverse change occurring in relation to Carabella;• all necessary Chinese regulatory approvals are received;• there are no regulatory actions in consequence of, or connection with, the Offer;• there is no prescribed occurrence;• neither Carabella nor its subsidiaries commit to any material capital expenditure or material acquisitions or disposals;• no change of control right is triggered in a material contract to which Carabella is a party where the counterparty has relied or foreshadowed reliance on the right; and• the S&P/ASX 200 Index does not close below 4730 for 3 or more consecutive trading days. <p>The Offer is not subject to a FIRB or NDRC approval condition.</p> <p>(See Section 7.2 of this Target's Statement for further details.)</p>
What happens if the conditions of the Offer are not satisfied or waived?	<p>If any of the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal with Carabella Shares even if you had accepted the Offer.</p>
When will I be sent my consideration if I accept the Offer?	<p>Except in certain circumstances, you will be issued your consideration on or before the date that is the later of 7 Business Days after the date on which you validly accept the Offer and the date on which the Offer is declared or becomes unconditional.</p> <p>(See Section 7.9 of this Target's Statement for further details on when you will be sent your consideration.)</p>
What are the tax implications of accepting the Offer?	<p>A general outline of the tax implications of accepting the Offer is set out in Section 9 of this Target's Statement.</p> <p>As the outline is a general outline only, Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>
Is there a number that I can call if I have further queries in relation to the Offer?	<p>If you have any further queries in relation to the Offer, you can call 1300 309 589 (for calls made from inside Australia) or +61 2 8022 7902 (for calls made from outside Australia).</p> <p>Calls to the shareholder information line may be recorded in accordance with the Corporations Act.</p>

Question**Answer****Does the Offer apply to the Carabella Options and if not how will any options be treated?**

No, the offer does not apply to the Carabella Options. However, Carabella is proposing that all Carabella Options:

1. that have not yet vested will vest; and
2. will become capable of being exercised, upon and subject to:
3. Wealth Mining obtaining a voting power of 50.1% or more; and
4. all of the conditions to the Offer either being satisfied or waived.

Carabella and Wealth Mining have agreed to enter into agreements with Carabella Optionholders pursuant to which Carabella Optionholders will be granted the right to have their Carabella Options cancelled for consideration equal to the value determined using the Black Scholes option valuation methodology, subject to 3 and 4 above having occurred.

Further information on the arrangements to be put to Carabella Optionholders is set out in Section 10.7.

Why is there no independent expert's report in the Target's Statement?

An independent expert's report is only required to be included in a target's statement where the bidder's voting power in the target is 30% or more or if a director of the target company is a bidder or a director of the bidder company.

This requirement does not apply to Wealth Mining's Offer. In addition your Directors do not consider that an independent expert's report is necessary, as Wealth Mining's Offer is all cash and they believe that the information in this Target's Statement, the Bidder's Statement and publicly available information are sufficient for Carabella Shareholders to determine whether or not to accept Wealth Mining's Offer.

SECTION 2

Directors' Recommendation

2.1 Summary of Offer

The consideration being offered by Wealth Mining under its takeover bid is \$0.455 for each Carabella Share.

The Offer is subject to a number of conditions; those conditions are summarised in Section 7.2 of this Target's Statement.

2.2 Directors of Carabella

As at the date of this Target's Statement, the Directors of Carabella are:

Name	Position
Mr Andrew Amer	Non-Executive Chairman
Mr Michael Addison	Non-Executive Director
Mr Simon Kidston	Non-Executive Director
Mr Allan Fidock	Non-Executive Director
Mr Anthony Quin	Managing Director

2.3 Directors' recommendations

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, in the absence of a Superior Proposal, each of your Directors recommend that you accept the Offer (subject to the Offer condition set out in paragraph (c) of section 9.7 of the Bidder's Statement being fulfilled or waived).

In considering whether to accept the Offer, your Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the alternatives noted in Section 4 of this Target's Statement; and
- obtain financial advice from your broker or financial adviser upon the Offer and obtain taxation advice on the effect of accepting the Offer.

Your Directors' reasons for their recommendation are set out in Section 3 of this Target's Statement.

2.4 Intentions of your Directors in relation to the Offer

In the absence of a Superior Proposal, each Director of Carabella who has a relevant interest in Carabella's Shares, presently intends to accept the Offer in relation to those Shares (subject to the Offer condition set out in paragraph (c) of section 9.7 of the Bidder's Statement being fulfilled or waived).

Details of the relevant interests of each Carabella Director in Carabella Shares are set out in Section 8.1 of this Target's Statement.

SECTION 3

Reasons You Should Accept the Offer

3.1 Why you should accept the Offer, in the absence of a Superior Proposal

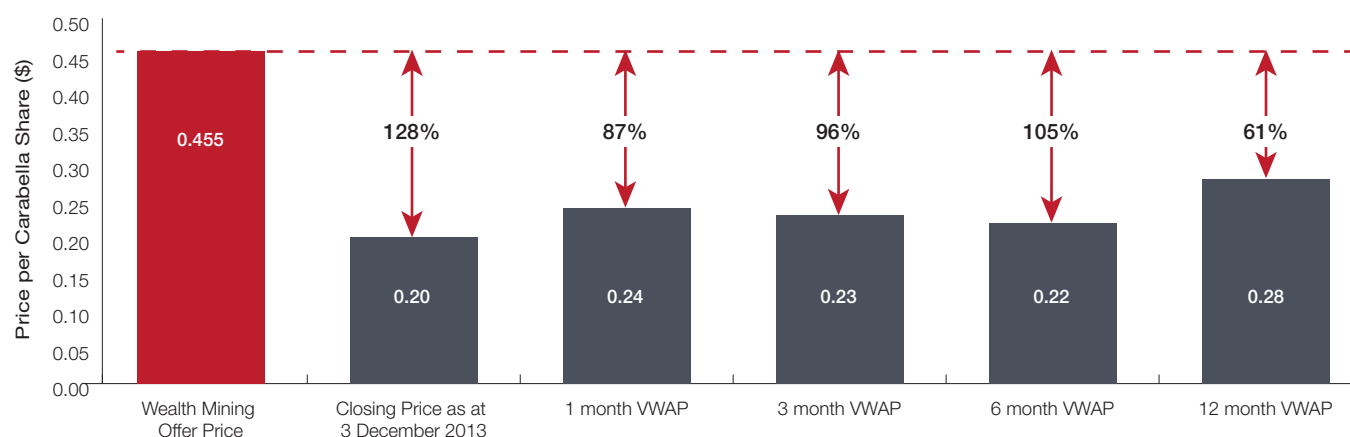
a. The Offer is at a substantial premium to trading in Carabella prior to announcement of the Offer and represents an increase over the Initial Offer

The consideration to be received by Carabella Shareholders who accept the Offer represents a significant premium to the levels that Carabella's Shares were trading at prior to the announcement of the Offer.

The Offer of \$0.455 per share represents a premium of:

- 128% to the closing price of Carabella Shares of \$0.20 on 3 December 2013, being the last full trading day prior to announcement of the Offer;
- 87% to the one month volume weighted average price (VWAP) of Carabella Shares prior to announcement of \$0.24;
- 96% to the three month VWAP prior to announcement of \$0.23;
- 105% to the six month VWAP prior to announcement of \$0.22; and
- 61% to the twelve month VWAP prior to announcement of \$0.28.

The Offer of \$0.455 also represents an increase of approximately 8% over the Initial Offer of \$0.42 per share.



Note: VWAPs are shown to the nearest cent.

b. The Offer provides Carabella Shareholders with the certainty of cash

The Offer is to acquire Carabella Shares for 100% cash consideration.

Subject to the Offer becoming unconditional, by accepting the Offer, you will:

- receive \$0.455 cash for each Carabella Share in respect of which you accept the Offer;
- not incur any brokerage fees, which you are likely to incur if you sell your Carabella Shares on market; and
- receive your cash payment within seven Business Days of the later of the date that you accept the Offer and the date that the Offer becomes unconditional.

The Offer provides you with the opportunity to receive a certain cash return relative to retaining your Carabella Shares. If you retain your Carabella Shares, you will continue to be exposed to volatility in the price of Carabella Shares. The risk factors associated with owning Carabella Shares are set out in Section 6.4.

c. There are risks to the funding and development of Carabella's pre-production assets

Your Directors believe that Carabella's portfolio includes a number of high quality projects, in particular the Bluff and Grosvenor West projects that have the potential to provide future value for Carabella Shareholders. However, funding and development of these assets is not assured and involves risks and uncertainties. In particular, your Directors note that:

- the Bluff and Grosvenor West projects are not yet in production. A concept study for Bluff was completed in May 2013. A feasibility study for Bluff is well advanced but not yet completed. The Grosvenor West project is at an early stage and currently the subject of a feasibility study;

- additional capital will be required for the development of the Bluff and Grosvenor West projects;
- regulatory approvals and access to infrastructure will be required for the development of the Bluff and Grosvenor West projects;
- the viability of the projects will be dependent on coal prices and exchange rates; and
- coal exploration and mine development involves an inherent degree of operational risk.

Indicative and conditional proposals from a number of financiers have been received for funding for the Bluff project following a tender process. The proposals, if finalised and implemented, would enable Carabella to access most of, and potentially all of, the funding required to bring the Bluff project into production. However, there is a risk that Carabella may need to seek additional sources of capital if the financing secured is insufficient to cover all of the funding required for Bluff or if the timing of financial close under these financing proposals would not allow Carabella to progress the Bluff project on its proposed timetable.

The Offer provides Carabella Shareholders with greater certainty relative to the alternative of waiting for the price of Carabella Shares to reflect the potential value of its projects being developed and reaching full production, which has inherent risks.

d. There are risks in not accepting the Offer

• The price of Carabella Shares may fall

While there are many factors that influence the market price of Carabella Shares, your Directors anticipate that, following the close of the Offer and absent a Superior Proposal, the market price of Carabella Shares may fall if Wealth Mining's Offer fails, Wealth Mining acquires more than 50% (but less than 90%) of the Carabella Shares or if the Offer does not result in Wealth Mining acquiring 100% of Carabella Shares. The closing price for Carabella Shares on the last full trading day prior to the announcement of the Offer was \$0.20. The 1 month VWAP for Carabella Shares prior to the Offer was \$0.24.

• You may become a minority Carabella Shareholder

The Offer is subject to a 57% minimum acceptance condition. If you do not accept the Offer, there is a risk that if the Offer is successful and Wealth Mining secures a shareholding in Carabella but is not entitled to compulsorily acquire any outstanding Carabella Shares, you may become a minority Carabella Shareholder.

This will have a number of adverse implications for your shareholding in Carabella (see Section 6.2 of this Target's Statement for more details).

• Carabella will incur payments on a change of control

In circumstances where Wealth Mining's Offer closes with Wealth Mining holding more than 50% (but less than 90%) of the Carabella Shares, payments in respect of the Offer would become necessary. Details of these payments are set out in Section 10.3 and Section 10.4 of this Target's Statement.

As at 30 December 2013, Carabella's cash balance (unaudited) was \$6.5 million.

