

# BLACKWOOD CORPORATION LIMITED

ABN 31 103 651 538

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## NOTICE OF ANNUAL GENERAL MEETING

TIME: 10.00 am (EST)  
DATE: 14 December 2011  
PLACE: The Norfolk Room  
The Sebel and Citigate King George Square Hotel  
Corner Ann & Roma Streets  
BRISBANE QLD 4000

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*The Independent Expert has concluded that the transaction related to the Recapitalisation Proposal the subject of the Resolutions outlined in this Notice of General Meeting is FAIR AND REASONABLE to Shareholders.*

*All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of General Meeting.*

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Patrick McCole on (+61 8) 9322 7600.*

# BLACKWOOD CORPORATION LIMITED

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

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### VENUE

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The General Meeting of the Shareholders of Blackwood Corporation Limited will be held at the Norfolk Room, The Sebel and Citigate King George Square Hotel, Corner Ann and Roma Streets, Brisbane, Queensland on 14 December 2011 at 10.00am (EST).

### YOUR VOTE IS IMPORTANT

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You may vote by attending the meeting in person, by proxy or authorised representative.

### VOTING IN PERSON

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To vote in person, you must attend the meeting on the date and at the place set out above. The meeting will commence at 10.00am (EST).

### VOTING BY PROXY

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

#### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

#### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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# BLACKWOOD CORPORATION LIMITED

ABN 31 103 651 538

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## NOTICE OF GENERAL MEETING

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Notice is given that a General Meeting of Shareholders of Blackwood Corporation Limited will be held at the Norfolk Room, The Sebel and Citigate King George Square Hotel, Corner Ann and Roma Streets, Brisbane, Queensland on 14 December 2011 at 10.00am (EST).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company on 12 December 2011 at 10.00am (EST).

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

## AGENDA

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### ORDINARY BUSINESS

#### Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2011 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

### SPECIAL BUSINESS

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered as special business.

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#### 1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2011.”*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

**Voting Prohibition Statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
  - (d) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.
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#### 2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – BARRY BOLITHO

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 3.6 of the Constitution and for all other purposes, Barry Bolitho, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

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**3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – REX LITTLEWOOD**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 3.3 of the Constitution and for all other purposes, Mr Rex Littlewood, a Director who was appointed on 6 July 2011, retires, and being eligible, is re-elected as a Director.”*

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**4. RESOLUTION 4 – APPROVAL FOR NOBLE GROUP LIMITED, THE NOBLE ASSOCIATES AND JANVEL PTY LTD TO ACQUIRE RELEVANT INTERESTS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, approval be given for Noble Group Limited, the Noble Associates and Janvel Pty Ltd to acquire relevant interests in voting Shares in the Company through the issue of up to 24,700,000 Shares to Janvel Pty Ltd (a wholly owned subsidiary of Noble Group Limited) pursuant to the Subscription Agreement, and as a result to increase the voting power in the Company of Noble Group Limited and Janvel Pty Ltd to up to 51.18% on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Expert’s Report:** Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Section 611 (Item 7) of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transactions the subject of Resolution 4 to the non-associated Shareholders in the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by:

- (a) the persons proposing to make the acquisition and their associates; and
- (b) a party to the transaction and any associates of those persons.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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**5. RESOLUTION 5 – APPROVAL TO ISSUE SHARES TO JANVEL PTY LTD**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to and conditional on the passing of Resolution 4, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to 24,700,000 Shares pursuant to the Subscription Agreement to Janvel Pty Ltd (a wholly owned subsidiary of Noble Group Limited) (or its nominee) on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**ASX Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Janvel Pty Ltd (and its nominee) and any of their Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

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**6. RESOLUTION 6 – ADOPTION OF EMPLOYEE SHARE PLAN**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt the Employee Share Option Plan on the terms and conditions set out in the Explanatory Statement.”*

## BLACKWOOD CORPORATION LIMITED

ABN 31 103 651 538

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**ASX Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by any Director, other than any Director who is ineligible to participate in the Employee Share Option Plan, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:** *A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:*

- (a) *the proxy is either:*
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) *the appointment does not specify the way the proxy is to vote on this Resolution.*

*However, the above prohibition does not apply if:*

- (c) *the proxy is the Chair of the Meeting; and*
- (d) *the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.*

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### 7. RESOLUTION 7 – INCREASE IN NON-EXECUTIVE DIRECTORS FEES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, for the purposes of clause 13.8 of the Constitution, ASX Listing Rule 10.17 and for all other purposes, Shareholders approve the maximum total aggregate fixed sum per annum to be paid to Directors be increased from \$150,000 to \$350,000 in accordance with the terms and conditions set out in the Explanatory Statement.”*

**ASX Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a Director and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:** *A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:*

- (a) *the proxy is either:*
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) *the appointment does not specify the way the proxy is to vote on this Resolution.*

*However, the above prohibition does not apply if:*

- (c) *the proxy is the Chair of the Meeting; and*
- (d) *the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.*

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**DATED: 10 NOVEMBER 2011**



**Barry Bolitho**  
Chairman

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the Shareholders of Blackwood Corporation Limited (**Company**) in connection with the General Meeting of the Company.

### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2011 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [www.bwdcorp.com.au](http://www.bwdcorp.com.au).

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### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

#### 2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2012 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the Company's 2012 annual general meeting.

If more than 50% of Shareholders vote in favour of that Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company's 2012 annual general meeting. All of the Directors who were in office when the Company's 2012 Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2011.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

#### 2.2 Proxy Restrictions

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member as your proxy to vote on this Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1

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## EXPLANATORY STATEMENT (continued)

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### 2.3 Definitions

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2011.

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### 3. RESOLUTION 2 – RE-ELECTION OF A DIRECTOR – BARRY BOLITHO

Clause 3.6 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 3.6 of the Constitution is eligible for re-election.

Barry Bolitho, the Director longest in office since his last election, retires by rotation and seeks re-election.

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### 4. RESOLUTION 3 – RE-ELECTION OF A DIRECTOR – REX LITTLEWOOD

Clause 3.3 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

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## EXPLANATORY STATEMENT (continued)

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### 5. RESOLUTION 4 - APPROVAL FOR NOBLE GROUP LIMITED, THE NOBLE ASSOCIATES AND JANVEL PTY LTD TO ACQUIRE RELEVANT INTERESTS

#### 5.1 Background

At a general meeting on 29 October 2010, Shareholders approved a number of resolutions, relating to the recapitalisation of the Company, including a resolution enabling Noble Group Limited, the Noble Associates and Territory Resources Limited to acquire a relevant interest in voting Shares in the Company and as a result to increase the voting power in the Company of Noble Group Limited and the Noble Associates to up to 58.88%. Shareholders also approved a resolution to enable the Company to issue up to 24,700,000 shares to Osendo Pty Ltd (**Osendo**) (a wholly owned subsidiary of Noble Group Limited) pursuant to a Technical Services Agreement entered into between the Company and Osendo.

Since the Company's reinstatement to official quotation on ASX on 16 December 2010, Osendo has been providing services to the Company under the Technical Services Agreement. On 11 March 2011, Osendo assigned its rights and obligations under the Technical Services Agreement to Janvel Pty Ltd (**Janvel**), another wholly owned subsidiary of Noble, who continued providing the services under the Technical Services Agreement to the Company. Under the terms of the Technical Services Agreement, Janvel is entitled to be issued with 11,600,000 Shares under the Technical Services Agreement for the services provided, or to be provided, to the Company up to the date of the General Meeting.

Notwithstanding the terms of the Technical Services Agreement, and subject to Shareholder approval, the Company and Janvel have now agreed that it is in the mutual best interests of the parties to terminate the Technical Services Agreement, with Janvel agreeing to subscribe for the balance of the Shares which it would have earned if the Technical Services Agreement was not terminated. The parties therefore propose:

- (a) to issue 5,000,000 Shares to Janvel for the services provided to the Company under the Technical Services Agreement, or that have been agreed to be provided under the Technical Services Agreement as at the date of the General Meeting;
- (b) that Janvel will subscribe for 19,700,000 Shares at \$0.20 per Share (being the price at which the Shares were to be issued under the Technical Services Agreement to Janvel); and
- (c) to then terminate the Technical Services Agreement.

Therefore, if Resolutions 4 and 5 are passed:

- (a) the Technical Services Agreement will be terminated;
- (b) the Company will receive \$3,940,000 from Janvel;
- (c) the Company will issue a total of 24,700,000 Shares to Janvel (or its nominee); and
- (d) the Company will take on the responsibility for the works previously provided by Janvel under the Technical Services Agreement;

Details of the Subscription Agreement are set out below. For clarity, Janvel will not be subscribing, and will not receive, any more shares than it is entitled to receive should the Technical Services Agreement not be terminated. The Directors therefore, do not consider that there will be a material change to the capital structure of the Company outlined to Shareholders in the notice of general meeting for the general meeting held in October 2010 for the approval of the recapitalisation of the Company.

## **EXPLANATORY STATEMENT (continued)**

Given the change in circumstance of the acquisition of the relevant interest by Janvel in the Company, Resolution 4 again seeks approval for Noble and Janvel to acquire a relevant interest in the 24,700,000 Shares to be issued under the Subscription Agreement (5,000,000 of which are to be issued in consideration for the services provided under the Technical Services Agreement and 19,700,000 of which are to be subscribed for by Janvel at an issue price of \$0.20 per Share) and for those parties and their Associates to acquire a voting power in the Company of up to 51.18%.

Resolution 5 is conditional on the passing of Resolution 4, meaning that in order for Resolution 5 to be passed, Shareholders must also approve Resolution 4.

Outlined below is the information required by the Corporations Act for the approval of Resolution 4.

### **5.2 Proposed Capital Structure**

<b>Shares</b>	
Existing Shares on issue	160,350,269
Shares to be issued in consideration for services provided under the Technical Services Agreement	5,000,000
Shares to be subscribed for under Subscription Agreement	19,700,000
<b>Total Shares</b>	<b>185,050,269</b>
<b>Options</b>	
Existing Options on issue	Nil
New Options	Nil
<b>Total Options</b>	<b>Nil</b>

### **5.3 Use of Funds**

Should Resolutions 4 and 5 be passed and Janvel (or its nominee) subscribes for the 19,700,000 Shares, the Company will receive \$3,940,000. As at the date of this Notice of Meeting, the intention of the Company is to utilise the funds received under the Subscription Agreement for working capital purposes including exploration expenditure and funding for the drilling program to support further definition of our priority (and number of secondary) projects / tenures in Queensland. This additional definition and drilling will facilitate and go to achieving our JORC resources milestones which is the key first step in developing our coal projects.

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## **EXPLANATORY STATEMENT (continued)**

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### **5.4 Background on Noble Group Limited**

The Noble Group is headquartered in Hong Kong and is listed on the Singapore Stock Exchange with market capitalisation of SG\$9.98bn as at 31 October 2011.

In the fiscal year 2010, the Noble Group generated US\$56.7bn of revenue and US\$606m of net profit after tax.

Noble is a market leader in managing the global supply chain of agricultural, industrial and energy products specialising in the origination and delivery of strategic raw materials.

Noble encompasses more than 150 office and plant locations in 38 countries with over 11,000 employees.

Noble's stated coal focus is on:

- (a) building an integrated supply chain, beginning with strong sourcing capabilities in low cost producer markets;
- (b) enhancing sourcing activities through infrastructural assets, including transportation, port facilities, silos and warehouses;
- (c) strengthening its distribution capabilities; and
- (d) acquiring further assets to build economies of scale.

Noble's coal interests in Australia include being the largest shareholder in Gloucester Coal Limited (an ASX listed thermal and coking coal producer based in the Gloucester Basin of New South Wales), a 10% interest in the Monto Coal Project, and a 30.46% interest in East Energy Resources Limited (an ASX listed coal explorer with exploration activities in Queensland).

### **5.5 Relevant Interest of Noble**

As at the date of this Notice of Meeting, Noble controls 69,989,760 Shares in the Company.

Under the Corporations Act, a person is prohibited from acquiring a relevant interest in a company if because of that transaction, that persons' or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%, except in certain circumstances. One of those circumstances is where the shareholders of the relevant company approve the acquisition of the relevant interest up to a specific amount.

The purpose of Resolution 4 is to enable Noble, Janvel and the Noble Associates to increase their voting power from its current position at 43.65% to not more than 51.18% following the issue of the Shares under the Subscription Agreement. Shareholders should note that the maximum voting power that Noble, Janvel and the Noble Associates may obtain is based on 5,000,000 Shares being issued to Janvel under the Subscription Agreement in consideration for services provided under the Technical Services Agreement, Noble (through Janvel or its nominee) subscribing for 19,700,000 Shares in the Company under the Subscription Agreement, and assumes that no other Shares are issued by the Company.