3.2 Why you might not wish to accept the Offer

a. You may disagree with the recommendation of your Directors

Despite the recommendation of your Directors, you may take a different view and may believe that the Offer is not in your best interests.

b. You may believe there is the potential for a Superior Proposal to emerge

You may believe that there is potential for a Superior Proposal to emerge in the foreseeable future.

It is possible that a more attractive proposal for Carabella Shareholders could emerge in the future. You should be aware that:

- following announcement of the Initial Offer, Carabella received a number of expressions of interest from other parties; and
- Carabella provided access to its data room to a number of parties to conduct due diligence in order to provide an opportunity for a Superior Proposal to emerge.

However, as at the last Business Day prior to the date of this Target's Statement, no alternative offers capable of being accepted by and recommended to Shareholders had been received by the Carabella Board.

The Bid Implementation Agreement also imposes a number of restrictions on Carabella from seeking out a Competing Proposal from third parties and taking steps to facilitate such a proposal (see Attachment 1 for a summary of the terms of the Bid Implementation Agreement). However, these restrictions do not prevent Carabella from receiving and responding to a proposal that is considered by the Carabella Board, after taking advice, to be a Superior Proposal, or which may reasonably lead to a Superior Proposal for Carabella Shareholders.

c. You will not have the opportunity to participate in any potential future value creation that may result from being a Carabella Shareholder

If you accept the Offer and the Offer becomes unconditional, you will no longer be a Carabella Shareholder. This will mean that you will not participate in any potential upside that may result from Carabella remaining as a stand-alone entity, including that which may result from the successful development of the Bluff or Grosvenor West projects, or from exploration success at Carabella's other projects.

d. You may wish to maintain your current investment profile

You may wish to maintain an investment in Carabella as a stand-alone entity in order to have an investment in a publicly listed company with the specific characteristics of Carabella such as industry, operational profile, size and geography.

e. The tax consequences of accepting the Offer may not suit your financial position

Accepting the Offer may trigger taxation consequences for you. You should read the Tax Consequences in Section 9 of this Target's Statement and seek professional taxation advice with respect to your individual tax situation.

f. You may wish to sell your Carabella Shares on market

You may decide, after taking into account the matters referred to in this Target's Statement and your own personal circumstances, that it is better to sell your Carabella Shares on the ASX, potentially for a higher price than the Offer.

SECTION 4

Your Choices as a Carabella Shareholder

In the absence of a Superior Proposal, your Directors recommend that you accept the Offer (subject to the Offer condition set out in paragraph (c) of section 9.7 of the Bidder's Statement being fulfilled or waived).

However, as a Carabella Shareholder you have three choices currently available to you:

a. Accept the Offer

Carabella Shareholders who accept the Offer will receive \$0.455 cash per Carabella Share, subject to the terms and conditions of the Offer, details of which are set out in Section 7 of this Target's Statement and in section 9.7 of the Bidder's Statement.

Shareholders who accept the Offer may be liable for CGT on the disposal of their Shares (see Section 9 of this Target's Statement). However, they will not incur any brokerage charge.

The Bidder's Statement contains details of how to accept the Offer in section 9.3.

b. Sell your Shares on market

During a takeover, shareholders of a target company who have not already accepted a bidder's offer can still sell their shares on market for cash.

The latest price for Carabella Shares may be obtained from the ASX website www.asx.com.au.

Shareholders who sell their Shares on market may be liable for CGT on the sale (see Section 9 of this Target's Statement) and may incur a brokerage charge.

Carabella Shareholders who wish to sell their Shares on market should contact their broker for information on how to effect that sale.

c. Do not accept the Offer or sell your Shares on market

Shareholders who do not wish to accept the Offer or sell their Shares on market should do nothing.

Shareholders should note that if Wealth Mining and its associates have a relevant interest in at least 90% of the Shares during or at the end of the Offer Period, Wealth Mining will be entitled to compulsorily acquire the Shares that it does not already own (see Section 7.12 of this Target's Statement for further details).

SECTION 5

Overview of Carabella

5.1 Company overview

a. Introduction

Carabella Resources is an ASX-listed coal exploration and development company with projects primarily located in Queensland's Bowen Basin.

The Company is focused on the development of the Bluff ultra-low volatile PCI project located in central Queensland near the town of Blackwater. A concept study for Bluff was completed in May 2013 and a feasibility study is well advanced. A Mining Lease Application and Environmental Authority application were lodged in February 2013. The Environmental Authority application was resubmitted in November 2013 under the Queensland Government's Green Tape Reduction process. Subject to receiving all necessary approvals, Carabella plans to commence project development at Bluff in H1 2014. At full capacity, Bluff is expected to produce approximately 1.2Mtpa of high quality ultra-low volatile PCI coal.

Carabella is also progressing its large scale Grosvenor West hard coking coal project located near Moranbah in the Bowen Basin. Grosvenor West is currently in feasibility and forms part of Carabella's longer term development plans. When in production, Grosvenor West is expected to produce approximately 3.8Mtpa of premium hard coking coal and thermal coal.

In addition to its development assets, Carabella holds a broad exploration tenement portfolio in Queensland. The Company's tenement holding covers a total area of approximately 3,300km² and is prospective both for metallurgical and thermal coal.



Tenement	Coal Type	Area (km ²)	Interest
Mabbin Creek	Coking / Thermal	929	100%
Mabbin North	Coking / Thermal	6	100%
Pretoria Hill	Coking / Thermal	410	50%
Bell Lagoon	Coking / Thermal	390	100%
Bluff	PCI	44	100%
Burnett	Thermal	594	100%
Pingine	Thermal	920	100%

Project	Highlights
Bluff	<ul style="list-style-type: none"> • ULV PCI • Feasibility • Approximately 1.2Mtpa product
Grosvenor West	<ul style="list-style-type: none"> • HCC/Thermal • Feasibility • 3.8Mtpa product
Mabbin Creek	<ul style="list-style-type: none"> • Coking Coal/ Thermal • 1,735km² • Expanded exploration
Burnett	<ul style="list-style-type: none"> • Thermal • 594km² • Exploration Planning
Pingine	<ul style="list-style-type: none"> • Thermal • 920km² • Exploration Planning

a. Bluff (MLA 80194)

The Bluff tenement (EPC 2121) is located approximately 20km east of Blackwater in Central Queensland. The tenement is located adjacent to the Gladstone railway line and is approximately 260km from the port of Gladstone. Several historical mines are located to the north of Bluff. A number of established mining operations are also located nearby including Jellinbah, Yarrabee, Blackwater, Cook and Curragh.

Bluff project location



Bluff drilling map



Initial drilling on Bluff identified a shallow coal resource in the north eastern corner of the tenement. The coal mineralisation was found to extend beyond the Bluff boundary and into the neighbouring tenement. In December 2012, Carabella acquired the neighbouring sub-block (CLER 3158A) enabling an optimised mine plan to be developed, maximising the amount of recoverable coal.

To date, 68 holes have been drilled in the Bluff deposit. The extensive drilling has enabled Carabella to gain a solid understanding of the project's geology. Locally, the Jellinbah fault to the west has upthrust the Rangal Coal Measures near to the surface. The majority of the Bluff resource is within four main seams of the Rangal Measures. Drilling has intersected these seams from as shallow as 35m with cumulative thickness of up to 20m.

Bluff Coal Seam Thicknesses

Seam	Seam Thickness (m)	
	Range	Typical
Aries	1-4	2
Pollux	2-8	4.8
Orion	2-4	2.5
Pisces	2-2.5	2.2

Carabella has delineated a JORC (2004) Compliant Resources Estimate of 21.5Mt and a JORC (2004) Mineable Reserves Estimate of 11.0Mt at Bluff, which is sufficient to underpin the proposed open cut operation at the site. Additional drilling will be undertaken to further improve resource delineation and to test for potential extensions to the south and east.

Bluff JORC Resource (July 2013)

Category	Resources (Mt)		
	0-150m	150-300m	0-300m
Indicated	7.9	3.3	11.2
Inferred	2.9	7.4	10.3
Total Resources	10.8	10.7	21.5

Bluff JORC Reserve (November 2013)

Probable Reserves (Mt)	
Mineable	Marketable
11.0	9.0

The Reserves Estimate has been prepared by MEC Mining in accordance with the JORC 2004 Code. The Mineable Reserves are on a ROM basis inclusive of dilution and moisture. Supporting information for the Reserves Estimate is set out in the announcement made to the ASX by Carabella on 25 November 2013.

The Bluff project was progressed into feasibility in May 2013 on the back of a successful concept study. The proposed operation at Bluff envisages the development a competitive open cut mine involving terrace mining. Similar mining methods have been successfully employed in nearby operations such as Jellinbah, Yarrabee and Baralaba.

Bluff Concept Study Parameters (May 2013)

Mining Parameters

Saleable Production Approximately	1.2Mtpa
Product Mix	100% ULV PCI
Overburden to Coal Ratio	~9:1
Total Yield	>85%
Mine Life	10+ years
First Coal	1H 2014
CAPEX	\$32.5M
Total FOB Cost (C1)	\$96/t

Bluff is expected to have a mine life of 10 years or more producing approximately 1.2Mtpa of ULV PCI coal. The operation will have a relatively low overburden to coal ratio of ~9:1 over life of mine. The anticipated coal processing yields are high at more than 85%. This is due to the significant portion of bypass coal found in the main Pollux seam. A contractor based operation is proposed for Bluff which will minimise the upfront capital cost required. Studies have also been undertaken to assess the potential for an underground mining extension once open cut operations have been completed.

As part of the drilling program, nine core holes have been drilled to enable detailed coal quality and washability analysis. The results confirm that a high quality ULV PCI coal can be produced. The expected specification of the Bluff product is set out below.

Bluff Coal Quality

Product Quality (adb)

Ash (%)	10
Volatile Matter (%)	13.5
Fixed Carbon (%)	75
Total Sulphur (%)	0.65
Total Phosphorus (%)	0.07
Chlorine (%)	<0.05
CV (Kcal/kg)	7,500

A Concept Study for Bluff was completed in May 2013. A feasibility study is well advanced.

Carabella lodged the EA application and supporting documentation for the Bluff project under the Queensland Government's new Green Tape Reduction process in early November 2013. Grant of the Mining Lease and EA are expected in early 2014. Subject to funding, this would allow project development to commence in H1 2014.

Indicative and conditional proposals from a number of financiers have been received for funding for the Bluff project following a tender process. The proposals, if finalised and implemented, would enable Carabella to access most of, and potentially all of, the funding required to bring the Bluff project into production.

Entering into agreements in respect of the funding proposals (which had been well advanced prior to the Offer) may trigger a condition of the Offer and is restricted by the Bid Implementation Agreement. As your Directors consider the Wealth Mining Offer is in the best interests of Shareholders (in the absence of a Superior Proposal), such funding proposals will not currently be pursued.

b. Grosvenor West (MLA 70480)

The Grosvenor West project (MLA 70480) is located in the northern Bowen Basin near the town of Moranbah. It is also located close to major metallurgical coal mines operated by BHP Mitsubishi Alliance (BMA), Peabody Energy and Anglo American. The project is located approximately 5km from major rail corridors that connect to the coal ports of Dalrymple Bay and Abbot Point.

Grosvenor West has a JORC Compliant Resource of 141Mt comprising five coal seams in the Moranbah Coal Measures. The average cumulative seam thickness is approximately 10.5m with the main seams being the 4.9m thick GL seam and the 3m thick GLB seam. The seams occur at depth between 80m to 180m and gently dip from west to the east.

Grosvenor West was progressed into feasibility in September 2012 as a large scale open cut mining operation. The decision to progress the project into feasibility followed detailed evaluation of mining options to deliver competitive capital and operating costs. The preferred mining method involves the use of bucket wheel excavator systems for bulk overburden removal, supplemented with a truck and excavator fleet. This approach delivers substantial improvement in overall project economics through reducing the cost of overburden removal and by increasing coal production rates. Bucket wheel excavators are especially suited to Grosvenor West given the thick but soft tertiary overburden that is present.

Grosvenor West project Parameters

Project Parameters

ROM Production	5.5Mtpa
Total Yield	70%
Saleable Production	3.8Mtpa
Product mix	2/3 Premium HCC 1/3 Export Thermal
Mine life	18 years
Mineable Resource	Up to 90Mt
First Coal	2017
Full Production	2019
Total FOB Cost (C1)	\$110/t
CAPEX	\$500M

Grosvenor West has an average strip ratio of 12:1 and an overall yield of 70%. The Grosvenor West hard coking coal will be a premium quality product. In particular, the Coke Strength after Reaction (CSR) value of 71% places the coke strength amongst the highest in the world. The quality parameters of the Grosvenor West products are detailed below.

Grosvenor West Coal Quality

Clean Coal Parameters	Unit	10% Ash Product	Thermal Co-product
Inherent Moisture	% adb	1.5	2.0
Ash	% adb	10.0	25.0
Volatile Matter	% adb	27.5	20.5
Fixed Carbon	% adb	61.0	52.8
Total Sulphur	% adb	0.60	0.44
Phosphorous	% adb	0.011	–
CSN	adb	7-8	–
Roga Index	adb	80	–
Max. Fluidity	ddpm	4,000	–
Max. Dilatation	%	150	–
Vitrinite	%	67	–
Mean Romax	%	1.07	–
Calorific Value	Kcal/Kg GAD	7,620	6,150

Grosvenor West Coal Quality

Coke Test Parameters	GL Seam	GLB Seam
Coke yield (dry %)	76.2	76.6
Mean coke size (mm)	63.2	59.6
CRI (mean of 2 tests)	17.4	15.3
CSR (mean of 2 tests)	71.3	71.2
ASTM Stability Factor (%)	53.4	56.7

Environmental studies were advanced during FY13 with the Terms of Reference for the Environmental Impact Study issued by the Queensland Department of Environment and Heritage Protection in October 2012. Post wet season, surveys were completed including ecology (flora and fauna), aquatic surveys, surface water modelling and soils and land surveys.

The feasibility study program for Grosvenor West will be progressed in parallel with the development of the Bluff project providing Carabella with a strong growth program in the medium term, focussed on production of high quality hard coking coal and PCI for the export market.

c. Bell Lagoon (EPC 2188)

Location:	20-30km northwest of town of Moranbah
Area:	390km ²
Project description:	Potential thermal coal
Envisaged mine type:	Open cut and underground
Targets:	Two potential target areas identified
Exploration program:	Initial exploration planning phase

Carabella owns 100% of Bell Lagoon (EPC 2188) which covers an area of approximately 390km². Bell Lagoon is located to the north of the Peak Downs Highway, approximately 41km west of Moranbah. The tenement is located immediately to the west of Carabella's Mabbin Creek tenement and the Pretoria Hill tenement.

The target sequence is a unit of similar stratigraphic age to the Collinsville Coal Measures and Blair Athol type deposits. Previous exploration has been undertaken predominantly by BHP Billiton Minerals Pty Ltd as a part of the broader Wyena project, targeting high volumes of thick seam high-grade energy coal.

Carabella is in the initial planning stages of an exploration program in Bell Lagoon.

d. Mabbin Creek (EPC 1069) and Mabbin North (EPC 2216)

Location:	Northwest of Moranbah
Area:	935km ²
Project description:	Potential for multiple coking coal and thermal coal exploration targets with possibility for centralised infrastructure (CHPP / stockpiles / rail loops) hub
Envisaged mine type:	Open cut and underground
Targets:	Rugby Coal Measures
Exploration program:	Seismic survey and drilling undertaken over initial target area

Mabbin Creek and Mabbin North are the broader tenement area encompassing the Grosvenor West project. The Mabbin Creek tenement comprises 291 sub-blocks. Five target areas have been identified in the Mabbin Creek tenement targeting coal deposits in the Rugby Coal Measures. During FY13, an exploration program was advanced on the southern-most target located near the Grosvenor West project. The program included 26km of 2D seismic surveying together with three drill holes. Further work was suspended to enable the Company to focus its exploration and development efforts on the Bluff project. Nonetheless, Carabella intends to recommence exploration activities covering the identified targets as soon as resources are available.

e. Pretoria Hill (EPC 2135) (50% owned by Carabella)

Location:	5-15km northwest of town of Moranbah
Area:	410km ²
Project description:	Potential for coking and thermal coal exploration targets close to the Grosvenor West Project
Envisaged mine type:	Open cut and underground
Targets:	Target generation phase
Exploration program:	Regional data review, planning for seismic analysis and scout drilling programs

Pretoria Hill (50% owned with U&D Mining) is adjacent to the Mabbin Creek tenement. The main targets of exploration at Pretoria Hill are coal deposits in the Rugby Coal Measures. Carabella has been exploring for Rugby type coal deposits in the adjacent Mabbin Creek tenement. These activities indicated potential for similar deposits at Pretoria Hill.

Limited historical exploration in the region has been undertaken by a number of companies for both coal and minerals. Carabella has undertaken a detailed desktop study on the tenement incorporating previous exploration results. This data has been applied to determine target areas for future exploration of Pretoria Hill. Carabella is progressing discussions with U&D Mining towards development of a joint exploration program for the tenement.

f. Burnett (EPC 1175)

Location:	180km south of Gladstone
Area:	594km ²
Project description:	Potential for export thermal coal
Envisaged mine type:	Open cut
Targets:	Northern and central areas of the tenement
Exploration program:	Drilling program has been developed

Carabella owns 100% of the Burnett tenement (EPC 1175) which is located in central Queensland within the Mulgildie Basin. The tenement comprises 191 sub-blocks and covers a total area of 594km². Burnett is also adjacent to a number of tenements held by Whitehaven Coal Limited. An existing railway line runs north-south through the tenement approximately 180km to the Port of Gladstone.

The Monto Coal project is located immediately to the north of Burnett. This project is reported to have a Coal Resource of over 300Mt.

Carabella has identified an Exploration Target of 50Mt–420Mt at Burnett. Regional data suggests that coal produced from Burnett would likely be of export thermal coal quality.

The potential quantity and grade of the Exploration Targets identified herein are conceptual in nature, and there has been insufficient exploration to date to define a mineral resource in accordance with the JORC Code. Furthermore, it is uncertain if further exploration at its Exploration Targets will result in the determination of a mineral resource.

During FY13, Carabella undertook geological modelling of possible coal bearing areas to identify potential targets for future drilling. Based upon a review of historical drilling data, a number of prospective areas were identified in the northern and central areas of the tenement in the Mulgildie Coal Measures, Hutton Sandstone and Evergreen formation. The forward drilling program has been developed on the basis of the modelling work and is intended to be progressed as part of Carabella's broader planned exploration program.

g. Pingine (EPC 2124)

Location:	40km east of town of Quilpie
Area:	920km ²
Project description:	Potential for multiple thermal coal exploration targets
Envisaged mine type:	Large scale open cut and underground thermal
Targets:	Target generation phase
Exploration program:	Initial exploration planning phase

EPC 2124 is located in the Quilpie district of southwest Queensland, approximately 40km east of the town of Quilpie and 100km west of Charleville. It comprises 300 sub-blocks and has been subjected to limited previous coal exploration.

Coal has been intersected in the Winton Formation in some boreholes in the tenement. To date, the thickest intersection encountered has been eight banded coal seams occurring over an interval of 14.0m from a depth of 60.5m.

Based on desktop studies for Pingine undertaken during FY13, Carabella believes there is potential for thermal coal resources to be identified in the tenement. The forward exploration program includes scout drilling, core sampling and testing, geophysical surveying and resource modelling.

h. Resource Statement

JORC Compliant Resources (2004) Statement for Bluff

Measured	Indicated	Inferred	Total
–	11.2Mt	10.3Mt	21.5Mt

JORC Compliant Resources (2004) Statement for Grosvenor West

Measured	Indicated	Inferred	Total
67.3Mt	41.6Mt	32.0Mt	141.0Mt

JORC Compliant Resources (2004) Statement for Burnett

Measured	Indicated	Inferred	Total
–	–	3.4Mt	3.4Mt

JORC Compliant Reserves (2004) Statement for Bluff

Probable Reserves (Mt)		
Mineable	Marketable	
11.0	9.0	

i. Competent Person's statement

Bluff Resource

The information presented in this Target's Statement relating to exploration results, coal resources and exploration targets is based on information compiled by Mr Mal Blaik of JB Mining Services. Mr Blaik is a qualified Geologist, a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee (JORC Code). Mr Blaik has given his consent for the inclusion of this information, and has reviewed all statements pertaining to this information in the form and context in which it appears.

Grosvenor West & Burnett Resource

The information presented in this Target's Statement relating to exploration results, coal resources and exploration targets is based on information compiled by Mr Bruce Robertson who is a member of the Australian Institute of Mining and Metallurgy and is an employee of the Carabella Resources Limited. Mr Robertson is a qualified mining engineer and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee (JORC Code). Mr Robertson has given his consent for the inclusion of this information, and has reviewed all statements pertaining to this information in the form and context in which it appears.

Bluff Reserves

The information in this Target's Statement that relates to ore reserves is based on information compiled by Edward Boulton, who is a member of the Australasian Institute of Mining and Metallurgy. Edward Boulton is a full time employee of MEC Mining. Edward 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'. Edward Boulton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

5.2 Financial information for Carabella and related matters

Carabella's last published audited financial statements are for the financial year ended 30 June 2013 and were lodged with ASX on 30 September 2013. The tables below set out details of the financial performance of Carabella for the last three financial years.

The financial information set out below is a summary only. The full financial accounts for Carabella for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013, including the notes to the accounts, can be found in Carabella's annual reports for the respective years, which can be found on Carabella's website at www.carabellaresources.com.au.

a. Consolidated statement of profit or loss

The table below sets out Carabella's consolidated statement of profit or loss for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013.