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## EXPLANATORY STATEMENT (continued)

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### 5.6 Material Contracts

#### 5.6.1 Subscription Agreement

The Company has entered into the Subscription Agreement with Janvel to record the terms upon which Janvel (or its nominee) will be issued 5,000,000 Shares in consideration for the services provided under the Technical Services Agreement and will subscribe for 19,700,000 Shares at \$0.20 per Share (**Subscription Agreement**).

The key provisions of the Subscription Agreement are as follows:

- (a) Janvel agrees to subscribe for and the Company agrees to issue 19,700,000 Shares at \$0.20 per Share, with Janvel paying a total of \$3,940,000 to the Company for those Shares;
- (b) at completion under the Subscription Agreement, the Company shall issue 5,000,000 Shares to Janvel for the provision of services provided under the terms of the Technical Services Agreement and shall issue the 19,700,000 Shares to Janvel upon receipt of the funds from Janvel for those Shares;
- (c) upon completion under the Subscription Agreement, the Technical Services Agreement (summarised below) shall be terminated and of no further force or effect;
- (d) the obligations of the parties under the Subscription Agreement are conditional upon Shareholders approving Resolutions 4 and 5 as set out in this Notice of Meeting and the Company being able to issue a 'Cleansing Notice' under section 708A(5) of the Corporations Act or otherwise taking such action to ensure that the Shares issued under the Subscription Agreement are freed of any secondary sale restrictions. If any condition becomes incapable of completion, or is not completed by 31 December 2011 or such other date agreed in writing between the parties, then either party has the right to terminate the Subscription Agreement upon notice to the other party;
- (e) If before completion, Janvel becomes aware of any fact, matter or circumstance which results in or is reasonably likely to result in a breach of a warranty that would give rise to a warranty claim of not less than \$100,000 if completion were to occur, then Janvel may, if the specified fact, matter or circumstance is not remedied to the reasonable satisfaction of Janvel (in its absolute discretion):
  - (i) by notice to the Company at any time before completion terminate the Subscription Agreement; or
  - (ii) proceed to completion in which case Janvel will be entitled to make a warranty claim following completion in respect of that fact, matter or circumstance; and
- (f) If the Subscription Agreement does not proceed to completion, then the Technical Services Agreement shall remain in force.

The Subscription Agreement otherwise contains terms which are considered standard for an agreement of this nature including representations and warranties, confidentiality provisions and other general terms.

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**EXPLANATORY STATEMENT (continued)**

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**5.6.2 Technical Services Agreement**

A summary of the terms of the Technical Services Agreement was outlined in the Notice of Meeting announced to ASX on 29 September 2010. For the benefit of Shareholders, a summary of the terms of the Technical Services Agreement is also outlined below:

The Company, the Company's wholly owned subsidiary Matilda Coal Pty Ltd, and Osendo entered into the Technical Services Heads of Agreement on 10 September 2010. Subsequent to the entry into the Technical Services Agreement, Osendo assigned its interest in the Technical Services Agreement to Janvel, another wholly owned subsidiary of Noble.

Pursuant to the Technical Services Agreement, Janvel agreed to provide the following services to the Company and Matilda Coal, as reasonably directed by the Company and subject to the approval of the Company's board of directors:

- (a) plan, design and manage the Company's mineral exploration programme;
- (b) manage the evaluation of exploration results;
- (c) communicate with the board of directors of the Company regarding exploration results (and their interpretation) and the ongoing strategy (and necessary adjustments) as exploration results evolve;
- (d) provide strategic advice and direction regarding opportunities to exploit potential resources;
- (e) assist the Company with the identification of and appointment of a suitable person(s) or make available to the Company a suitable person(s) to fulfil the role of managing director or chief executive officer of the Company for the term of the Technical Services Agreement; and
- (f) provide the Company with office space in Brisbane (or such other location as agreed between the parties sufficient for up to five (5) of the Company's employees and any personnel provided by Janvel for the purpose of conducting its business activities for the term of the Technical Services Agreement,

**(Services).**

The Technical Services Agreement was intended to run for a term of 2 years commencing on the date the last of the conditions precedent to the Technical Services Agreement were satisfied (**Services Term**). The last of the conditions precedent was satisfied on 10 December 2010, and the anniversary date for the Technical Services Agreement is therefore 9 December 2011.

In consideration for Janvel providing the Services to the Company, the Company agreed to pay to Janvel (or its nominee):

- (a) for the first year of the Services, \$2.32 million; and
- (b) for the second year of the Services, \$2.62 million.

The consideration outlined above shall be payable through the issue of:

- (a) for the first year of Services, 11,600,000 Shares at an issue price of 20 cents per Share; and
- (b) for the second year of Services, 13,100,000 Shares at an issue price of 20 cents per Share.

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## **EXPLANATORY STATEMENT (continued)**

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Janvel must provide the Services to the Company in order to receive the Shares in the Company. Where the provision of the Services under the Technical Services Agreement is terminated prior to the end of the two (2) year term, the number of Shares to be issued to Janvel will be prorated by reference to the proportion that period up to the date of termination bears to the relevant year of the Services Term (if the Technical Services Agreement had not been terminated). However, the Company has agreed with Janvel and Noble, subject to Shareholder approval, that the Company will issue Janvel (or its nominee) 5,000,000 Shares in consideration for the services provided under the Technical Services Agreement (as set out in the Subscription Agreement) rather than the number of Shares being prorated by reference to period that the services were provided.

The Technical Services Agreement also provides that during the Services Term, the Company must not:

- (a) do or agree to do any of the following:
  - (i) vary or grant any special voting or other rights that attach to its Securities;
  - (ii) amend the Constitution of the Company,  
without the prior written consent of Janvel (not to be unreasonably withheld);
- (b) issue any Shares or Securities in the Company unless the Company also offers to Janvel (or its nominees) that number of Securities within that new issue such that the aggregate percentage holding of Noble and its subsidiaries in the issued capital of the Company is not reduced as a result of the issue of those Securities.

The Technical Services Agreement also contains other terms considered standard for an agreement of this nature, including terms relating to liability, GST, force majeure, confidentiality and governing law.

### **5.7 Corporations Act**

The Corporations Act sets out a number of regulatory requirements that must be satisfied in relation to the approval under Resolution 4 and the potential issue of Shares to Janvel under Resolution 5. Outlined below is information for all Shareholders relating to:

- (a) a summary of Section 606 of the Corporations Act relating to the prohibition of acquiring a voting power in the capital of a company greater than 20%;
- (b) the relevant exception to Section 606 of the Corporations Act which allows a company to increase its voting power to greater than 20% if Shareholder approval is given by Shareholders of the Company;
- (c) the effect on the voting power of Noble, Janvel and the Noble Associates of the issue of Shares to Janvel;
- (d) the intentions of Noble in relation to the Company following the receipt of its Shares in the Company;
- (e) the interests and recommendations of the Directors of the Company; and
- (f) an Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**).

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## EXPLANATORY STATEMENT (continued)

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### 5.8 Item 7 of Section 611 of the Corporations Act

#### *Section 606 of the Corporations Act – Statutory Prohibition*

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

#### *Voting Power*

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest.

#### *Associates*

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (a) the first person is a body corporate and the second person is:
  - (i) a body corporate the first person controls;
  - (ii) a body corporate that controls the first person; or
  - (iii) a body corporate that is controlled by an entity that controls the person;
- (b) the second person has entered or proposed to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

Crawley Resources Limited (**Crawley**), who currently holds 4,215,000 Shares in the Company, is an Associate of Noble by virtue of being controlled by Noble. In addition, Osendo, Territory Resources Limited (**Territory**), who currently holds 29,974,760 Shares in the Company, Janvel, who currently holds 35,800,000 Shares in the Company, and Jonesville Ltd (**Jonesville**) are Associates of Noble by virtue of being subsidiaries of Noble. Crawley, Osendo, Territory, Janvel and Jonesville are referred to as the '**Noble Associates**'.

#### *Relevant Interests*

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

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## **EXPLANATORY STATEMENT (continued)**

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In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (a) a body corporate in which the person's voting power is above 20%;
- (b) a body corporate that the person controls.

Noble has a relevant interest in 69,989,760 Shares, as follows:

- (a) 4,215,000 Shares (2.63%) held by Crawley, a company that Noble controls;
- (b) 24,974,760 Shares (18.69%) held by Territory, a subsidiary of Noble; and
- (c) 35,800,000 Shares (22.33%) held by Janvel, a subsidiary of Noble.

Noble's voting power includes its own relevant interests in Shares and the Noble Associates' relevant interests in Shares.

### **5.9 Reason why Section 611 approval required**

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition described in Section 5.8 above, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

As outlined above, for the purpose of the Corporations Act, Noble, Crawley, Territory, Janvel, Osendo and Jonesville are deemed to be Associates.

Under the terms of the Subscription Agreement, Noble will acquire a relevant interest in an additional 24,700,000 Shares (being 5,000,000 Shares in consideration for the services provided under the Technical Services Agreement and 19,700,000 Shares subscribed for at an issue price of \$0.20 per Share).

Assuming that:

- (a) 5,000,000 Shares are issued to Janvel in consideration for services provided under the Technical Services Agreement prior to its termination;
- (b) a total of 19,700,000 Shares have been subscribed for and issued to Janvel;
- (c) no Options on issue as at the date of this Notice of Meeting have been exercised; and
- (d) no other Shares are issued in the meantime,

then this relevant interest will represent 51.18% of the issued ordinary Shares of the Company.

This will result in the voting power of Noble and the Noble Associates being 51.18% immediately following the issue of the Shares, on the basis of the above assumptions.

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**EXPLANATORY STATEMENT (continued)**

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**5.10 Specific Information Required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74**

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd annexed to this Explanatory Statement.

***Relevant Interests and Voting Power***

As at the date of this Notice, the following parties have a relevant interest in Shares as follows:

<b>Party</b>	<b>Relevant Interest</b>
Noble	69,989,760 Shares (43.65%)
Crawley	4,215,000 Shares (2.63%)
Territory	29,974,760 (18.69%)
Janvel	35,800,000 (22.33%)
Osendo	Nil (0%)
Jonesville	Nil (0%)

Although Noble is not the registered holder of any Shares, it has a relevant interest under Section 608 of the Corporations Act in the 4,215,000 Shares held by Crawley (which Noble controls) the 25,974,760 Shares held by Territory and the 35,800,000 Shares held by Janvel, both wholly owned subsidiaries of Noble.

The figures in the following tables assume that Resolutions 4 and 5 are passed, that 5,000,000 Shares as full and final settlement under the Technical Services Agreement are issued, that Janvel subscribes for and the Company issues the 19,700,000 Shares the subject of Resolution 5, no Options on issue have been exercised, and no other Shares are issued in the meantime.

## EXPLANATORY STATEMENT (continued)

The relevant interests of Noble and the voting power of Noble and the Noble Associates immediately before and after the issues of Shares as contemplated by this Notice of Meeting are set out in the tables below:

Relevant Interests:

Party	As at the date of this Notice of Meeting	After the issue of all Shares under the terms of the Subscription Agreement
Noble	43.65%	51.18%
Crawley	2.63%	2.28%
Territory	18.69%	16.20%
Janvel	22.33%	32.70%
Osendo	0%	0%
Jonesville	0%	0%

Voting Power:

	As at the date of this Notice of Meeting	After the issue of Shares under the Subscription Agreement
<b>Voting Power</b>	<b>43.65%</b>	<b>51.18%</b>

Therefore, the maximum voting power that Noble and the Noble Associates could hold after the completion of the recapitalisation of the Company is 51.18%. This represents an increase from 43.65% to 51.18%.

Noble does not have any Associates with relevant interests in the Company's Shares other than as set out herein.

***Noble's Intentions***

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that Noble and its Associates:

- (a) have no intention of making any significant changes to the business of the Company;
- (b) have no intention to inject further capital into the Company;
- (c) have no intention of making changes regarding the future employment of the present employees of the Company;
- (d) do not intend to redeploy any fixed assets of the Company; and
- (e) do not intend to transfer any property between the Company and Noble or its Associates.

**EXPLANATORY STATEMENT (continued)**

These intentions are based on information concerning the Company, its business and the business environment which is known to Noble and its Associates at the date of this document, which is limited to the publicly available information of the Company. They are also consistent with the intentions of Noble and its Associates expressed in the notice of general meeting, prior to their previous investment in the Company, in October 2010.