	Consolidated		
	2013	2012	2011
Revenue from continuing operations	681	1,401	399
Corporate overhead expenses	(1,143)	(1,402)	(910)
Depreciation expenses	(340)	(262)	(71)
Employee benefits expenses	(1,995)	(2,694)	(1,314)
Exploration costs expensed	–	–	(156)
Finance costs	–	–	(255)
Impairment of tenements	(1,534)	–	–
Infrastructure costs expensed	–	(373)	(134)
Non-executive Directors' remuneration	(314)	(287)	(780)
Professional services expenses	(921)	(1,205)	(2,000)
Share based payments expense	(2,735)	(1,746)	(418)
Loss before income tax	(8,302)	(6,568)	(5,639)
Tax benefit	295	208	–
Loss from continuing operations	(8,007)	(6,360)	(5,639)
Discontinued operations			
Loss from discontinued operations after tax	(93)	(852)	(65)
Loss for the year	(8,100)	(7,212)	(5,704)
Other comprehensive income			
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive loss for the year attributable to members of Carabella Resources Limited	(8,100)	(7,212)	(5,704)
	Cents	Cents	Cents
Loss per share			
Basic and diluted loss per share			
Loss from continuing operations	(5.26)	(4.59)	(6.31)
Loss from discontinued operations	(0.06)	(0.61)	(0.07)
Total	(5.32)	(5.20)	(6.38)

b. Consolidated statement of financial position

The table below sets out Carabella's consolidated statement of financial position for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013.

	Consolidated		
	2013	2012	2011
ASSETS			
Current assets			
Cash and cash equivalents	10,186	24,966	28,257
Trade and other receivables	590	873	455
Inventory	–	–	30
Assets held for sale	20	2,441	30
Total current assets	10,796	28,280	28,742
Non-current assets			
Trade and other receivables	–	–	88
Property, plant and equipment	936	1,283	1,936
Exploration and evaluation assets	40,356	31,197	7,945
Intangible assets	–	–	600
Investment accounted for using the equity method	700	700	700
Other assets	454	697	420
Total non-current assets	42,446	33,877	11,689
Total assets	53,242	62,157	40,431
LIABILITIES			
Current liabilities			
Trade and other payables	1,100	5,306	1,250
Provisions	116	256	144
Total current liabilities	1,216	5,562	1,394
Total non-current liabilities	–	–	–
Total liabilities	1,216	5,562	1,394
Net assets	52,026	56,595	39,037
EQUITY			
Issued capital	66,121	66,121	43,097
Reserves	7,330	3,799	2,053
Accumulated losses	(21,425)	(13,325)	(6,113)
Total equity	52,026	56,595	39,037

c. Consolidated statement of cash flows

The table below sets out Carabella's consolidated statement of cash flows for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013.

	Consolidated		
	2013	2012	2011
Cash flows from operating activities (continuing operations)			
Receipts in the course of operations (inclusive of goods and services tax)	–	1,417	89
Payments to suppliers (inclusive of goods and services tax)	(4,146)	(3,924)	(3,666)
Interest received	651	1,401	400
Refund of security deposits	233	–	–
Net cash outflows from operating activities (continuing operations)	(3,262)	(1,106)	(3,177)
Cash flows from operating activities (discontinued operations)			
Receipts in the course of discontinued operations (inclusive of goods and services tax)	195	–	–
Payments to suppliers of discontinued operations (inclusive of goods and services tax)	(199)	–	–
Net cash outflows from operating activities (discontinued operations)	(4)	–	–
Total cash flows from operating activities	(3,266)	(1,106)	(3,177)
Cash flows from investing activities (continuing operations)			
Payments for exploration assets	(13,854)	(22,725)	(5,971)
Payments for business combination	–	–	(1,670)
Payments for interest in joint venture	–	–	(700)
Net cash outflows from investing activities (continuing operations)	(13,854)	(22,725)	(8,341)
Cash flows from investing activities (discontinued operations)			
Proceeds of assets sold/held for sale	2,339	(1,956)	(940)
Net cash inflows from investing activities (discontinued operations)	2,339	(1,956)	(940)
Total cash flows from investing activities	(11,515)	(24,681)	(9,281)
Cash flows from financing activities (continuing operations)			
Proceeds from convertible bonds	–	–	2,300
Proceeds from share issue	–	24,047	40,959
Proceeds from financial liabilities	–	–	150
Repayment of financial liabilities	–	–	(150)
Payment of share issue costs	–	(1,551)	(2,886)
Net cash inflows from financing activities (continuing operations)	–	22,496	40,373
Net (decrease)/increase in cash and cash equivalents	(14,781)	(3,291)	27,915
Cash and cash equivalents at the beginning of the financial year	24,966	28,257	342
Cash and cash equivalents at the end of the financial year	10,186	24,966	28,257

d. Dividends

Carabella has not paid dividends since being listed in December 2010. Given the level of capital required to develop the Bluff and Grosvenor West projects, it is not expected that Carabella will be in a position to consider paying dividends for several years as surplus cash, to the extent available, will be reinvested by Carabella to assist in meeting capital expenditure requirements for these projects.

e. Forecast financial information

Carabella has given careful consideration as to whether forecast financial information should be included in this Target's Statement. In particular, Carabella has considered whether there is a reasonable basis for the disclosure of forecast financial information in respect of Carabella. Carabella has concluded that such forecast financial information cannot be provided as Carabella does not have a reasonable basis for such forecasts. Given in particular the pre-production nature of Carabella's major assets, any such forecasts would not be reliable, meaningful or material to Carabella Shareholders.

SECTION 6

Important Matters for
Carabella Shareholders
to Consider

6.1 The Wealth Mining Offer

Wealth Mining announced its Revised Offer for Carabella on 24 December 2013 together with the Supplementary Bidder's Statement. A summary of the key features of the Offer is contained in Section 7 of this Target's Statement.

Wealth Mining's Offer is open for acceptance until 7.00pm Sydney time on 20 January 2014, unless it is extended or withdrawn (Sections 7.5 and 7.6 of this Target's Statement describe the circumstances in which Wealth Mining can extend or withdraw its Offer).

6.2 Minority ownership consequences

If Wealth Mining acquires more than 50% but less than 90% of the Carabella Shares then, assuming all other conditions to the Offer are satisfied or waived (including the 57% minimum acceptance condition), Wealth Mining will acquire a majority shareholding in Carabella.

Accordingly, Carabella Shareholders who do not accept the Offer will become minority shareholders in Carabella. This has a number of possible implications, including:

- Wealth Mining will be in a position to cast the majority of votes at a general meeting of Carabella. This will enable it to control the composition of Carabella's board of directors and senior management and control the strategic direction of the businesses of Carabella and its subsidiaries;
- the price of Carabella Shares may fall immediately following the end of the Offer Period and it is unlikely that the price of Carabella's Shares will contain any control premium;
- if the number of Carabella Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing then Wealth Mining may seek to have Carabella removed from the official list of the ASX. If this occurs, Carabella Shares will not be able to be bought or sold on the ASX; and
- if Wealth Mining acquires 75% or more of the Carabella Shares it will be able to pass a special resolution of Carabella. This will enable Wealth Mining to, among other things, change Carabella's constitution.

6.3 Taxation consequences of a change in control in Carabella

If Wealth Mining acquires more than 50% but less than 90% of the Shares then, assuming all conditions to the Offer are satisfied or waived (including the 57% minimum acceptance condition), Wealth Mining will acquire a majority shareholding in Carabella. In such circumstances, Carabella Shareholders who do not accept the Offer will be minority shareholders in Carabella. The general implications of being a minority shareholder are discussed in Section 6.2 and the potential tax implications are discussed below.

a. Tax losses of Carabella

The utilisation of any realised or unrealised losses that currently exist in the Carabella structure to shelter income in future periods is dependent on the satisfaction of certain legislative tests. In the event that Wealth Mining acquires more than 50% of the Shares (assuming all conditions to the Offer are satisfied or waived including the 57% minimum acceptance condition) it will trigger a change of underlying ownership of Carabella which may impact the availability of these losses.

b. Future exit of investment

Should Wealth Mining seek to have Carabella removed from the Official List of the ASX the liquidity of the Shares held by the minority shareholders may be reduced. As a result, a minority Carabella Shareholder that would like to exit their investment may need to request that their Shares be bought back. The tax treatment will depend on the particular facts and circumstances and some amount may be deemed to be a dividend for Australian tax purposes.

6.4 Key risks associated with an investment in Carabella

There are various risks associated with investing in Carabella that Carabella Shareholders should consider before deciding whether or not to accept the Offer. There are general risks affecting the operations of Carabella, various risks which affect companies operating in the mining industry as well as various risks affecting the price of Carabella Shares as with any stock market investment.

The risks set out below are not to be taken as an exhaustive list. They are relevant to Carabella Shareholders as at the date of this Target's Statement and will continue to be relevant to Carabella Shareholders who remain Carabella Shareholders following the end of the Offer Period.

a. Coal price risk

Coal is an internationally traded commodity and price changes are driven by global supply and demand factors that are outside Carabella's control. Changes to the coal price may materially impact Carabella's ability to economically develop or operate its projects.

b. Exchange rate risk

Carabella, if its projects become operational, may derive the majority of its revenues in US dollars and incur the majority of its costs in Australian dollars. A strengthening of the Australian dollar relative to the US dollar may impact Carabella's financial position.

In developing its projects, Carabella (or mining contractors engaged) may source some major mining equipment from overseas manufacturers. In this situation an exposure to movements in exchange rate may exist, depending on commercial arrangements and contracts in place.

Such movements are outside Carabella's control and may need to be mitigated by application of appropriate contractual terms or hedging arrangements.

c. Operational risk

Carabella is subject to conditions beyond Carabella's control that could reduce potential production and sales or increase costs. These conditions include but are not limited to: geological factors impacting mining operations and coal resources; changes in legislative requirements; changes in input costs and other market conditions; government policies; abnormal or severe weather or climate conditions; natural disasters; equipment failures and industrial disruption. Impacts from these factors could potentially adversely impact the results and the financial performance of Carabella.

d. Project development risk

Mine development projects require the full suite of environmental, tenement and other statutory approvals to be in place before the commencement of operations on a mine site. Specific major items include granting of a Mining Lease, environmental approvals, land acquisition and compensation agreements, signing of a Cultural Heritage Management Plan, as well as sign-off on various other state and local Government requirements.

Carabella is currently working through the various approval processes required but will remain exposed to overall project approval risk, as well as risk to the final scope and timing for commencement of site operations until all approvals are in place.

e. Financing risks

Carabella does not currently generate operational cash flow and will require substantial funding over the short and medium term to fund working capital and develop its asset portfolio, including the Bluff and Grosvenor West projects. There is no assurance that Carabella will be able to raise sufficient funds to bring its projects into production. As at 30 December 2013, Carabella's cash balance (unaudited) was \$6.5 million.

f. Exploration risk

Mineral exploration and development is inherently risky. Exploration is costly and involves exacting techniques that must be applied over extended periods of time. Carabella cannot foresee, nor guarantee, whether any future exploration activities will succeed in the discovery of a commercially viable coal deposit.

Carabella has identified significant JORC Resources across its portfolio, however the future value of the deposits are materially dependent on the Company's ability to develop the assets in a timely and economic manner. There is no assurance that Carabella's future exploration and development activities will develop into profitable mining operations.