Given Noble's relevant interest in the Company, from time to time, Noble may discuss or introduce opportunities to the Company relevant to the Company and its business. These matters would obviously need to be considered and reviewed by Noble and the Company as and when they arise.

Final decisions regarding such matters would only be made by Noble and its Associates in light of material information and circumstances at the relevant time. Accordingly, the statements set out above are statements of current intention only, which may change as new information becomes available to it or as circumstances change.

**Capital Structure**

The proposed capital structure of the Company following completion of all the transactions the subject of the Resolutions is set out in Section 5.2 of this Explanatory Statement.

**Contracts conditional on Shareholder approval of Resolutions 4 and 5**

Details of the Subscription Agreement are set out in Section 5.6 of this Explanatory Statement.

**Timing**

The Shares to be issued to Janvel under the Subscription Agreement are the subject of Resolution 5. The timing for the issue of those Shares is outlined in Sections 6.2.

**Reasons for the issue of Shares**

The rationale for the issue of Shares under Resolution 5 is set out in Section 5.1 of this Explanatory Statement.

The Shares will be issued pursuant to the Subscription Agreement which has been entered into following the agreement of the Company and Janvel to terminate the Technical Services Agreement.

**Effect on the Company if Resolutions 4 and 5 are not passed**

If Resolutions 4 and 5 are not passed by Shareholders, the Technical Services Agreement will not be terminated and the parties to the Technical Services Agreement will be bound by the terms and conditions of the Technical Services Agreement.

If this was to occur, Janvel will continue to provide the services to the Company and the Company will issue to Janvel 11,600,000 Shares as consideration for the services provided to the Company under the first year of the Technical Services Agreement and 13,100,000 Shares in the Company for the consideration of the provision of those services for the second year of the Technical Services Agreement.

This will result in Noble and Janvel attaining the same relevant interest in the Company as they would if Resolutions 4 and 5 are passed.

**Directors Interests**

The interest of the current Directors in the existing Shares on issue in the Company is as follows:

<b>Related Party</b>	<b>Shares</b>	<b>Options</b>
Barry Bolitho	6,198,523	Nil
Andrew Simpson	1,000,000	Nil
William Randall	Nil	Nil
Rex Littlewood	Nil	Nil

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## **EXPLANATORY STATEMENT (continued)**

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Neither Barry Bolitho or Andrew Simpson have an interest in any shares or options of Noble or the Noble Associates. William Randall is an officer of Noble and holds 21,629,767 shares and 7,184,086 options in Noble. Rex Littlewood is not an employee or officer of Noble but has a shareholding in Noble.

### ***Independent Expert's Report***

The Independent Expert's Report assesses whether the acquisition of Shares outlined in Resolutions 4 and 5 is fair and reasonable to the Shareholders who are not associated with Noble and the Noble Associates.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed acquisition the subject of Resolutions 4 and 5. This assessment is designed to assist all Shareholders in reaching their voting decision.

The Independent Expert has provided the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in the Resolution is, on balance, fair and reasonable to the Shareholders of the Company not associated with Noble and the Noble Associates. It is recommended that all Shareholders read the Independent Expert's Report in full.

The Independent Expert's Report is enclosed with this Notice of Meeting.

### **5.11 Directors Recommendation**

The Directors of the Company have unanimously approved the proposal to put Resolutions 4 and 5 to shareholders and the Explanatory Statement.

The independent expert has determined the termination of the Technical Services Agreement and entry into the Subscription Agreement is fair and reasonable to shareholders not associated with Noble. The Directors of the Company unanimously recommend that Shareholders vote in favour of Resolutions 4 and 5 on the basis that the issue of the Shares to Janvel (or its nominee) under the Subscription Agreement will result in the Company receiving additional funds from the issue of those Shares while not altering the capital structure of the Company from what was previously approved by shareholders at a general meeting 29 October 2010.

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## **6. RESOLUTION 5 – APPROVAL TO ISSUE SHARES TO JANVEL PTY LTD**

The Company is seeking Shareholder approval to grant 24,700,000 Shares the subject of Resolution 4 to Janvel under the Subscription Agreement. 5,000,000 Shares will be issued in consideration for services provided by Janvel under the Technical Services Agreement and 19,700,000 Shares will be subscribed for by Janvel at an issue price of \$0.20 per Share. The Technical Services Agreement will be terminated once the 24,700,000 Shares have been issued.

The Subscription Agreement and Technical Services Agreement are summarised at Section 5.6 above.

Under ASX Listing Rule 7.1, a company must not, subject to certain exceptions issue or agree to issue during any 12 month period, any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of the 15% threshold is where the issue has the prior approval of shareholders in general meeting under Listing Rule 10.11 (see Listing Rule 7.2 exception 14).

Approval for the issue of Shares the Subscription Agreement to Janvel (or its nominee) under Listing Rule 10.11 is the subject of Resolution 5 below.

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**EXPLANATORY STATEMENT (continued)**

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**6.1 ASX discretion**

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, equity securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Noble and Janvel are not currently related parties of the Company. However, ASX previously exercised its discretion to require the Company to seek the approval of its Shareholders under Listing Rule 10.11 prior to the issue of any Shares to Osendo under the Technical Services Agreement. Accordingly, the Company is seeking Shareholder approval for the issue of Shares under the Technical Services Agreement and Subscription Agreement prior to the issue of those Shares.

**6.2 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX listing Rule 10.13, the following information is provided in relation to Resolution 5:

- (a) the entity to whom the Shares will be issued is Janvel (or its nominee). Janvel is a wholly owned subsidiary of Noble;
- (b) the maximum number of Shares that will be issued under Resolution 5 is 24,700,000 Shares. 5,000,000 Shares will be issued in consideration for services provided under the Technical Services Agreement and 19,700,000 Shares will be subscribed for at an issue price of \$0.20 per Share. The Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

A summary of the terms and conditions of the Subscription Agreement is set out in Section 5.6 above;

- (c) the Shares will be issued no later than one (1) month after the date of the Annual General Meeting (or such later date as approved by ASX) and it is intended that allotment will occur on the same date;
- (d) the conditions that must be satisfied under the Subscription Agreement prior to the issue of any Shares under the Subscription Agreement are outlined in Section 5.6 above;

as mentioned above, Noble and Janvel are not currently related parties of the Company. However, ASX previously exercised its discretion to require the Company to seek the approval of its Shareholders under Listing Rule 10.11 prior to the issue of any Shares to Osendo under the Technical Services Agreement. Accordingly, the Company is seeking Shareholder approval for the issue of Shares under the Subscription Agreement prior to the issue of those Shares;

- (e) 5,000,000 Shares will be issued for no consideration as they will be issued in consideration for services provided under the Technical Services Agreement and 19,700,000 Shares will be subscribed for and issued to Janvel at a price of \$0.20 per Share. Accordingly, the Company will raise \$3,940,000 from the issue of the Shares; and
- (f) the intention of the Company is to utilise the funds received as a result of the subscription for 19,700,000 under the Subscription Agreement for working capital purposes including exploration expenditure and funding for the drilling program to support further definition of the Company's priority (and number of secondary) projects / tenures in Queensland. As stated above, no funds will be received as a result of the issue of 5,000,000 Shares in consideration for the services provided under the Technical Services Agreement.

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## EXPLANATORY STATEMENT (continued)

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### 7. RESOLUTION 6 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

#### 7.1 Background

To ensure that the Company has appropriate mechanisms to continue to attract, motivate and retain the services of employees of a high calibre, the Board considers that it is appropriate to adopt a new employee share option plan (**ESOP**).

#### 7.2 Regulatory requirements

Resolution 6 seeks Shareholder approval under exception 9(b) of ASX Listing Rule 7.2 to allow the grant of Options and the issue of Shares on the exercise of such options under the ESOP as an exception to ASX Listing Rule 7.1.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Exception 9(b) of ASX Listing Rule 7.2 provides that a company may make an issue of securities under an employee incentive scheme (such as the ESOP) if, within three years before the date of issue, holders of ordinary securities in the company have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 6 is passed, the Company will have the ability to issue Options to eligible participants under the ESOP over a period of three years without impacting on the Company's 15% placement capacity under ASX Listing Rule 7.1.

The Directors and employees of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the ESOP is an appropriate method to:

- (a) reward Directors and employees for their past performance;
- (b) provide long term incentives for participation in the Company's future growth;
- (c) motivate Directors and generate loyalty from senior employees; and
- (d) assist to retain the services of valuable Directors and employees.

The ESOP will be used as part of the remuneration planning for executive Directors and employees. The Corporate Governance Council Guidelines recommend that executive remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the company's circumstances and goals. The ESOP will also be used as part of the remuneration planning for non-executive Directors. Although this is not in accordance with the recommendations contained in the Corporate Governance Council Guidelines, the Company considers that it is appropriate for non-executive Directors to participate in the ESOP given the size of the Company.

No securities have yet been issued under the ESOP.

The key terms of the ESOP are summarised in Section 8.3 below. A full copy of the ESOP is available for inspection at the Company's registered office until the date of the Meeting.

#### 7.3 Summary of the ESOP

The material terms of the Plan can be summarised as follows:

- (a) Eligible Participants  
Means full or part time employees of the Company or an Associated Body Corporate (**Eligible Participants**).
- (b) Purpose of the ESOP  
The purpose of the Plan is to provide an incentive to encourage participation by Eligible Participants in the Company through Share ownership and to attract, motivate and retain Eligible Participants.

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## EXPLANATORY STATEMENT (continued)

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(c) Offer of Rights

When an Eligible Participant satisfies specified criteria imposed by the Board (including performance criteria and specified periods of tenure) the Board may make a written offer (**Offer**) to the Eligible Participant of Options. The Offer will specify the number of Options being offered and the conditions that must be met by the Eligible Participant before the Options will vest.

(d) Number of Options Offered

The number of Options that will be offered to an Eligible Participant pursuant to an Offer is entirely within the discretion of the Directors. Each Option will, upon vesting, entitle the holder to one (1) share in the capital of the Company.

(e) Vesting Conditions

The Options will not vest unless the vesting conditions imposed by the Board have been satisfied.

(f) Exercise Price

The exercise price of any Option offered to an Eligible Participant shall be at the absolute discretion of the Board but may not be less than the minimum price specified in the Listing Rules.

(g) Lapse of Options

Rights that have not vested will lapse on the second anniversary of the date of grant of the Option or such later date as agreed by the Board.

The Options will immediately lapse where:

- (i) the Eligible Participant ceases to be an employee or director of, or to render services to, the Company or its Related Bodies Corporate;
- (ii) the exercise conditions are unable to be met; or
- (iii) the lapsing date has passed.

(h) Shares Allotted Upon Exercise of Options

The Company will issue or transfer shares to the Eligible Participant as soon as practicable after the exercise of any Options. The shares allotted under the ESOP will be of the same class and will rank equally with shares in the Company at the date of issue.

The Company will seek listing of the new shares on ASX within the time required by ASX Listing Rules.

(i) Transfer of Options

An Option issued under the ESOP is not transferable without the consent of the Board.

(j) Takeover, Scheme or Arrangement

Where:

- (i) a notice of meeting is despatched to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to Section 411 of the Corporations Act;
- (ii) an announcement of a takeover bid is made or a bidder's statement for a bid is received by the Company;
- (iii) the date upon which a person or group of associated persons becomes entitled, subsequent to the date of grant of the relevant Options, to sufficient Shares to give them the ability, in general meeting, to replace all or a majority of the Board in circumstances where such an ability was not already held by that person,

then the Directors may determine that the Options may be exercised at any time from that date, and in any number until the date determined by the Board acting bona fide so as to permit the holder to participate in any change of control, or to use their reasonable endeavours to procure that an offer is made to holders of the Options on like terms to the terms proposed under the change of control event.

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**EXPLANATORY STATEMENT (continued)**

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- (k) Bonus Issues, Rights Issues and Capital Reconstruction
- (i) If at any time the issued capital of the Company is reconstructed, all rights of the holder of an Option are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
  - (iii) If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the exercise price shall be reduced according to the formula specified in the Listing Rules.
  - (iv) In the event of a bonus issue of Shares being made pro rata to Shareholders, (other than an issue in lieu of dividends), the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the Option.
  - (v) The Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least six (6) Business Days after the issue is announced or such other period as required by the ASX Listing Rules. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (l) Participation in New Issues
- There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new shares of capital offered to shareholders during the currency of the Options. In addition holders of the Options will not be entitled to vote or receive dividends as a result of their holding of Options.
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**8. RESOLUTION 7 – INCREASE OF NON-EXECUTIVE DIRECTORS FEES**

Clause 10.2 of the Constitution requires that the total aggregate fixed sum per annum to be paid to the Directors (excluding salaries of executive Directors) from time to time will not exceed the sum determined by the Shareholders in general meeting and the total aggregate fixed sum will be divided between the Directors as the Directors shall determine and, in default of agreement between them, then in equal shares.