Risks to Carabella in exploration include uncertainties associated with projected continuity of a coal deposit, fluctuations in the quality of the coal, and unforeseen operational and technical problems. Exploration may be adversely affected or hampered by a variety of non-technical issues such as limitations on activities due to seasonal factors, industrial disputes, access to land, landholder difficulties and many other factors beyond Carabella's control.

g. Infrastructure access risk

Carabella does not currently have contracted infrastructure capacity for its projects. While Carabella is confident of its ability to gain access to the capacity it requires to develop its projects, failure to achieve infrastructure access in a timely manner for Bluff, Grosvenor West or the broader asset portfolio will materially impact Carabella's financial performance.

h. Dependence upon key personnel

Carabella depends on the expertise and experience of its personnel. The loss of key personnel, coupled with an inability to attract suitably qualified replacement personnel, could potentially adversely impact the results and the financial performance of Carabella.

i. General economic conditions

Material adverse changes in the general domestic and international economic climate may have an adverse impact on the performance of Carabella. These general economic conditions are influenced by such factors as economic growth, interest rates, inflation, employment levels and business sentiment.

j. Regulatory risks

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, the introduction of new policies or amendments to existing policies by governments, or the respective interpretation of the legal jurisdictions which govern Carabella's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of Carabella and its Shares.

k. Contractual disputes and litigation

Carabella has no current involvement in any material contractual disputes or litigation matters. However, there is a risk that it may in the future have disputes with its customers or other third parties (including payment disputes) and that this may have an adverse impact on its growth prospects, operating results and financial performance.

l. Share market risk

The price of Carabella Shares will be determined by the share market and will be influenced by a range of factors outside the control of Carabella including fluctuations in the Australian and international share markets, domestic and international economic activity, changes in interest rates and movements in exchange rates. There may be relatively few or many potential buyers and sellers of Carabella Shares at any time which may adversely impact its price.

The price of Carabella Shares may not be related to, or move in step with, changes in value. The price of Carabella Shares may be related to the volumes of buying and selling orders.

SECTION 7

Key Features of Wealth Mining's Offer

7.1 Consideration payable to Shareholders who accept the Offer

The consideration being offered by Wealth Mining is \$0.455 in cash for each Carabella Share it does not already own.

7.2 Conditions to the Offer

Wealth Mining's Offer is subject to a number of conditions. Those conditions are set out in section 9.7 of the Bidder's Statement.

The conditions to the Offer are:

- a. **(Minimum Acceptance)** During, or at the end of, the Offer Period, Wealth Mining and its associates have relevant interests in more than 57% (by number) of Carabella Shares then on issue.
- b. **(No Material Adverse Change)** Between the Announcement Date and the end of the Offer Period (each inclusive):
 1. no event, matter or thing occurs, and Carabella does not disclose information concerning any event, matter or thing, which has, will or is reasonably likely to have a material adverse effect on the assets (including, without limitation, the licences or tenements or associated reserves), liabilities, business, financial or trading position, performance, profitability or prospects of the Carabella Group taken as a whole (whether individually or when aggregated with one or more other events, matters or things); and
 2. no event, matter or thing, as described in sub-paragraph 7.2(b)(1), which occurred on or before the Announcement Date but was not apparent from publicly available information before then, becomes known.
- c. **(Regulatory approvals)** Before the end of the Offer Period, Wealth Mining receives all remaining Chinese regulatory approvals necessary, specifically that prior to the end of the Offer Period:
 1. (MOFCOM) the Chinese Ministry of Commerce approves Wealth Mining's acquisition of Carabella Shares under the Offer; and
 2. (SAFE) the Chinese State Administration of Foreign Exchange approves China Kingho Energy Group or any of its related bodies corporate paying the aggregate price for the Carabella Shares to be acquired under the Offer and transferring funds in \$A or another approved currency out of China to Australia for that purpose.
- d. **(No regulatory actions)** During the Offer Period:
 1. there is not in effect any preliminary or final decision, order or decree issued by a governmental agency;
 2. no action or investigation is announced, commenced or threatened by any governmental agency; and
 3. no application is made to any governmental agency (other than by Wealth Mining),
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 in the exercise of powers and discretions conferred by the Corporations Act), which:
 4. restrains, prohibits or impedes (or if granted or made could restrain, prohibit or impede), or otherwise materially adversely impacts upon:
 - A. the making of the Offers or the completion of any transaction contemplated by the Offer; or
 - B. the rights of Wealth Mining (or any Wealth Mining subsidiary) in respect of Carabella or the Carabella Shares; or
 5. requires the divestiture by Wealth Mining (or any Wealth Mining subsidiary) of any Carabella Shares or the divestiture of any assets of the Carabella Group.
- e. **(No prescribed occurrence)** Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occur:
 1. Carabella converts all or any of its shares into a larger or smaller number of shares;
 2. any member of the Carabella Group resolves to reduce its share capital in any way;
 3. any member of the Carabella Group:
 - A. enters into a buy-back agreement; or
 - B. resolves to approve the terms of a buy-back agreement under the Corporations Act;
 4. any member of the Carabella Group issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
 5. any member of the Carabella Group issues, or agrees to issue, convertible notes;

6. any member of the Carabella Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 7. any member of the Carabella Group grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
 8. any member of the Carabella Group resolves to be wound up;
 9. a liquidator or provisional liquidator of any member of the Carabella Group is appointed;
 10. a court makes an order for the winding up of any member of the Carabella Group;
 11. an administrator of any member of the Carabella Group is appointed under section 436A, 436B or 436C of the Corporations Act;
 12. any member of the Carabella Group executes a deed of company arrangement;
 13. 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 Carabella Group;
 14. any member of the Carabella Group:
 - A. issues, grants or amends the terms of, any securities, options or rights to, or accelerates the rights of, any of the Directors or employees of the Carabella Group to compensation or benefits of any kind (including under any employee or director share, option or incentive plan and including by vesting any outstanding rights under any rights plan) otherwise than in the ordinary course of business and consistent with past practices and except for any vesting of rights on the Offer becoming unconditional; or
 - B. waives or forgives any loans made by any member of the Carabella Group in respect of Carabella Shares issued under any employee or director share, option or incentive plan, or in respect of rights under any rights plan, the rights are cancelled for consideration higher than the net benefit to the director or employee had the rights been exercised and the Offer accepted.
- f. **(No additional capital expenditure, material acquisitions or disposals)** Between the Announcement Date and the end of the Offer Period (each inclusive), neither Carabella nor any of its subsidiaries incurs or commits to incur a capital expenditure, acquires or disposes, offers to acquire or dispose or enters into or announces any agreement to acquire or dispose one or more companies, businesses or assets (including, for the avoidance of doubt, any such transaction relating to the Bluff project or the Grosvenor West project) (or any interest in one or more companies, businesses or assets) or enters into any corporate transaction, which would or would be likely to involve a material change in:
1. the manner in which Carabella conducts its business;
 2. the nature, extent or value of the assets held by Carabella (including, for the avoidance of doubt, by entering into any offtake arrangements in relation to assets relating to the Bluff project or the Grosvenor West project or any other arrangement that would impact Carabella' exposure to those assets); or
 3. the nature, extent or value of the liabilities of Carabella.
- g. **(Material contracts)** Between the Announcement Date and the end of the Offer Period (each inclusive), no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which Carabella or any member of the Carabella Group is a party, or by or to which Carabella or any member of the Carabella Group or any of its assets may be bound or subject, and which is material to Carabella (being any agreement or instrument with a value of at least \$3 million or with a term of longer than three years) which has or will or is likely to result in:
1. any monies borrowed by Carabella or any member of the Carabella Group being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or instrument;
 2. any asset of Carabella or any member of the Carabella Group being or becoming the subject of a call option, transfer obligation or otherwise being the subject of a disposal right in favour of a third party;
 3. any such agreement or other instrument being terminated or modified or any action being taken or claim arising thereunder; or
 4. the business of Carabella or any member of the Carabella Group with any other person being adversely affected, as a result (directly or indirectly) of the acquisition or proposed acquisition of Carabella Shares by Wealth Mining.
- h. **(Index Out)** Between the Announcement Date and the end of the Offer Period (each inclusive), the S&P/ASX 200 does not close below 4730 for three or more consecutive trading days.

As set out in Section 10.3 of this Target's Statement, as part of Carabella's agreement to purchase the rights to CLER 3158A initially announced on 20 December 2012, Carabella entered into an arrangement that included the potential acceleration of a cash payment to a third party on a change of control. Wealth Mining has confirmed to Carabella under the Bid Implementation Agreement that it waives any rights to rely on any fact, matter or circumstance arising out of the agreement to acquire CLER 3158A as a breach of the Offer conditions.

Subject to the preceding paragraph, as at the date of this Target's Statement, Carabella is not aware of any act, omission, event or fact that would result in any of the conditions to the Offer being triggered.

7.3 Notice of Status of Conditions

Section 9.10 of the Bidder's Statement indicates that Wealth Mining will give a Notice of Status of Conditions to the ASX and Carabella on 13 January 2014.

Wealth Mining is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as Wealth Mining knows, any of the conditions have been fulfilled; and
- Wealth Mining's voting power in Carabella.

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, Wealth Mining is required, as soon as practicable after the extension, to give a notice to the ASX and Carabella that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the bid period but before the date on which the Notice of Status of Conditions is required to be given, Wealth Mining must, as soon as practicable, give the ASX and Carabella a notice that states that the particular condition has been fulfilled.

7.4 Offer Period

Unless Wealth Mining's Offer is extended or withdrawn, it is open for acceptance from 19 December 2013 until 7.00pm Sydney time on 20 January 2014.

The circumstances in which Wealth Mining may extend or withdraw its Offer are set out in Section 7.5 and Section 7.6 respectively of this Target's Statement.

7.5 Extension of the Offer Period

Wealth Mining may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in Section 7.3 in this Target's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the conditions are fulfilled or waived), Wealth Mining 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:

- Wealth Mining improves the consideration offered under the Offer; or
- Wealth Mining's voting power in Carabella increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

7.6 Withdrawal of Offer

Wealth Mining may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Wealth Mining may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

Further information relating to circumstances within which the Offer may be withdrawn can be found in section 9.11 of the Bidder's Statement.

7.7 Effect of acceptance

The effect of acceptance of the Offer is set out in section 9.5 of the Bidder's Statement. Carabella Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Shares and the representations and warranties which they give by accepting of the Offer.

7.8 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if Wealth Mining varies the Offer in a way that postpones, for more than one month, the time when Wealth Mining needs to meet its obligations under the Offer. This will occur if Wealth Mining extends the Offer Period by more than one month and the Offer is still subject to conditions.

7.9 When you will receive your consideration if you accept the Offer

You will be issued your consideration on or before the date that is the later of 7 Business Days after the later of the date on which you validly accept the Offer and the date on which the Offer is declared or becomes unconditional.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 9.6 of the Bidder's Statement.

7.10 Effect of an improvement in consideration on Shareholders who have already accepted the Offer

If Wealth Mining improves the consideration offered under its takeover bid, all Carabella Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

7.11 Lapse of Offer

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Carabella Shares as you see fit.