Resolution 7 seeks Shareholder approval to increase the total aggregate fixed sum per annum to be paid to the Directors by \$200,000 from \$150,000 to \$350,000. The total amount of Directors' fees payable includes superannuation contributions made by the Company or any of its subsidiaries for the benefit of non-executive Directors and any fees which a non-executive Director agrees to sacrifice on a pre-tax basis.

The total aggregate fixed sum per annum has been determined after reviewing similar companies listed on ASX and the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

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## GLOSSARY

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**ASIC** means Australian Securities and Investments Commission.

**Associate** means an "associate" as defined in section 9 of the Corporations Act, except that a reference to "Associate" in relation to a Listing Rule has the meaning given to it in Listing Rule 14.11.

**Associated Body Corporate** means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

**ASX** means ASX Limited or the Australian Securities Exchange operated by ASX, as the context requires.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**Board** means the board of directors of the Company.

**Company** means Blackwood Corporation Limited (ABN 31 103 651 538).

**Constitution** means the Company's Constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Crawley** means Crawley Resources Limited (ACN 121 881 632), a subsidiary of Noble.

**Directors** means the directors of the Company.

**EST** means Eastern Standard Time as observed in Brisbane, Queensland.

**Explanatory Statement** means the explanatory statement which accompanies the Notice of Meeting.

**Independent Expert** means BDO Corporate Finance (WA) Pty Ltd (ACN 124 031 045).

**Independent Expert's Report** means the independent expert's report prepared by the Independent Expert and enclosed with the Notice of Meeting.

**Janvel** means Janvel Pty Limited (ACN 148 877 632), a wholly owned subsidiary of Noble.

**Jonesville** means Jonesville Ltd (a company incorporated in British Virgin Islands), a wholly owned subsidiary of Noble.

**Matilda Coal** means Matilda Coal Pty Ltd (ACN 131 923 692), a wholly owned subsidiary of the Company.

**Meeting** or **General Meeting** means the meeting convened by the Notice.

**Noble** means Noble Group Limited (a company incorporated in Bermuda and listed on the Singapore Stock Exchange).

**Noble Associates** means Crawley, Osendo, Territory, Janvel, Jonesville and any other company within the Noble group of companies.

**Noble Resources** means Noble Resources Pte Ltd (a company incorporated in Singapore), a wholly owned subsidiary of Noble.

**Notice** or **Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement.

**Option** means an option to acquire a Share.

**Osendo** means Osendo Pty Limited (ACN 136 062 710), a wholly owned subsidiary of Noble.

**Resolutions** means each of the resolutions set out in the Notice of Meeting and **Resolution** means any one of them.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means the holder of a Share.

**Subscription Agreement** has the meaning given to it in Section 5.6 of the Explanatory Statement.

**Technical Services Agreement** means the technical services heads of agreement between the Company, Matilda Coal Pty Ltd and Osendo dated 10 September 2010.

**Territory** means Territory Resources Limited (ACN 100 552 118), a wholly owned subsidiary of Noble.

**WST** means Western Standard Time as observed in Perth, Western Australia.

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**BLACKWOOD CORPORATION LIMITED**

ABN 31 103 651 538

**PROXY FORM**

**APPOINTMENT OF PROXY**

**BLACKWOOD CORPORATION LIMITED**

**ACN 103 651 538**

**ANNUAL GENERAL MEETING**

I/We

of

being a member of Blackwood Corporation Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of Proxy

OR  the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at 10.00am (EST), on 14 December 2011 at the Norfolk Room, The Sebel and Citigate King George Square Hotel, Corner Ann and Roma Streets, Brisbane, Queensland, and at any adjournment thereof.

**Comment**

Important for Resolution 1: If the Chair of the Meeting or any member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or a Closely Related Party of that member is your proxy and you have not directed the proxy to vote on Resolution 1, the proxy will be prevented from casting your votes on Resolution 1. If the Chair, another member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or Closely Related Party of that member is your proxy, in order for your votes to be counted on Resolution 1, you must direct your proxy how to vote on Resolution 1.

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 6 and 7** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 6 and 7 and that votes cast by the Chair of the Annual General Meeting for Resolutions 6 and 7 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 6 and 7 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 6 and 7.

If no directions are given, the Chair will vote in favour of all the Resolutions in which the Chair is entitled to vote undirected proxies.

**OR**

**Voting on Business of the Annual General Meeting**

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Director – Barry Bolitho	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-election of Director – Rex Littlewood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval for Noble to Acquire Relevant Interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Approval to Issue Shares to Janvel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Adoption of Employee Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Increase in Non-Executive Director Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_ %

**Signature of Member(s):**

**Individual or Member 1**

**Sole Director/Company Secretary**

**Member 2**

**Director**

**Date:** .....

**Member 3**

**Director/Company Secretary**

**Contact Name:** ..... **Contact Ph (daytime):** .....

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## Instructions for Completing 'Appointment of Proxy' Form

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1. **(Appointing a Proxy):** A member entitled to attend and vote at an Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
  - **(Individual):** Where the holding is in one name, the member must sign.
  - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
  - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

post to Blackwood Corporation Limited, Level 8, Grant Thornton House 102 Adelaide Street, Brisbane, Queensland; or

  - facsimile to the Company on facsimile number +61 7 3034 0899; or
  - email to the Company at [info@bwddcorp.com.au](mailto:info@bwddcorp.com.au),so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy forms received later than this time will be invalid.**



**BLACKWOOD CORPORATION  
LIMITED**  
Independent Expert's Report

3 November 2011



## Financial Services Guide

3 November 2011

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (“BDO” or “we” or “us” or “ours” as appropriate) has been engaged by Blackwood Corporation Limited (“Blackwood”) to provide an independent expert’s report on the proposal to issue shares to Noble Group Limited and Janvel Pty Ltd. You will be provided with a copy of our report as a retail client because you are a shareholder of Blackwood.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice

## **Fees, Commissions and Other Benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement is approximately \$23,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## **Other Assignments**

BDO Corporate Finance (WA) Pty Ltd prepared an Independent Expert's Report for Blackwood (then named Matilda Minerals Limited) in September 2010 relating to issue of shares to Noble Group Ltd and Territory Resources Limited as part of the company's recapitalisation programme.

BDO Corporate Finance (WA) Pty Ltd prepared an Investigating Accountant's Report for Blackwood (then named Matilda Minerals Limited) in November 2010 for inclusion in the prospectus relating to the offer of 60 million shares.

BDO Audit (QLD) Pty Ltd is the appointed Auditor of Blackwood. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

## **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from Blackwood for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## **Complaints resolution**

### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 Subiaco WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

## **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Contact details**

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

This is a draft document and must not be relied on or disclosed or referred to in any document. We accept no duty of care or liability to you or any third party for any loss suffered in connection with the use of this document.



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3 November 2011

The Directors  
Blackwood Corporation Ltd  
Level 8, Grant Thornton House  
102 Adelaide Street  
Brisbane QLD 4000

Dear Sirs

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

Blackwood Corporation Limited ("**Blackwood**") or ("**the Company**") has proposed to cancel a Technical Services Agreement ("**TSA**") under which Noble Group Limited and its subsidiaries ("**Noble**") are entitled to receive a total of 24.7 million shares in exchange for technical services and advice. Noble is entitled to 11.6 million of these shares in the first year of the TSA.

In its place Blackwood and Noble will enter into a Subscription Agreement under which Noble will receive 5.0 million shares for the services it has provided in the first year terms of the TSA, and subscribe for the additional 19.7 million shares that it would have received under the TSA, at a price of \$0.20.

### 2. Summary and Opinion

#### 2.1 Purpose of the report

The directors of Blackwood have requested that BDO Corporate Finance (WA) Pty Ltd ("**BDO**") prepare an independent expert's report ("**our Report**") to express an opinion as to whether or not the proposal to cancel the Technical Services Agreement and, in its place, issue 5.0 million shares to Noble and enter into a Subscription Agreement with Noble for a further 19.7 million shares ("**the Proposal**"), is fair and reasonable to the non associated shareholders of Blackwood ("**Shareholders**").

Our Report is prepared pursuant to section 611 of the Corporations Act and ASX Listing Rule 10.1 and is to be included in the Explanatory Memorandum for Blackwood in order to assist the Shareholders in their decision whether to approve the Proposal.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("**ASIC**") Regulatory Guide 111 ("**RG 111**"), 'Content of Expert's Reports' and Regulatory Guide 112 ("**RG 112**") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the Proposal as outlined in the body of this report. We have considered:

- How the value of the consideration per share offered by Noble compares to the value of a Blackwood share prior to the Proposal and to the value per Blackwood share of the services to be provided by Noble under the current Technical Services Agreement;
- The likelihood of a superior alternative offer being available to Blackwood;

- Other factors which we consider to be relevant to the Shareholder in their assessment of the Proposal; and
- The position of Shareholders should the Proposal not be approved.

### 2.3 Opinion

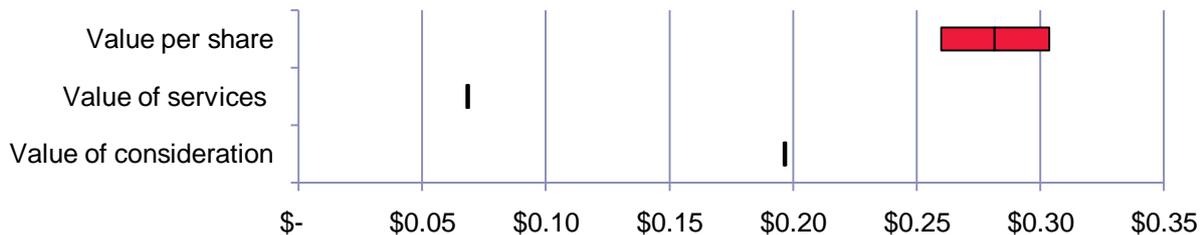
We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is fair and reasonable to Shareholders.

### 2.4 Fairness

In Section 13 we determined that the Proposal consideration compares to the value of a Blackwood share and to the value of services receivable under a continuation of the TSA, as detailed hereunder.

	Ref	Low \$	Preferred \$	High \$
Value of a Blackwood share	10.3	\$0.260	\$0.282	\$0.304
Value per share of services receivable under the TSA	11	\$0.069	\$0.069	\$0.069
Value of the consideration offered per share	12	\$0.197	\$0.197	\$0.197

The above valuations are depicted graphically below.



The value of the consideration offered of \$0.197 per share is less than the value per Blackwood share. However the consideration offered is greater than the value of services that have been provided by Noble in the first year term of the TSA of \$0.069 per share.

If the proposal is not approved then Blackwood will only be entitled to continue to receive services from Noble for which there is no minimum contracted value. The total of 24.7 million shares proposed to be issued under the Subscription Agreement would equally be issued under the TSA currently in force.

The above pricing indicates that the Proposal is fair for Shareholders.

### 2.5 Reasonableness

We have considered the analysis in Sections 13 and 14 of this report, in terms of both

- advantages and disadvantages of the Proposal; and
- alternatives, including the position of Shareholders if the Proposal does not proceed.

In our opinion, the position of Shareholders if the Proposal is approved is more advantageous than the position if the Proposal is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Proposal is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.4.1	The Proposal is fair	14.5.1	Dilution of Shareholders' interests
14.4.2	Additional funds will be received by the Company	14.5.2	Loss of control

Other key matters we have considered include:

Section	Description
14.1	Alternative proposals
14.2	Practical level of control
14.3	Consequences of not approving the Proposal

### 3. Scope of the Report

#### 3.1 Purpose of the Report

The current shareholders of Noble (and their associates) together own 43.6% of the shares in Blackwood. Section 606 of the Corporations Act Regulations (“the Act”) expressly prohibits the acquisition of further shares by a party who already holds (with associates) more than 20% of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders’ approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts. Based on the audited accounts as at 30 June 2011 the value of the consideration paid for the shares being issued is approximately 45% of the equity interest of Blackwood.

Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity. Noble is a shareholder of Blackwood and currently holds 43.6% of the ordinary shares of the Company.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders’ approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction non-associated shareholders.

Accordingly, an independent experts’ report is required for the Proposal. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Blackwood.