7.12 Compulsory acquisition

Wealth Mining has indicated in section 6.2 of its Bidder's Statement that it has not yet formed an intention as to whether or not it will proceed to compulsory acquisition if permitted under Part 6A.1 of the Corporations Act, though Wealth Mining has reserved its right to do so.

Wealth Mining will be entitled to compulsorily acquire any Carabella Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period, Wealth Mining and its associates have a relevant interest in at least 90% (by number) of the Carabella Shares.

If this threshold is met, Wealth Mining will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Carabella Shareholders who have not accepted the Offer. Carabella Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Carabella Shares. If compulsory acquisition occurs, Carabella Shareholders who have their Carabella Shares compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

It is also possible that Wealth Mining will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Shares. Wealth Mining would then have rights to compulsorily acquire Shares not owned by it within 6 months of becoming the holder of 90%. The price for compulsory acquisition under this procedure would have to be considered in a report by an independent expert.

SECTION 8

Information Relating to Your Directors

8.1 Interests and dealings in Carabella securities

a. Interests in Carabella Shares and Options

As at the date of this Target's Statement, your Directors had the following relevant interests in Carabella Shares and Options:

Director	Number of Carabella Shares	Number of Carabella Options
Andrew R Amer (Chairman)	Nil	1,000,000 options over ordinary shares
Anthony J Quin (Managing Director)	Nil	3,500,000 options over ordinary shares (2,000,000 of which will not meet vesting conditions)
Simon R Kidston (Non-Executive Director)	2,423,000 ordinary shares	2,065,873 options over ordinary shares
Michael J Addison (Non-Executive Director)	7,000,000 ordinary shares	2,214,286 options over ordinary shares 100,000 contracts for difference in respect of ordinary shares
Allan Fidock (Non-Executive Director)	68,831 ordinary shares	Nil
Total	9,491,831	8,780,159 Options 100,000 contracts for difference

b. Dealings in Carabella Shares and Options

No Director of Carabella has acquired or disposed of a relevant interest in any Shares or Options in the 4 month period ending on the date immediately before the date of this Target's Statement.

8.2 Interests and dealings in Wealth Mining securities

a. Interests in Wealth Mining securities

As at the date immediately before the date of this Target's Statement, no Director of Carabella had a relevant interest in any Wealth Mining securities.

b. Dealings in Wealth Mining securities

No Director of Carabella acquired or disposed of a relevant interest in any Wealth Mining securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

8.3 Benefits and agreements

a. Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Carabella or related body corporate of Carabella.

b. Agreements connected with or conditional on the Offer

Simon Kidston is also a director of Helmsec Global Capital Limited and has declared his interest in Helmsec Global Capital Limited to the Carabella Board since his appointment. If the fee asserted by Helmsec Global Capital Limited in relation to the Offer is payable (details of which are set out in Section 10.4 of this Target's Statement), Mr Kidston may receive a benefit by virtue of his association with Helmsec Global Capital Limited.

Anthony Quin and certain other employees have entered into agreements with Carabella in respect of their employment, pursuant to which they will be entitled to a cash bonus upon a change of control occurring in respect of Carabella. The total of these payments is included in the estimated transaction costs set out in Section 10.4 and is equal to \$200,000 for Anthony Quin.

Subject to the arrangements explained in Sections 10.4 and 10.7 of this Target's Statement, there are no other agreements made between any Director of Carabella and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Carabella Shares or Options.

The Bid Implementation Agreement also contains a break fee of \$727,000 that may be payable to Wealth Mining in certain circumstances. Further details regarding the Bid Implementation Agreement and when the break fee may be payable by Carabella can be found in Attachment 1 to this Target's Statement.

c. Benefits from Wealth Mining

Subject to the arrangements set out in Section 8.3(b) above, none of the Directors of Carabella has agreed to receive, or is entitled to receive, any benefit from Wealth Mining which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Carabella Shares or Options.

d. Interests of Directors in contracts with Wealth Mining

None of the Directors of Carabella has any interest in any contract entered into by Wealth Mining, other than as a holder of Carabella Shares or Options.

SECTION 9

Taxation Consequences

9.1 Introduction

a. General

The following is a general description of the Australian income and capital gains tax consequences for Carabella Shareholders who accept the Offer. The comments set out below are relevant only to those Carabella Shareholders who hold their Shares on capital account. Carabella Shareholders who:

- hold their Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock);
- have made any of the tax timing method elections pursuant to the taxation of financial arrangements rules in Division 230 of the Income Tax Assessment Act 1997 (Cth) in relation to gains and losses on their Shares; or
- acquired their Shares pursuant to an employee share or option plan;

should seek their own advice.

Carabella Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer.

The following description is based upon the Australian law and administrative practice in effect at the date of this Target's Statement, but it is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every Carabella Shareholder. Carabella Shareholders should seek independent professional advice in relation to their own particular circumstances.

9.2 Australian resident Shareholders

a. Shareholders who accept the Offer

Acceptance of the Offer will involve the disposal by Carabella Shareholders of their Shares by way of transfer to Wealth Mining. This change in the ownership of the Shares will constitute a CGT event for Australian CGT purposes.

The date of disposal for CGT purposes will be the date the contract to dispose of the Shares is formed, which will be the date of acceptance if you decide to accept the Offer. The conditions to the Offer are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period, prevent a contract to sell the Shares arising. Accordingly, the date of disposal is not affected by the fact that at that time the Offer is still subject to one or more conditions subsequent.

b. Compulsory acquisition

If a Carabella Shareholder does not dispose of their Shares under the Offer and their Shares are compulsorily acquired in accordance with Part 6A.1 of the Corporations Act, those Shareholders will also be treated as having disposed of their Shares for CGT purposes.

The date of disposal for CGT purposes will be the date when Wealth Mining becomes the owner of the Shares.

c. Calculation of capital gain or capital loss

Carabella Shareholders may make a capital gain or capital loss on the transfer of Shares, to the extent that the capital proceeds from the disposal of the Shares are more than the cost base (or in some cases indexed cost base) of those Shares. Conversely, Carabella Shareholders will make a capital loss to the extent that the capital proceeds are less than their reduced cost base of those Shares.

The cost base of the Shares generally includes the cost of acquisition and any incidental costs of acquisition and disposal that are not deductible to the Shareholder.

The capital proceeds of the capital gains tax event will include the consideration price of \$0.455 cash per Share received by the Carabella Shareholder in respect of the disposal of the Shares.

Individuals, complying superannuation entities or trustees that have held Shares for at least 12 months but do not index the cost base of the Shares should be entitled to discount the amount of the capital gain (after application of capital losses) from the disposal of Shares by 50% in the case of individuals and trusts or by 33% for complying superannuation entities. For trusts the ultimate availability of the discount may depend on a beneficiary's entitlement to the discount.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains.

9.3 Non resident Shareholders

For a Carabella Shareholder who:

- is not a resident of Australia for Australian tax purposes; and
- does not hold their Shares in carrying on a business through a permanent establishment in Australia;

the disposal of Shares will generally only result in Australian CGT implications if:

- that Shareholder together with its associates held 10 percent or more of the Shares at the time of disposal or for any continuous 12 month period within 2 years preceding the disposal; and
- more than 50% of Carabella's value is due to direct or indirect interests in Australian real property, which is defined to include mining and exploration leases and licences.

Proposed changes to the tax law announced as part of the Federal Budget on 14 May 2013 will, if enacted, affect the determination of whether more than 50% of Carabella's value is due to direct or indirect interests in Australian real property. These changes seek to treat intangible assets connected to mining, quarrying and prospecting rights as being part of the rights to which they relate. In particular, mining information, rights to such information, and goodwill, will be treated as part of the mining rights to which they relate, and therefore will be taken into account as Australian real property.

A Shareholder that, together with its associates, owns, or has for any continuous 12 month period within 2 years owned, 10% or more of the issued share capital of Carabella should obtain independent advice as to the tax implications of sale, and whether any protection will be available under a relevant double tax treaty.

A non-resident Carabella Shareholder who has previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident will be subject to Australian CGT consequences on disposal of the Shares as set out in Section 9.2.

9.4 Goods and services tax

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

Carabella Shareholders may be charged GST on costs (such as advisor fees) that relate to their participation in the Offer. Carabella Shareholders may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.

SECTION 10

Additional information

10.1 Bid Implementation Agreement

The Bid Implementation Agreement was entered into by Carabella and Wealth Mining on 24 December 2013. A copy of the Bid Implementation Agreement has been lodged with the ASX and is available on the ASX website: www.asx.com.au. A summary of the material terms of the Bid Implementation Agreement is contained in Attachment 1 to this Target's Statement.

10.2 Material litigation

Carabella does not believe that it is involved in any litigation or dispute which is material in the context of Carabella and its subsidiaries taken as a whole.

10.3 Contracts

As disclosed in the 2013 annual report, on 20 December 2012 Carabella entered into a Binding Term Sheet to purchase the rights to sub-block CLER 3158A which is adjacent to the Company's tenement at Bluff. The definitive agreements in respect of this transaction were signed on 16 September 2013 (**Definitive Documents**).

The Definitive Documents include a change of control provision whereby:

- a. if a third party controls the voting rights in respect of more than 50% of the Carabella Shares; then
- b. all outstanding purchase price entitlements payable by Carabella in respect of the milestones will become immediately due and are to be settled in cash (such cash settlement amount to be determined by reference to the price per share for the change of control event).

Under the Definitive Documents the consideration for the acquisition was the issue of a total of 23,500,000 Carabella Shares in stages subject to the satisfaction of milestones (the milestones are disclosed in the 2013 annual report). To date 5,875,000 Shares have been issued under the Definitive Documents.

Carabella's Directors currently estimate that if the Offer results in a change of control at \$0.455 per Share, then approximately \$8 million would be payable pursuant to the Definitive Documents.

10.4 Transaction costs

The Offer has resulted in Carabella incurring expenses that would not otherwise arise from trading in the current financial year. Expenses include fees and costs payable to advisers engaged to assist with responding to the Offer and other transaction-related expenses. Carabella notes that part of the advisers' costs are contingent upon the outcome of an offer to acquire Carabella and will have a negative impact on Carabella's cash position, which in certain circumstances is estimated by Carabella's Directors to be up to approximately \$4 million (this does not include the cash payment that would be payable pursuant to the arrangements set out in Section 10.3 above).

Helmsec Global Capital Limited has asserted that it is entitled to a fee payable if the Offer or another takeover bid in respect of Carabella is successful, pursuant to a mandate entered into in April 2010. Carabella and Helmsec Global Capital Limited are in discussions in this regard.