Regulatory Guide 74 issued by ASIC deals with "Acquisitions Agreed to by Shareholders". It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Blackwood, by either:

- undertaking a detailed examination of the Proposal themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Blackwood have commissioned this Independent Expert's Report to satisfy this obligation.

### **3.2 Regulatory guidance**

The Act does not define the meaning of "fair and reasonable". In determining whether the Proposal is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction it should be analysed on a basis consistent with a takeover bid.

In our opinion the Proposal is a control transaction as defined by RG 111 and we have therefore assessed the Proposal to consider whether in our opinion it is fair and reasonable to Shareholders.

### **3.3 Adopted basis of evaluation**

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the Proposal consideration for each Blackwood share and the values of Blackwood shares being acquired and the services receivable if the TSA is not cancelled (fairness - see Section 13 "Is the Proposal Fair?"); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolutions, after reference to the value derived above (reasonableness - see Section 14 "Is the Proposal Reasonable?").

This assignment is a Valuation Engagement as defined by APES 225 Valuation Services. A Valuation Engagement means an engagement or assignment to perform a valuation and provide a valuation report where we determine an estimate of value of the Company by performing appropriate valuation procedures and where we apply the valuation approaches and methods that we consider to be appropriate in the circumstances.

## 4. Outline of the Proposal

The Company entered into a Technical Services Agreement (“TSA”) in September 2010, commencing in December 2010, under which Osendo Pty Ltd, a subsidiary of Noble Group Limited, was to be issued with 24.7 million shares in consideration for performing technical services and providing strategic advice for the two year term of the agreement. These rights were subsequently transferred to Janvel Pty Ltd (“Janvel”), another subsidiary of Noble Group Limited. The TSA can be terminated via mutual agreement between Noble and Blackwood and shares issued would be prorated in proportion to the term of the TSA.

Under the terms of the TSA, Noble is entitled to receive 11.6 million shares for the services provided, and to be provided, in the first year to 9 December 2011. However, due to various factors, the level of ongoing services required from Noble have been, and are expected to continue to be, less than that originally anticipated when the TSA was executed.

It is proposed that Blackwood and Noble enter into a Subscription Agreement under which:

- The TSA would be terminated, with the Company’s existing staff to take responsibility for the works previously provided by Noble;
- Only 5 million shares are to be issued to Noble for the services provided under the TSA to the date that is five business days after the conditions of the Subscription Agreement are satisfied or waived (the “Completion date”). Noble would thereby increase its shareholding from the current percentage of 43.6% to 45.4% (as shown in the table below); and
- Noble would subscribe for the remaining 19.7 million shares that it would have earned for the provision of services under the remaining term of the TSA. This subscription has been agreed at a price of \$0.20 per share. Noble would thereby increase its shareholding to 51.2% as shown below.

	Noble		Other shareholders		Total	
Current shareholding	69,989,760	43.6%	90,360,509	56.4%	160,350,269	100.0%
Shares earned for services under the TSA	5,000,000		-		5,000,000	
<b>Shareholding if Proposal is not approved</b>	<b>74,989,760</b>	<b>45.4%</b>	<b>90,360,509</b>	<b>54.6%</b>	<b>165,350,269</b>	<b>100.0%</b>
Proposed share subscription	19,700,000		-		19,700,000	
<b>Total post proposal</b>	<b>94,689,760</b>	<b>51.2%</b>	<b>90,360,509</b>	<b>48.8%</b>	<b>185,050,269</b>	<b>100.0%</b>

We note that under the proposed Subscription Agreement Noble would not subscribe to, and would not receive, any more shares than to which it would have been entitled if the TSA had not been terminated and it had completed its obligations under the remaining term of the TSA.

## 5. Profile of Blackwood

### 5.1 History

Historically, Blackwood's main focus has been on mining zircon and rutile mineral sands at the Company's Tiwi Islands mine, located to the north of Darwin in the Northern Territory. Blackwood (then Matilda Minerals Ltd) announced in August 2008 that the Tiwi Project was no longer viable due to rising operating costs and damage to Port Melville (the origination port for the Company's Tiwi Islands Mine). The project was put on care and maintenance in October 2008. On 20 October 2008 Matilda Minerals entered voluntary administration and became subject to a deed of company arrangement ("DOCA"). The Deed Administrators agreed to dispose of the Company's Tiwi Islands operations and prospective mineral sands tenements in Queensland to Stirling Resources Limited in May 2009.

In February 2010 the creditors approved a recapitalisation proposal which involved the conversion of the DOCA into a Creditors' Trust, the recapitalisation of the Company and the reinstatement to official quotation. In December 2010 the Company raised \$12 million and relisted on the ASX as Blackwood Corporation Ltd. Following the relisting, Noble became the largest shareholder with a direct interest of 25%. Noble and Blackwood entered into a Technical Services Agreements and Product Sales Agreement to add expertise to Blackwood in exchange for the issue of additional shares in the Company.

Blackwood holds 100% direct interests in each of its various tenements in Queensland, Western Australia and the Northern Territory. Blackwood holds a total of 48 granted or offered exploration permits for coal ("EPC") and 22 additional EPC applications. All of the tenements are located in Queensland coal basins, being the Bowen, Surat, Galilee and Clarence-Moreton basins.

#### Bowen Basin

The Bowen Basin contains one of the largest coal reserves in Australia, covering an area of over 60,000km<sup>2</sup>. Thirty-four coalmines operate in the area, extracting over 100 million tonnes of coking, thermal and PCI products for export. The Bowen Basin accounts for approximately 83% of Queensland's annual coal production. The area is renowned for its premium Hard Coking Coal, and has a number of underground coal gasification projects underway. Blackwood holds several exploration permits in the Bowen Basin, close to existing mines and infrastructure. Priority tenements are located within the Bowen Basin.

#### Surat Basin

The Surat Basin stretches across over 27,000 km<sup>2</sup> of land, with two thirds of it located in southern Queensland, and the remainder occupying northwest New South Wales. There are several producing coalmines within the area, and it is expected that the basin will become a boom area for development in the near future. Thermal coal is the primary coal exported from this region.

Infrastructure upgrades are being touted, such as the Southern Missing Link, which would effectively open the area up significantly to development. Blackwood possesses several prospective exploration tenements within this area, some of which fall into its highest priority category.

#### Clarence-Moreton Basin

Relatively under explored compared to the other basins, the Clarence-Moreton Basin covers approximately 26,000 km<sup>2</sup> of southern Queensland, and northeast New South Wales. The basin is contiguous with the Surat Basin, and resources contain similar properties. Consequently, thermal coal is the primary target within this area. Good infrastructure exists, and major centres such as Warwick and Toowoomba are

located within the geographical boundaries of the Basin. Blackwood occupies several exploration areas within the Clarence-Moreton Basin.

### Galilee Basin

The Galilee Basin has a total area of 247,000km<sup>2</sup> and remains largely unexplored. All but one of Blackwoods EPCs are in the north-eastern portion of the basin which is well served with a sealed road and rail to the coastal port of Townsville but the central and southern portions of the basin have little existing infrastructure. The Galilee Basin is immediately west of the Bowen Basin in Central Queensland, and contains many of the same extensive, thick and laterally continuous Permian coal measures. Recent drilling has currently defined the coal resource in the Galilee Basin to be over 22 billion tonnes. Blackwood Corporation holds approximately 2,500km<sup>2</sup> of EPC's in the Galilee Basin.

## 5.2 Historical Balance Sheet

Blackwood Corporation Ltd (\$)	As at 30 September 2011	As at 30 June 2011	As at 30 June 2010
Cash and cash equivalents	7,381,886	9,346,260	6,634,938
Trade and other receivables	250,561	197,960	502,399
<b>Total Current Assets</b>	<b>7,632,447</b>	<b>9,544,220</b>	<b>7,137,337</b>
Property, plant and equipment	55,595	35,030	16,255
Exploration and evaluation assets	3,384,537	1,424,602	505,373
Intangible assets	4,424	6,769	-
<b>Total Non-Current Assets</b>	<b>3,444,556</b>	<b>1,466,401</b>	<b>521,628</b>
<b>Total Assets</b>	<b>11,077,003</b>	<b>11,010,621</b>	<b>7,658,965</b>
Trade and other payables	273,009	151,071	8,956,200
<b>Total Current Liabilities</b>	<b>273,009</b>	<b>151,071</b>	<b>8,956,200</b>
<b>Net Assets/(Liabilities)</b>	<b>10,803,992</b>	<b>10,859,550</b>	<b>(1,297,235)</b>
Issued capital	41,682,005	41,682,005	28,470,297
Shares to be issued under TSA	805,486	476,089	-
Reserves	1,420,254	1,420,254	1,420,254
Accumulated losses	(33,103,753)	(32,718,798)	(31,187,786)
<b>Total Equity</b>	<b>10,803,992</b>	<b>10,859,550</b>	<b>(1,297,235)</b>

Source: The audited financial statements for the years ended 30 June 2010 and 30 June 2011, Management Accounts 30 September 2011.

We have not undertaken a review of the unaudited accounts at 30 September 2011 in accordance with Australian Auditing and Assurance Standard 2405 "Review of Historical Financial Information" and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

The cash balance increased by \$2.7 million to \$9.3 million from 30 June 2010 to 30 June 2011 predominantly due to the capital raising in December 2010 of \$12.0 million. The balance of the cash raised was primarily utilised to settle amounts due to the Creditors' Trust (see below), and on exploration activities.

The Company was released from the Deed of Company Arrangement in October 2010. In consideration for the extinguishment of liabilities incurred prior to the release, all cash holdings to the Creditors' Trust were transferred and 5 million shares were issued at \$0.20 per share (\$1 million).

The cash balance decreased by \$2.0 million at 30 September 2011 as expenditure was incurred on exploration activities. This is consistent with the increase in capitalised exploration and evaluation assets in the same period.

### 5.3 Historical Income Statements

Blackwood Corporation Ltd	Consolidated for the year ended 30 June 2011 \$	Consolidated for the year ended 30 June 2010 \$
Revenue from continuing operations	170,084	266,231
Other income	1,019,558	32,659
<b>Expenses</b>		
Rental expenses	(46,346)	(52,278)
Depreciation	(3,370)	(5,272)
Finance charges	(17,331)	(32,659)
Other expenses	(1,563,458)	(912,790)
Share based payments	(840,000)	-
Write off of capitalised exploration expenditure	-	(147,536)
Employee Benefit Expense	(250,149)	(273,556)
<b>Loss before income tax</b>	<b>(1,531,012)</b>	<b>(1,125,363)</b>
Income tax benefit	-	-
<b>Loss attributable to members of the company</b>	<b>(1,531,012)</b>	<b>(1,125,363)</b>

Source: The audited financial statements for the years ended 30 June 2010 and 30 June 2011

Other income of \$1.0 million the year ended 30 June 2011 relates to gains on the extinguishment of debt following the release of the Company from the Deed of Company Arrangement.

Share based payments totalling \$840,000 were made to Directors and employees of the Company for services provided under the Deed of Company Arrangement. 4.2 million shares issued were valued at \$0.20 based on the market price on the date of issue.

## 5.4 Capital Structure

The share structure of Blackwood as at 27 September 2011 is outlined below:

	Number
Total Ordinary Shares on Issue	160,350,269
Top 20 Shareholders	92,327,022
Top 20 Shareholders - % of shares on issue	57.58%

Source: Audited Financial Statements 30 June 2011

The range of shares held in Blackwood as at 27 September 2011 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	% Issued Capital
1-1,000	58	29,357	0.02%
1,001-5,000	283	905,692	0.56%
5,001-10,000	295	2,630,498	1.64%
10,001-100,000	764	29,567,897	18.44%
100,001 - and over	161	127,216,825	79.34%
<b>TOTAL</b>	<b>1,561</b>	<b>160,350,269</b>	<b>100.00</b>

Source: Audited Financial Statements 30 June 2011

The ordinary shares held by the most significant shareholders as at 27 September 2011 are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Janvel Pty Ltd <sup>a</sup>	35,800,000	22.33%
Territory Minerals Sands Pty Ltd <sup>a</sup>	29,974,760	18.69%
Crawley Resources Ltd <sup>a</sup>	4,215,000	2.63%
Bolitho Mining Company Pty Ltd <sup>b</sup>	3,936,323	2.45%
<b>Total Top Four</b>	<b>73,926,083</b>	<b>46.10%</b>
Others	86,424,186	53.90%
<b>Total ordinary shares on issue</b>	<b>160,350,269</b>	<b>100.00%</b>

a) Subsidiaries of Noble Group Limited

b) Barry Bolitho, the Company Chairman, and his associates held 6,198,523 ordinary shares as at 13 October 2011 (3.89% of total ordinary shares on issue).

Source: Audited Financial Statements 30 June 2011, ASX announcements

## 6. Profile of Noble Group Ltd

### 6.1 History

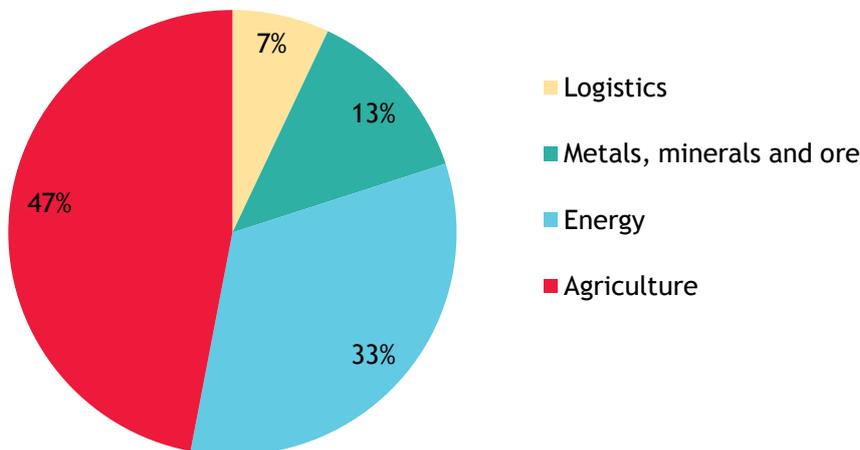
The Noble Group was founded in 1987 by Chairman, Richard Elman. Noble specialises in supply chain management of agriculture, metals and mining, logistics and energy products. Noble listed on the Stock Exchange of Singapore (“SGX”) in 1997 through an initial public offering. The Group has since grown to a market capitalisation of approximately S\$9.9 billion as of October 2011 and has 150 offices, and more than 13,000 employees located in 40 countries around the world.

Noble has a pipeline business strategy whereby it creates shareholder value through its involvement in all stages of the supply chain. Noble focuses on obtaining interests in low cost producing countries such as Brazil, Australia and Indonesia to produce and process raw materials. The Group then uses its chartering operations and port capacity in origination and destination markets to supply these materials to high growth markets such as China, India and the Middle East.

Noble operates in four segments, being:

- **Agriculture:** sources and supplies grains, oilseeds, coffee, cocoa, sugar, cotton and fertiliser;
- **Energy:** supplies energy products that are needed in production, such as coal and coke, fuel oil and petrochemicals. This segment also supplies clean fuels, such as ethanol;
- **Metals, minerals and ores:** provides raw materials that fuel production, supplying a range of products to steel mills in China and elsewhere; and
- **Logistics:** provides vessel chartering and related operations, as well as fleet management services.

The table below illustrates the Group’s operating income from supply chain composition for each segment:



Source: <http://www.thisisnoble.com/images/documents/whoweare2011.pdf>

Noble Group’s other interest in Australia include, amongst others, interest in Gloucester Coal Limited, East Energy Resources Limited and Territory Resources Limited.

## 6.2 Historical Consolidated Statement of Financial Position

Noble Group Limited US\$'000	As at 30-Jun-11	As at 31-Dec-10	As at 31-Dec-09
<b>Current Assets</b>			
Cash and cash equivalents	2,036,299	1,605,589	937,287
Trade receivables	2,759,085	2,061,274	1,140,571
Prepayments, deposits and other receivables	5,416,675	4,579,431	1,940,870
Contracts in progress	141,055	154,237	77,062
Inventories	3,656,027	3,968,097	3,414,566
<i>Assets of a disposal group classified as held for sale</i>		-	998,113
<b>Total current assets</b>	<b>14,009,141</b>	<b>12,368,628</b>	<b>8,508,469</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2,893,486	2,215,791	1,522,650
Prepaid land leases	22,970	22,736	13,872
Mine properties	911,683	747,407	96,653
Intangible assets	760,796	359,523	41,496
Interest in joint controlled entities	595,724	540,276	24,363
Interests in associates	110,757	108,145	113,511
Long term investments	470,869	489,296	89,791
Agricultural assets	321,779	170,365	92,546
Loan receivables	89,159	144,191	85,361
Deferred tax assets	173,025	171,191	66,310
<b>Total Non-Current Assets</b>	<b>6,350,248</b>	<b>4,968,921</b>	<b>2,146,553</b>
<b>Total Assets</b>	<b>20,359,389</b>	<b>17,337,549</b>	<b>10,655,022</b>
<b>Current Liabilities</b>			
Trade and other payables and accrued liabilities	7,190,849	6,105,055	3,614,240
Excess of progress billings over contract costs	59,031	45,146	40,439
Convertible bonds	10,000	310,841	-
Bank debts and current portion of long term debts	1,186,765	1,528,250	609,168
Tax payable	33,372	64,942	30,253
<i>Liabilities of a disposal group classified as held for sale</i>		-	252,108
<b>Total Current Liabilities</b>	<b>8,480,017</b>	<b>8,054,234</b>	<b>4,546,208</b>
<b>Non-Current Liabilities</b>			
Long term bank debts	2,951,662	1,605,944	1,133,059
Convertible bonds	310,070	-	280,039
Senior notes	2,491,371	2,679,244	1,518,873
Deferred tax liabilities	704,061	566,938	138,649
<b>Total Non-Current Liabilities</b>	<b>6,457,164</b>	<b>4,852,126</b>	<b>3,070,620</b>
<b>Total Liabilities</b>	<b>14,937,181</b>	<b>12,906,359</b>	<b>7,616,828</b>
<b>Net Assets</b>	<b>5,422,208</b>	<b>4,431,189</b>	<b>3,038,194</b>

Noble Group Limited US\$'000	As at 30-Jun-11	As at 31-Dec-10	As at 31-Dec-09
<b>Equity</b>			
Issued capital	205,800	193,492	123,493
Share premium	1,780,116	1,212,139	1,197,009
Reserves	(115,452)	(47,186)	(177,706)
Reserves of a disposal group classified as held for sale	-	-	3,910
Capital Securities	344,891	344,891	-
Retained profits	2,436,950	2,269,641	1,808,731
<b>Total Equity</b>	<b>4,652,305</b>	<b>3,972,977</b>	<b>2,955,437</b>
<b>Non-controlling interests</b>			
Non-controlling interest attributable to a disposal group classified as held for sale	-	-	77,060
<b>Total Equity</b>	<b>5,422,208</b>	<b>4,431,189</b>	<b>3,038,194</b>

Source: Noble Group Audited Annual Report 31 December 2010, Unaudited quarterly financial statement to 30 June 2011.

### 6.3 Historical Income Statements

Noble Group Limited	Six months ended 30-Jun-11 US\$'000	Year ended 31-Dec-10 US\$'000	Year ended 31-Dec-09 US\$'000
Revenue	39,718,722	56,696,058	31,183,114
Cost of sales and services	(38,824,038)	(55,063,992)	(30,078,068)
<b>Gross profit</b>	<b>894,684</b>	<b>1,632,066</b>	<b>1,105,046</b>
Profit on supply chain assets	60,258	93,378	129,935
Other income and gains net of other expenses	8,650	1,731	(25,365)
Selling, administrative and operating expenses	(346,721)	(691,635)	(401,979)
Share of profits and losses of:			
Jointly controlled entities	(3,378)	(478)	(4,189)
Associates	(4,910)	(5,981)	(20,597)
<b>Profit before interest and tax</b>	<b>408,786</b>	<b>1,029,081</b>	<b>782,851</b>
Finance income	20,320	54,152	32,425
Finance costs	(220,117)	(360,316)	(195,126)
<b>Profit before tax</b>	<b>408,786</b>	<b>722,917</b>	<b>620,150</b>
Tax	(61,769)	(115,868)	(65,020)
<b>Profit for the year</b>	<b>347,017</b>	<b>607,049</b>	<b>555,130</b>

Source: Noble Group Audited Annual Report 31 December 2010, Unaudited quarterly financial statement to 30 June 2011.

## 7. Economic analysis

Recent information is consistent with a moderation in the pace of global growth, though fears of a major downturn have not been borne out so far. The pace of US economic expansion picked up in the September quarter, but is still only moderate and leaves considerable spare capacity. China's growth has slowed, as policymakers there had intended. Output in Asia has now recovered from the effects of the Japanese earthquake, and domestic demand in the region is generally expanding. Trade performance, however, is starting to see some effects of a significant slowing in economic activity in Europe, where the prospects are for economic weakness to continue. Commodity prices, while still at high levels, have generally declined over recent months.

Financial markets have recovered somewhat from the turmoil of recent months, helped by stronger economic data in the United States and by signs that European governments are making progress in their efforts to deal with the sovereign debt and banking problems. Equity markets have gained ground and the Australian dollar has risen significantly as risk aversion has lessened. But it is likely to be some time yet before concerns about the European situation can definitively be laid to rest and the effects of the recent turmoil on confidence may result in a period of precautionary behaviour by firms and households.

Information about the Australian economy suggests moderate growth overall. The terms of trade have now peaked and will decline somewhat in the near term, but they remain very high. In response, investment in the resources sector is picking up very strongly, with much more to come. Some related service sectors are enjoying better-than-average conditions. In other sectors, cautious behaviour by households and the high exchange rate have had a noticeable dampening effect. The unemployment rate has increased a little over recent months, though it remains close to 5%.

After underlying inflation started to pick up in the first half of the year, recent information suggests the subdued demand conditions and the high exchange rate have contained inflation more recently, notwithstanding continuing sizeable increases in utilities charges. CPI inflation on a year-ended basis remains above the target, due to the effects of weather events last summer, but is now starting to decline as production of key crops recovers. Moreover, with labour market conditions now softer, the likelihood of a significant acceleration in labour costs outside the resources and related sectors in the near term has lessened. Accordingly, the Reserve Bank of Australia's current judgement is that inflation is likely to be consistent with the 2-3% target in 2012 and 2013, abstracting from the impact of the carbon pricing scheme.

Financial conditions have been easing somewhat recently, with market interest rates declining a little and competition to lend increasing. But overall conditions have remained tighter than normal, with borrowing rates still a little higher than average, credit growth subdued and asset prices lower than earlier in the year. The exchange rate has been very variable over the past few months, but on the whole has remained at historically high levels.

Over the past year, the Board of the Reserve Bank of Australia has maintained a mildly restrictive stance of monetary policy, in view of its concerns about inflation. With overall growth moderate, inflation now likely to be close to target and confidence subdued outside the resources sector, the Board of the Reserve Bank of Australia concluded that a more neutral stance of monetary policy would now be consistent with achieving sustainable growth and 2-3% inflation over time.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Glenn Stevens, Governor: Monetary Policy Decision 1 November 2011.

## 8. Industry analysis

### 8.1. Coal Industry Background

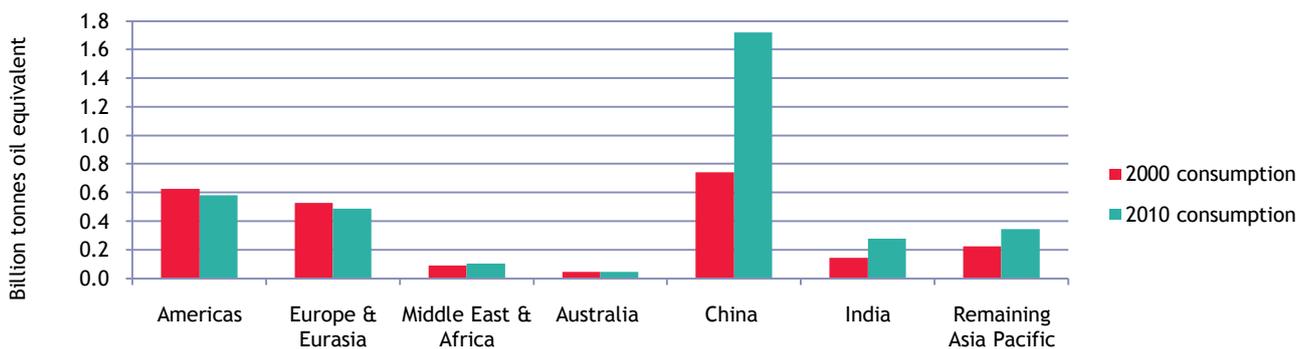
Coal deposits are found below the earth's surface with the quality of a coal deposit determined by the length of time in formation, commonly known as its 'organic maturity', temperature and pressure. The rank of coal refers to the physical and chemical properties that coals of different maturities possess. Lower rank coals such as lignite generally possess a much lower organic maturity, have a soft texture, a dull earthy appearance and are characterized by high moisture levels and low energy (carbon) content. Higher ranked coals such as Anthracite, which is the highest ranking coal, are harder, stronger, contain less moisture, and produce more energy.