10.5 Issued capital

As at the date of this Target's Statement, Carabella's issued capital consisted of:

- 158,236,547 fully paid ordinary shares; and
- 30,566,111 Carabella Options with the following details:

Option details	Number of options
Exercise price: \$0.25 Expiry date: 15 September 2015	100,000
Exercise price: \$1.94 Expiry date: 14 February 2014	200,000
Exercise price: \$2.33 Expiry date: 14 February 2014	150,000
Exercise price: \$2.72 Expiry date: 14 February 2014	150,000
Exercise price: \$0.25 Expiry date: 12 May 2015	5,000,000
Exercise price: \$0.25 Expiry date: 14 December 2015	1,500,000
Exercise price: \$0.25 Expiry date: 14 May 2015	3,000,000
Exercise price: \$0.25 Expiry date: 24 September 2015	511,111
Exercise price: \$0.25 Expiry date: 25 May 2015	1,000,000
Exercise price: \$0.25 Expiry date: 7 June 2015	2,000,000
Exercise price: \$0.50 Vesting date: 4 January 2013 Expiry date: 4 January 2014	18,750
Exercise price: \$0.60 Vesting date: 4 January 2013 Expiry date: 4 January 2014	18,750
Exercise price: \$0.70 Vesting date: 4 January 2013 Expiry date: 4 January 2014	18,750
Exercise price: \$0.80 Vesting date: 4 January 2013 Expiry date: 4 January 2014	18,750
Exercise price: \$2.00 Expiry date: 10 October 2014	3,500,000
Exercise price: \$2.00 Vesting date: 4 April 2014 Expiry date: 4 April 2015	160,000
Exercise price: \$2.00 Expiry date: 4 November 2014	20,000
Exercise price: \$2.00 Expiry date: 6 September 2014	3,200,000
Exercise price: \$0.50 Expiry date 24 April 2014	10,000,000.
Total	30,566,111

10.6 Substantial holders

As at 27 December 2013, Carabella is aware from notices filed with the ASX of the following persons having substantial holdings Carabella:

Substantial holders	Number of Carabella Shares	Voting power percentage (%)
Wealth Mining Pty Ltd	23,112,833	14.61%
Republic Investment Mgt	10,586,235	6.69%

10.7 Effect of Offer on Carabella Optionholders

a. Employee Share Option Plan

Carabella has in place an Employee Share Option Plan pursuant to which a committee of the Board may issue unlisted Carabella Options to employees. As at the date of this Target's Statement 9,590,000 Carabella Options had been issued pursuant to the Employee Share Option Plan, of which 2,160,000 have not yet vested (2,000,000 of which will not meet vesting criteria). Under the Employee Share Option Plan, in the event that the Board becomes aware that a change of control will occur pursuant to which a third party will acquire 50.1% of the issued share capital of Carabella, the Board will have the discretion to:

1. determine the date on which all unvested Carabella Options issued under the Employee Share Option Plan will vest (such date to be before the completion of the relevant change of control); and
2. notify each participant under the Employee Share Option Plan that all vested but unexercised Carabella Options may be exercised prior to the completion of the change of control event.

b. Carabella Option cancellation offers

Carabella has obtained the ASX waiver set out in Section 10.9. Carabella and Wealth Mining have agreed to enter into agreements with Carabella Optionholders pursuant to which Carabella Optionholders will have the right to enter into arrangements allowing them to cancel their options for consideration equal to the value determined using Black Scholes option valuation methodology, upon and subject to:

1. Wealth Mining acquiring 50.1% or more of the voting rights in Carabella; and
2. all of the conditions to the Offer being satisfied or waived.

c. Further information for Carabella Optionholders

Further information in respect of the arrangements set out in this Section 10.7 will be contained in the cancellation agreements to be sent to Carabella Optionholders in due course.

10.8 Consents

This Target's Statement contains statements made by, or statements said to be based on statements made by, Mr Mal Blaik of JB Mining Services. Mr Blaik has consented to the inclusion of each statement in the form and context in which the statements appear and has not withdrawn that consent at the date of this Target's Statement.

This Target's Statement contains statements made by, or statements said to be based on statements made by, Mr Bruce Robertson. Mr Robertson has consented to the inclusion of each statement in the form and context in which the statements appear and has not withdrawn that consent at the date of this Target's Statement.

This Target's Statement contains statements made by, or statements said to be based on statements made by, Mr Edward Boulton. Mr Boulton has consented to the inclusion of each statement in the form and context in which the statements appear and has not withdrawn that consent at the date of this Target's Statement.

UBS AG, Australia Branch (**UBS**), has given, and not withdrawn before the lodgement of this Target's Statement with ASIC its written consent to be named in this Target's Statement as Carabella's financial adviser in the form and context it is so named. UBS 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 and takes no responsibility for any part of this Target's Statement other than any reference to its name.

Herbert Smith Freehills has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Carabella's Australian legal advisers in the form and context it is so named. Hebert Smith Freehills has not advised on the laws of any foreign jurisdiction. Herbert Smith Freehills 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 and takes no responsibility for any part of this Target's Statement other than any reference to its name.

This Target's Statement contains statements made by, or statements said to be based on statements made by, Helmsec Global Capital Limited. Helmsec Global Capital Limited has consented to the inclusion of each statement in the form and context in which the statements appear and has not withdrawn that consent at the date of this Target's Statement.

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 by Wealth Mining with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Wealth Mining. Pursuant to the Class Order, the consent of Wealth Mining is not required for the inclusion of such statements in this Target's Statement. Any Carabella Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the shareholder information line on 1300 309 589 (for calls made from within Australia) or +61 2 8022 7902 (for calls made from outside Australia). Calls to the shareholder information line may be recorded in accordance with the Corporations Act.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly represents what purports to be a statement made by an official person;
- is a correct and fair copy of, or extract from, what purports to be a public official document; or
- from a public official document or a published book, journal or comparable publication.

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.

10.9 ASX Listing Rule waivers

ASX Listing Rule 6.23.2 requires that a change which has the effect of cancelling an option for consideration can only be made if Shareholders approve the change.

The ASX has granted Carabella a waiver from ASX Listing Rule 6.23.2 to the extent necessary to permit Carabella to cancel for consideration, and without Shareholder approval, the Options. The waiver is conditional on the Offers becoming wholly unconditional and Wealth Mining acquiring voting power in Carabella of at least 50.1%.

10.10 No other material information

This Target's Statement is required to include all the information that Carabella Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director of Carabella.

The Directors of Carabella are of the opinion that the information that Carabella Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Carabella's releases to the ASX, and in the documents lodged by Carabella with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors of Carabella have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate. However, the Directors of Carabella 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 statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors of Carabella have had regard to:

- the nature of the Shares;
- the matters that Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Shareholders' professional advisers; and
- the time available to Carabella to prepare this Target's Statement.

SECTION 11

Glossary and Interpretation

11.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
\$, A\$ or AUD	Australian dollar.
Announcement Date	5 December 2013.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited.
Bid Implementation Agreement	the takeover bid implementation agreement dated 24 December 2013 entered into between Carabella and Wealth Mining.
Bidder's Statement	the bidder's statement of Wealth Mining dated 5 December 2013.
Board or Carabella Board	the Board of Directors of Carabella.
Carabella	Carabella Resources Limited (ABN 66 143 355 471).
Carabella Group	Carabella and its subsidiaries (as defined in the Corporations Act).
Carabella Option or Options	an option to acquire unissued Carabella Shares.
Carabella Optionholder	a holder of a Carabella Option.
Carabella Shares	fully paid ordinary shares in Carabella.
Carabella Shareholder	a shareholder in Carabella.
CGT	capital gains tax.
CHESS Holding	a number of Shares which are registered on Carabella's share register being a register administered by ASX Settlement Pty Limited and which records uncertificated holdings of Shares.
Competing Proposal	<p>means a proposal of any kind pursuant to which one or more transactions or arrangements is proposed which, if entered into or completed in accordance with its or their terms, would result in someone other than Wealth Mining:</p> <ol style="list-style-type: none"> 1. acquiring voting power in Carabella of more than 10%; 2. acquiring a relevant interest in or otherwise acquiring (whether directly or indirectly), or having a right to acquire or an economic interest in, 10% or more of Carabella's Shares (other than in the capacity of custodian, nominee or bare trustee); 3. acquiring (whether directly or indirectly) or becoming the holder of, or having a right to acquire or an economic interest in, all or a substantial part of the business or assets of Carabella; 4. acquiring control (as determined in accordance with section 50AA of the Corporations Act) of Carabella; or 5. otherwise acquiring or merging with Carabella, <p>whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger) or other transaction or arrangement.</p>
Corporations Act	the <i>Corporations Act 2001</i> (Cth) (as modified or varied by ASIC).
Directors or your Directors	members of the Board of Directors of Carabella Resources.
Initial Offer	the Offer by Wealth Mining of \$0.42 per Carabella Share, announced on 5 December 2013.
GST	Australian goods and services tax as established by the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Notice of Status of Conditions	Wealth Mining's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.

Term	Meaning
Offer or Wealth Mining's Offer or Revised Offer	the offer by Wealth Mining of \$0.455 per Carabella Share, announced on 24 December 2013.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 9.2 of the Bidder's Statement.
Rights	has the meaning given in section 10 of the Bidder's Statement.
Superior Proposal	<p>means a bona fide, written Competing Proposal under which a Competing Transaction is proposed which the Carabella Board, acting in to be good faith and after taking advice from Carabella's legal and financial advisers, determines is or has the potential to be more favourable to Carabella Shareholders than the Offer, taking into account all relevant factors, including the following:</p> <ol style="list-style-type: none"> 1. the person(s) who made the Competing Proposal (or on whose behalf it was made, as the case may be) and the person(s) who would be involved in the relevant transaction; 2. all of the terms of the Competing Proposal (including any conditions to which it is subject) and all of the terms of the relevant transaction to which the Competing Proposal relates (including the consideration proposed to be offered under that transaction and any conditions to which that transaction would be subject); and 3. the likelihood that the relevant transaction to which the Competing Proposal relates will be completed in accordance with its terms and on a timely basis, having regard to the likelihood that the conditions referred to in paragraph (2) of this definition (if any) would be satisfied.
Supplementary Bidder's Statement	the first supplementary bidder's statement prepared by Wealth Mining dated 24 December 2013.
Target's Statement	this document (including the attachments), being the statement of Carabella under Part 6.5 Division 3 of the Corporations Act.
Wealth Mining	Wealth Mining Pty Ltd (ACN 162 884 068).

11.2 Interpretation

In this Target's Statement:

1. Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
2. Words of any gender include all genders.
3. Words importing the singular include the plural and vice versa.
4. An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
5. A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.
6. A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re enactments of any of them.
7. Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
8. A reference to time is a reference to AEST.
9. A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

SECTION 12

Authorisation

This Target's Statement has been approved by a resolution passed by the Directors of Carabella. All Carabella Directors voted in favour of that resolution.

Signed for and on behalf of Carabella:

A handwritten signature in black ink, appearing to read 'K. Anderson', written in a cursive style.

Kylie Anderson
Company Secretary

Dated: 30 December 2013

ATTACHMENT 1

Summary of Material Terms of the Bid Implementation Agreement

On 24 December 2013, Carabella and Wealth Mining entered into a Takeover Bid Implementation Agreement (**BIA**) under which Wealth Mining agreed that it would make an off-market takeover bid for all the issued share capital in Carabella on terms and conditions agreed between the parties as set out in the BIA.

A summary of the key terms of the BIA is set out below. Capitalised terms used in this summary that are not otherwise defined in this Target's Statement have the same meaning given to them in the BIA. A full copy of the BIA was disclosed in Carabella's announcement made to the ASX.