To date coal has been mined by two broad methods, opencast mining and underground mining, the choice of extraction method being determined by the geology of the coal deposit.

### 8.2. Coal Demand & Supply Characteristics

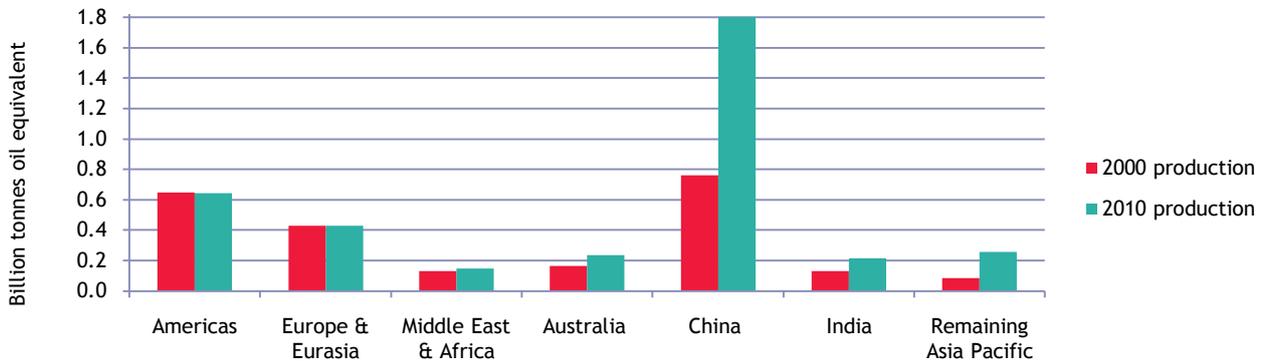
Due to the significant expense involved in the transportation of coal, world trade is effectively divided into two regional markets; the Atlantic market and the Pacific market. The Pacific market is the larger of these, comprising around 57% of world seaborne steam coal trade and boasting the world's two largest exporters. In 2010 Australia was the top exporter of coal with 155Mt coking coal and 143 Mt steam coal exported, while Indonesia led exports of steam coal, exporting 160 Mt. The top coal importers include Japan (187Mt), China (177Mt), and South Korea (119Mt). Despite Australia being a dominant player on the coal export market, their overall share in total coal production and consumption is negligible in comparison with China and to a lesser extent the USA and India.

Coal consumption grew by 7.6% in 2010, the fastest global growth since 2003. Coal accounts for approximately 30% of global energy consumption. The table below, which shows consumption patterns from 2000 to 2010 for hard and sub-bituminous coals. Total global coal consumption increased from 2,400 million tonnes in 2000 to 3,556 million in 2010. China accounted for approximately 48% of all coal consumed in 2010 while the USA accounted for approximately 15%.



Source: BP Statistical Review of World Energy June 2011

The table below illustrates total coal production patterns from 2000 to 2010 for hard and sub-bituminous coals. Total global coal production increased from 2,352 million tonnes in 2000 to 3,731 million in 2010. The trend in production over the past ten years is similar to that of consumption in that production has increased significantly in the Asia Pacific region and remained relatively stable in Europe, the Americas and Africa.



Source: BP Statistical Review of World Energy June 2011

Despite the increase in coal production in the Asia Pacific region, demand has not kept pace with supply. Recent changes in Chinese coal mining policy have improved safety and focused on closing small mines with poor recovery rates. Approximately 1000 small coal mines were closed in China in 2008. In addition, the majority of China’s coal resources are located in Northern and Northwest China, while the primary consuming areas are in the country’s coastal provinces. The scale of China’s demand for coal is placing significant strain on the country’s transportation network, particularly the rail system. Together, changes in mining regulation and infrastructure constraints mean that the country is likely to remain a net coal importer.

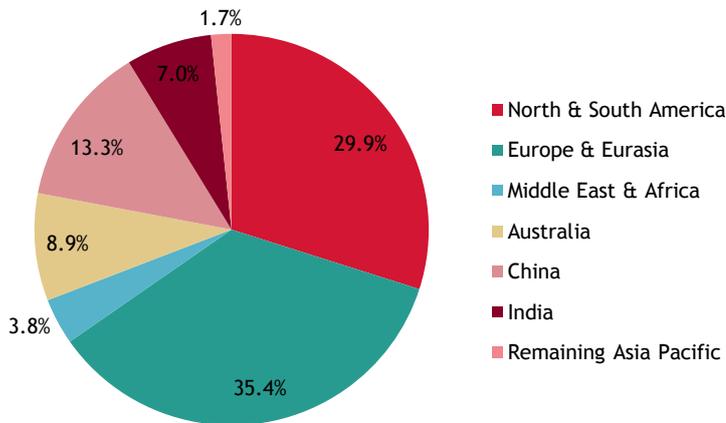
India relies on thermal coal for approximately 75% of its power requirements. India suffers from severe power shortages and blackouts are common in all of the country’s capital cities. Because of this the Indian government has set a goal to significantly increase its power capacity. Future growth in India’s power demand is expected to be dependent on the speed in which the country can accumulate infrastructure.

For the reasons mentioned above it is expected that the Asia Pacific region will become increasingly competitive with Europe, Japan, Korea and Taiwan for future coal resources. There are significant coal reserves in this region but an inability to bring reserves to production rapidly enough to keep pace with economic development has resulted in this region increasingly becoming a net coal importer. In some instances safety issues and infrastructure constraints have also been production constraints. Key producers in close proximity to these markets such as Indonesia, Australia and South Africa are likely to benefit from this trend.

### 8.3. Coal Reserves

Globally, it is estimated that there is enough coal to last approximately 118 years. However the discovery of new reserves through ongoing and improved exploration activities and advances in mining techniques may allow previously inaccessible deposits to be reached.

Coal reserves are available in almost every country worldwide, with recoverable reserves in around 70 countries. Coal has a significantly higher level of proven reserves than oil and gas which has around 46 and 59 years at current production levels respectively (World Coal Association Coal Statistics 2011). 35% (or 304,604 million tonnes (“Mt”)) of the world’s proven reserves are located in Europe and Eurasia, 29% (245,088 Mt) are found in North America and 31% (265,842 Mt) in Asia Pacific. While coal reserves are important for long term energy sustainability, the timely satisfaction of the world’s energy requirements is dependent on the rate at which the reserves can be brought into production.



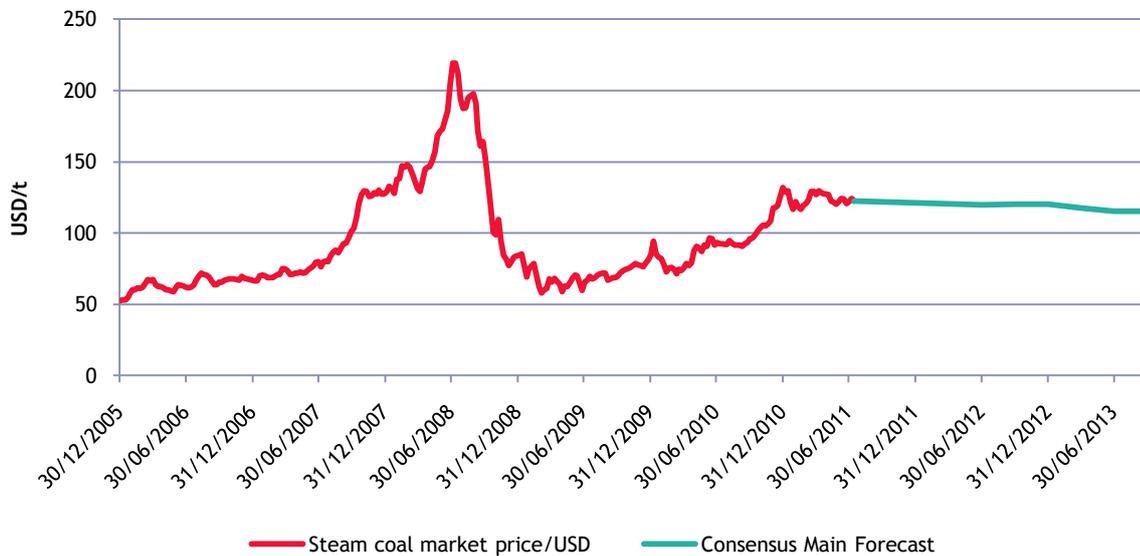
Source: BP Statistical Review of World Energy June 2011

#### 8.4. Price Trends

Coal is a global commodity and, as such, prices are determined by global supply and demand factors. With both the international community and the world's dependency on energy growing, fuel products are the single most important input affecting global economic growth. As a result coal is a highly marketable commodity, and with world consumption estimated to increase 60% by 2030, the long term price outlook is strong.

During 2007-2008, elevated demand for coal as the cheapest source of power caused prices to increase by around 200%. This diverged from historical trends where coal has generally traded at a lower, more stable prices than more volatile commodities such as oil and gas. Steam coal currently trades at an average price of around US\$120 per tonne ("t"), down from a peak of over US\$210/t in mid 2008. Speculation about sustainability of prices in light of the economic slowdown and a slackening steel market caused the correction from the highs experienced, however in comparison to an average between US\$20/t to US\$40/t throughout the 1990's, the current price is still well above historical levels.

### Steam Coal Market Price/USD Index



Source: Bloomberg

Coal prices have retracted substantially since the commodity boom from 2005 to 2008. This spike was not only fuelled by the surge in demand from developing economies such as China but was also exacerbated by supply side factors. Disruptions to global supply occurred as a result of extremely heavy snowfall in China and long term power shortages in South Africa.

Prices are expected to remain fairly stable at current levels as is shown by the consensus forecast in the chart above. This is primarily due to expectations of a recovery in the world economy over the coming years with the continued expansion of India and China in particular driving demand for both energy and iron and steel production.

### 8.5. The Australian Market

Australia exports a majority of its coal production which means the future of the export industry in particular in New South Wales and Queensland is dependent on the capacity of and access to rail and port infrastructure. This was evident from the additional demand coming out of China and India which highlights that without infrastructure developments in the coming years the growth of the industry in these states may stagnate. The problem facing the Queensland coal industry is that historically the expansion of rail capacity has lagged the expansions at ports especially on the Goonyella supply chain which carries coal from the Bowen Basin to the Port of Hay Point. Supply chain participants are however implementing arrangements including increasing the number of electric locomotives for Queensland rail and building additional lines such as the Northern Missing link.

Another factor that has impacted the Australian coal industry was the devastating Queensland floods of January 2011 as it affected much of the Queensland coal mining area including the Bowen and Surat Basins. The mines were flooded and transport links damaged resulting in estimated losses of up to 35% of Australia's 259Mt of exportable coal. The industry still has not yet recovered with 75% of Queensland's 57 coal mines still flooded as of June 2011.

The social and political debate regarding global warming has prompted the Australian Government to implement policy to reduce carbon emissions. In particular the Australian coal market is likely to be

affected by the proposed carbon tax which is set to come into effect as at 1<sup>st</sup> July 2012. Australia is one of the worst greenhouse polluters worldwide due to its heavy reliance on coal exports. By implementing the new tax the Government aims to promote the adoption of clean energy alternatives however market analysts predict that this could result in the closure of 18 mines in Queensland and New South Wales and lead to an estimated loss of revenue of AUD\$22 billion.

## 8.6. Outlook

World coal consumption grew by 7.6% for 2010. This is the highest growth rate recorded since 2003 with total world consumption exceeding an oil equivalent amount of 3550 Mt. Coal now accounts for 29.6% of global energy consumption, up from 25.6% 10 years ago (BP Statistical Review of World Energy June 2011).

Growth is expected to be strongest in the steam and coking coal markets, stemming from electricity demand, car production, and demand for household appliances. Demand and supply are set to remain fairly tight into the future, substantiating a positive outlook for the industry.

## 9. Valuation Approach Adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (“FME”)
- Discounted Cash Flow (“DCF”)
- Quoted Market Price Basis (“QMP”)
- Net Asset Value (“NAV”)
- Market Based Assessment
- Multiple of Exploration Expenditure (“MEE”)

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Blackwood shares we have chosen to employ the following methodologies:

- Net Asset Value on a going concern basis (“NAV”) as our primary valuation; and
- Quoted Market Price (“QMP”) as our secondary valuation.