1.1 Agreement to vary the Bid

Wealth Mining agrees to vary its Bid on the Agreed Terms being to increase the consideration under the Bid to \$0.455 per Carabella Share.

1.2 Recommendation

Carabella represents and warrants that the Carabella director has confirmed, by way of a Unanimous Resolution, that:

- a. they will provide the Recommendation to Carabella Shareholders;
- b. they will not withdraw or change in any way (including by revising or qualifying), or make any public statement inconsistent with, the Recommendation unless:
 1. a Superior Proposal is received by Carabella and Carabella did not in any way breach its exclusivity obligations under the BIA in connection with that Superior Proposal and the matching right procedure in the BIA has been fully complied with by Carabella; and
 2. they consider, acting in good faith and after taking advice from Carabella's legal and financial advisers on the matter, that their fiduciary or statutory duties require them to do so,provided that if a Superior Proposal is received, but the matching right procedure has not yet been completed, the Carabella Directors may disclose the Superior Proposal and advise the Carabella Shareholder that they should take no action pending a further announcement; and
- c. they will accept, or procure the acceptance of, the Offer in respect of all their Director Shares on the later of 15 Business Days after 24 December 2013 and the date 2 Business Days after the Offer condition set out in paragraph (c) of section 9.7 of the Bidder's Statement is announced as having been fulfilled or waived, in the absence of a Superior Proposal.

1.3 Conduct of business

During the Exclusivity Period, Carabella must ensure that the Carabella Group conducts its businesses and maintains its assets in the proper ordinary course and consistent with the manner conducted in the 12 months prior to the date of the BIA.

Without limitation to the above, during the Exclusivity Period Carabella must use reasonable endeavours to:

- a. when reasonably requested by Wealth Mining to do so, consult with Wealth Mining in relation to the conduct of the Carabella Group's businesses and the maintenance of its assets (including promptly responding to any reasonable questions asked by Wealth Mining in relation to such matters);
- b. do the following:
 1. operate the Carabella Group's businesses in accordance with current business plans and budgets;
 2. preserve the value of the Carabella Group's businesses and assets;
 3. preserve the Carabella Group's relationships with customers, suppliers, government agencies, licensors and others with whom the Carabella Group has business dealings;
 4. retain the services of all key employees and contractors of the Carabella Group;
 5. comply in all material respects with all material contracts and all laws, regulations, rules, requirements, authorisations, licences, permits, consents and approvals that are material to the conduct of the businesses of the Carabella Group;
- c. not offer or agree to terminate or novate any material contract or to amend any such contract in a material respect; and
- d. not do or cause to be done, or fail to do or cause not to be done, anything that would or may result in the Transaction not being implemented in accordance with the terms of the BIA.

Notwithstanding the above restrictions on conduct of business, Carabella is permitted to do or procure anything:

- e. contemplated to be done or procured by it under this agreement, including without limitation making and carrying out the Option Cancellation Offer;
- f. which Wealth Mining agrees in writing may be done or procured by it (such agreement not to be unreasonably withheld or delayed);
- g. towards development of, or securing finance for, its projects including Bluff provided that
 1. the conduct does not commit the Target to any material arrangement; and
 2. before the Target commit to any material arrangement, the Bidder has provided its prior written consent; or
- c. subject to paragraph (g) above, which has been fairly disclosed to Wealth Mining or any of its Related Bodies Corporate or any of its or their Representatives prior to the date of the BIA, including without limitation, payment of fees under the Mandate.

During the Exclusivity Period, Carabella must ensure that Wealth Mining and its Representatives are provided with reasonable access to such officers, documents, records, sites, premises and other information of Carabella Group as Wealth Mining reasonably requires for the purposes of:

- d. implementing the Transaction; or
- e. preparing for controlling the conduct of the businesses of the Carabella Group following implementation of the Transaction,

provided that such access does not:

- f. place an unreasonable burden on the ability of the Carabella Group to conduct its businesses; or
- g. Give rise to a breach of law or a breach of contractual obligations of the Carabella Group or otherwise expose the Carabella Group to potential liability.

1.4 Exclusivity and break fee

- a. **No existing discussions** – Carabella represents and warrants to Wealth Mining that, other than the discussions with Wealth Mining in relation to the Transaction, as at the time of execution of the BIA, it is not involved in any discussions and negotiations with any person about a Competing Proposal and has terminated any such discussions or negotiations to the extent that they were on foot before the execution of the BIA.
- b. **No-shop and no-talk obligations** – During the Exclusivity Period, Carabella must not, and must ensure that its Restricted Persons do not, directly or indirectly, do any of the following things without the prior written consent of Wealth Mining:
 1. solicit, invite, encourage or initiate any enquiries, negotiations or discussions in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal being made, enquired about, negotiated or discussed, or communicate any intention to do any of the aforementioned things (**No-Shop Obligation**);
 2. subject to a fiduciary-out exception, enter into or participate in any negotiations or discussions in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal being made, enquired about, negotiated or discussed; provide or make available any information regarding the Carabella Group or any of its businesses or assets for the purpose of any person conducting due diligence or otherwise in connection with a Competing Proposal; or enter into any agreement, arrangement or understanding in relation to or otherwise in connection with a Competing Proposal, or communicates any intention to do any of the aforementioned things (**No-Talk Obligation**).
- c. **Notification** – Subject to a fiduciary-out exception, during the Exclusivity Period, if:
 1. Carabella or any of its Restricted Persons is directly or indirectly contacted by any person about a Competing Proposal (including any person making, considering formulating or developing a Competing Proposal);
 2. Carabella or any of its Restricted Persons proposes or is asked to do anything referred to the 'no existing discussions' and 'no talk restriction' provisions; or
 3. Carabella has breached any of the exclusivity provisions in any way or suspects that such a breach might have occurred or might occur in the future,
 then Carabella must immediately notify Wealth Mining in writing (and in any event, within 24 hours).

- d. **Provision of information** – If Carabella or its Restricted Person intends to provide or make available any information to any person regarding the Carabella Group's businesses or assets for the purposes of enabling or assisting that person to conduct due diligence or otherwise in connection with a Competing Proposal, prior to that information being provided or made available, it must enter into a binding confidentiality agreement (that is not more favourable than the confidentiality agreement entered into by Wealth Mining).
- e. **Matching right** – Carabella must not enter into any agreement, arrangement or understanding in relation to a Competing Agreement, and the Carabella Directors must maintain their Recommendation, unless and until Carabella has given Wealth Mining two clear Business Days (**Matching Right Period**) to offer to amend the terms of the Offer (**Amendment Offer**).
- f. **Fiduciary-out exception to no-talk, notification and matching right** – The No-Talk Obligation and the notification obligation above do not apply if, and only to the extent that, they restrict Carabella from taking or procuring any action (**Restricted Action**) with respect to a bona fide, written Competing Proposal provided that:
- a. Carabella has not breached any part of the No-Talk Obligation, No-Shop Obligation and the notification obligation and matching right; and
 - b. the Carabella Directors determine, acting in good faith and after taking advice from Carabella's legal and financial advisers:
 1. that the Competing Proposal may reasonably be expected to lead to a Competing Transaction that is more favourable to Carabella shareholders than the Transaction; and
 2. that failing to take or procure the Restricted Action would result in a breach of the fiduciary or statutory duties owed by the Carabella Directors.
- c. **Break fees** – Carabella has agreed to pay Wealth Mining a break fee of \$727,000 if any of the following occur:
1. Wealth Mining terminates the BIA due to an unremedied material breach of the BIA by Carabella;
 2. Wealth Mining terminates the BIA because, during the Exclusivity Period, a Competing Proposal is recommended, endorsed or otherwise supported by a Carabella Director;
 3. Wealth Mining terminates the BIA because any Carabella Director withdraws or changes in any way (including by revising or qualifying) or making a public statement inconsistent with, the Recommendation; or
 4. Carabella terminates the BIA by written notice to Wealth Mining because the Carabella Directors have withdrawn their Recommendation in accordance with the BIA; or
 5. during the Exclusivity Period, a Competing Proposal is made and the relevant Competing Transaction is completed (such that a third party gains control of Carabella) within 12 months of the date on which the Competing Proposal is made (however, the break fee will not be payable if the Offer becomes unconditional).

In all cases no break fee will be payable by Carabella unless a third party has gained control of the Carabella.

If Carabella pays the break fee in accordance with the BIA, Carabella will have no further or other liability to Wealth Mining or any related body corporate of Wealth Mining in connection with the BIA or the Transaction.

1.5 Representations and warranties

Carabella and Wealth Mining have each made certain representations and warranties in favour of each other which are generally customary for a BIA of this nature.

1.6 Change to Carabella board

If Wealth Mining has Voting Power of more than 50% and the Offer becomes unconditional, each Carabella Director has confirmed that they will resign as a director of Carabella if requested to do so by Wealth Mining and will do all things reasonably within their power to appoint Wealth Mining's nominees to the board and reconstitute the board in accordance with Wealth Mining's wishes, subject to Carabella's existing legal obligations.

1.7 Termination

- a. Either Carabella or Wealth Mining may terminate the BIA if the other party commits a material breach of the BIA (this includes the other party doing or omitting to do, or causing to be done or not done, anything which has resulted or will result in an Offer Condition being breached or not satisfied or becoming incapable of satisfaction) and, if the material breach is capable of being remedied, the breach is not remedied within, in the case of a breach of an exclusivity provision, one Business Day, and in all other cases, 5 Business Days of receipt of notice of the material breach by the other party.
- b. Wealth Mining may also terminate the BIA if during the Exclusivity Period, a Competing Proposal is recommended, endorsed or otherwise supported by a Carabella Director, or any Carabella Director withdraws or changes in any way or makes any public statement inconsistent with its Recommendation.
- c. Wealth Mining may terminate the BIA by written notice to Carabella if any Carabella Director withdraws or changes in any way (including by revising or qualifying) or makes any public statement inconsistent with the Recommendation.

However, Wealth Mining may not terminate the BIA on the basis that Carabella received a Superior Proposal and has disclosed the Superior Proposal and the fact that the matching right procedure has been activated and advised the Carabella shareholders that in the meantime they should take no action pending a further announcement.

The BIA automatically terminates when the Exclusivity Period ends.

Corporate Directory

Directors

Andrew Amer (Chairman)

Michael Addison (Non-executive Director)

Simon Kidston (Non-executive Director)

Allan Fidock (Non-executive Director)

Anthony Quin (Managing Director)

Company Secretary

Kylie Anderson

Principal registered office in Australia

Level 1, 1 Breakfast Creek Road

Newstead QLD 4006

Phone: (07) 3135 9900

Share registry

Boardroom Pty Ltd

Level 7, 207 Kent Street

Sydney NSW 2000

Phone: (02) 9290 9600

Financial Adviser in relation to the Offer

UBS AG, Australia Branch

Legal Adviser in relation to the Offer

Herbert Smith Freehills

Auditor

Grant Thornton Audit Pty Ltd

Bankers

ANZ Banking Corporation

Stock exchange listing

Carabella Resources Limited shares are listed on the Australian Securities Exchange (ASX Code: CLR).

Website address

www.carabellaresources.com.au