We have chosen these methodologies for the following reasons:

- Being an exploration company, the core value of Blackwood is in the exploration assets it holds. We have instructed Al Maynard & Associates Pty Ltd (“Al Maynard”) to act as independent specialist to value these assets and have considered these in the context of Blackwood’s other assets and liabilities on a Net Asset Value basis.
- The QMP basis is a relevant methodology to consider because Blackwood’s shares are listed on the ASX. This means there is a regulated and observable market where Blackwood’s shares can be traded. However, in order for QMP to be considered appropriate, the company’s shares should be liquid and the market should be fully informed as to Blackwood’s activities. We have considered these factors in section 10.2.
- Future Maintainable Earnings are not appropriate for a company with only exploration assets and sufficient information is not available for a Discounted Cash Flow valuation approach to be undertaken.

Our assessment of the value of a Blackwood share prior to the proposed issue of the shares to Noble has been undertaken in Section 10 and our assessment of the value of services receivable under the TSA is in Section 11. We have compared this value obtained to the value of the consideration to be received by Blackwood for the issue of the shares in Section 13.

## 10. Valuation of Blackwood prior to Proposal

### 10.1 Net Asset Valuation of Blackwood

The value of Blackwood assets on a going concern basis is reflected in our valuation below:

Blackwood Corporation Ltd as at 30 September 2011	Ref	Unaudited \$	Low valuation \$	Preferred valuation \$	High valuation \$
<b>Current Assets</b>					
Cash and cash equivalents		7,381,886	7,381,886	7,381,886	7,381,886
Trade and other receivables		250,561	250,561	250,561	250,561
<b>Total Current Assets</b>		<b>7,632,447</b>	<b>7,632,447</b>	<b>7,632,447</b>	<b>7,632,447</b>
<b>Non-Current Assets</b>					
Property, plant and equipment		55,595	55,595	55,595	55,595
Exploration and evaluation assets	a	3,384,537	37,300,000	41,000,000	44,800,000
Intangible assets		4,424	4,424	4,424	4,424
<b>Total Non-Current Assets</b>		<b>3,444,556</b>	<b>37,360,019</b>	<b>41,060,019</b>	<b>44,860,019</b>
<b>Total Assets</b>		<b>11,077,003</b>	<b>44,992,466</b>	<b>48,692,466</b>	<b>52,492,466</b>
<b>Current Liabilities</b>					
Trade and other payables		273,009	273,009	273,009	273,009
<b>Total Current Liabilities</b>		<b>273,009</b>	<b>273,009</b>	<b>273,009</b>	<b>273,009</b>
<b>Net Assets/(Liabilities)</b>		<b>10,803,992</b>	<b>44,719,457</b>	<b>48,419,457</b>	<b>52,219,457</b>
<i>Number of shares on issue</i>	b	160,350,269	171,950,269	171,950,269	171,950,269
<b>Net asset value per share</b>		<b>\$0.067</b>	<b>\$0.260</b>	<b>\$0.282</b>	<b>\$0.304</b>

Source: The audited financial statements for the years ended 30 June 2010 and 30 June 2011, Management Accounts 30 September 2011.

We have been advised that there has not been a significant change in the net assets of Blackwood since 30 September 2011. The table above indicates the net asset value of a Blackwood share is between \$0.260 and \$0.304.

The following adjustments were made to the net assets of Blackwood as at 30 September 2011 in arriving at our valuation.

**Note a: Exploration and evaluation expenditure**

We instructed Al Maynard to provide an independent market valuation of the exploration assets held by Blackwood. Al Maynard applied the comparable transaction methodology to value all of Blackwood's assets, based on the Company's exploration tonnage ranges and grade ranges. The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement. We consider these methods to be appropriate given the pre feasibility stage of development for Blackwood's exploration assets.

The range of values for Blackwood's exploration assets as calculated by Al Maynard is between \$37.3 million and \$44.8 million, with a preferred value of \$41.0 million.

**Note b: Number of ordinary shares on issue**

Included in equity at 30 September 2011 was \$805,486 (inclusive of GST) reflecting the value of the services provided by Noble. Under the terms of the TSA, the services provided in the first year of the TSA entitle Noble to 11.6 million shares. Therefore we have increased the number of shares from those currently on issue of 160.4 million by 11.6 million.

## **10.2 Quoted Market Prices for Blackwood Securities**

To provide a comparison to the valuation of Blackwood in Section 10.1, we have also assessed the quoted market price for a Blackwood share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst Noble will not be obtaining 100% of Blackwood, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 14.

Therefore, our calculation of the quoted market price of a Blackwood share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

## Minority interest value

The following chart provides a summary of the share price movement from the date the Company relisted on the ASX, 16 December 2010, to 25 October 2011.



Source: Bloomberg

The daily price of Blackwood shares from 16 December 2010 to 25 October 2011 has ranged from a low of \$0.170 on 23 September 2011 to a high of \$0.365 on 22 February 2011.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price	
		Following Announcement \$ (movement)	Three Days After Announcement \$ (movement)
11 October 2011	Clarifying statement- Media Report	0.240 (▲ 9%)	0.270 (▲ 12%)
29 September 2011	Exploration and operational update	0.180 (▼ 3%)	0.175 (▼ 3%)
29 July 2011	Quarterly activities report and cashflow report	0.250 (-)	0.250 (-)
11 July 2011	Blackwood commences drilling at South Pentland Project	0.285 (-)	0.240 (▼ 18%)
3 June 2011	Blackwood Corporation appoints CEO	0.275 (▼ 2%)	0.240 (▼ 13%)
18 April 2011	Quarterly activities report and cashflow report	0.265 (-)	0.295 (▲ 10%)
31 January 2011	Quarterly activities report and cashflow report	0.240 (▲ 2%)	0.245 (▲ 2%)
10 December 2010	Reinstatement to official quotation on 16 December 2010	-	-

To provide further analysis of the market prices for a Blackwood share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 25 October 2011.

	25 October 2011	10 Days	30 Days	60 Days	90 Days
Closing Price	\$0.260				
Weighted Average		\$0.275	\$0.241	\$0.230	\$0.234

An analysis of the volume of trading in Blackwood shares from relisting on the ASX on 16 December 2010 to 25 October 2011 is set out below:

	Share price low	Share price high	Cumulative Volume traded	As a % of Issued capital
1 day	\$0.250	\$0.260	152,280	0.09%
10 days	\$0.230	\$0.300	3,186,215	1.99%
30 days	\$0.170	\$0.300	5,969,604	3.72%
60 days	\$0.170	\$0.300	8,924,326	5.57%
90 days	\$0.170	\$0.300	11,543,558	7.20%
180 days	\$0.170	\$0.365	39,348,148	24.54%
Since 16 Dec 2010	\$0.170	\$0.365	67,542,457	42.12%

This table indicates that Blackwood's shares display a moderate level of liquidity, with 42.1% of the Company's current issued capital being traded in the approximate ten month period since relisting on the ASX. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Blackwood, we consider that there is a sufficiently deep market for its shares to allow the use of the QMP methodology. Our assessment is that a range of values for Blackwood shares based on market pricing, after disregarding post announcement pricing, is between \$0.230 and \$0.290.

## Control Premium

We have reviewed the control premiums paid by acquirers of coal companies listed on the ASX. We have summarised our findings below:

Target company	Acquirer	Transaction date	Deal Value (US\$m)	Control Premium
Gloucester Coal Ltd	ITOCHU Corp	Aug-05	12.93	0.36%
Austral Coal Ltd	Centennial Coal Co Ltd	Nov-05	378.13	12.19%
Excel Coal Ltd	Peabody Energy Corp	Nov-06	2299.06	13.09%
Resource Pacific Holdings Ltd	Xstrata PLC	Apr-08	985.31	35.25%
Gloucester Coal Ltd	Noble Group Ltd	Jun-09	352.28	102.87%
Bowen Energy Ltd	Bhushan Steel Ltd	Aug-09	5.56	8.23%
Felix Resources Ltd	Yanzhou Coal Mining Co Ltd	Dec-09	3083.75	9.26%
Centennial Coal Co Ltd	Banpu PCL	Jun-10	98.72	23.11%
Gloucester Coal Ltd	Noble Group Ltd	Oct-10	251.46	42.31%
Bowen Energy Ltd	Bhushan Steel Ltd	Nov-10	1.14	88.92%
Centennial Coal Co Ltd	Banpu PCL	Dec-10	2209.19	38.32%
Northern Energy Corp Ltd	New Hope Corp Ltd	Mar-11	158.59	79.12%
Riversdale Mining Ltd	Rio Tinto Ltd	Jul-11	3409.48	27.84%
Caledon Resources PLC	Guangdong Rising Assets Management Co Ltd	Aug-11	419.27	58.98%
Northern Energy Corp Ltd	New Hope Corp Ltd	Oct-11	50.09	33.89%
			Mean average	38.25%
			Median	33.89%

Source: Bloomberg

Due to limitations in data availability we have also reviewed the control premiums paid by acquirers of global coal mining companies, our findings are summarised below:

Transaction Year	Number of Transactions	Average Deal Value (A\$m)	Average Control Premium %
2005	82	124	9%
2006	87	142	2%
2007	138	129	14%
2008	123	330	17%
2009	103	156	33%
2010	146	247	40%
2011	91	238	33%
<b>Average</b>			<b>21%</b>

Source: Bloomberg

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;

- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer’s business
- Level of pre-announcement speculation of the transaction
- Level of liquidity in the trade of the acquiree’s securities.

The results from the table above indicate an average control premium of 38.25% for Australian coal companies and 15.55% for global coal companies. Excluding the acquisitions of Bowen Energy Ltd, which is the only company in the list of ASX transaction above which explores for uranium and coal, the average control premium for Australian coal companies indicated is 36.66%.

Based on the results above, the long term control premium paid for Global coal mining companies is in the order of 20% to 30%.

### Quoted market price including control premium

Applying a control premium to Blackwood’s quoted market share price results in the following quoted market price value including a premium for control:

	Low \$	High \$
Quoted market price value	0.230	0.290
Control premium	20%	30%
<b>Quoted market price valuation including a premium for control</b>	<b>0.276</b>	<b>0.377</b>

Therefore, our valuation of a Blackwood share based on the quoted market price method and including a premium for control is between \$0.276 and \$0.377.

### 10.3 Assessment of Blackwood Value

The results of the valuations performed are summarised in the table below:

	Low \$	High \$
Net tangible assets (Section 10.1)	0.260	0.304
ASX market prices (Section 10.2)	0.276	0.377

The net asset value methodology has been deemed most reliable for this purpose due to the core value of Blackwood being in the exploration assets that it holds in its balance sheet for which we have received an independent valuation.

Our quoted market price valuation is consistent with the lower end of our net asset valuation range and exceeds the higher end. From our analysis of the quoted market price of a Blackwood share we note that 42.1% of the Company’s issued capital had been traded in the approximate ten month period since the

Company relisted on the ASX on 16 December 2010, which represents a moderate level of liquidity. We also note that in the same period, Blackwood shares have traded between a low of \$0.170 and a high of \$0.365. We consider that as Blackwood shares are considered to be moderately liquid, the quoted market price methodology is not as reliable as the Net Asset Value methodology in determining the value of a Blackwood share.

We have based our valuation of a Blackwood share on the net asset value methodology and based on the results above we consider the value of a Blackwood share to be between \$0.260 and \$0.304, with a preferred value of \$0.282.

## 11. Value of services receivable under the TSA

The Company entered into a Technical Services Agreement (“TSA”) in December 2010 under which Noble is entitled to be issued with 24.7 million shares in consideration for performing technical services and providing strategic advice. Blackwood has proposed to cancel the TSA.

Under the terms of the TSA, Noble is not required to provide any minimum value of services to Blackwood. As at 30 September 2011, and inclusive of rent and office services to be provided to the annuity date of 9 December 2011, Noble had provided services to Blackwood to a total value of \$799,644.

Under the terms of the TSA the services provided to the annuity date of the TSA of 9 December 2011 entitle Noble to the first issue of 11.6 million Blackwood shares, resulting in a value of services per share as follows:

	Services	Shares earned	Value of services per share
Services received in year to 9 December 2011	\$799,644	11,600,000	\$0.069

Source: Audited Financial Statements 30 June 2011, Information from Blackwood management, BDO analysis

Under the TSA currently in force, Blackwood would have received services to the value of \$0.069 per share at the annuity date. We consider the services to have a value of \$0.069 per share. Whilst Noble is not required to provide any minimum value of services to Blackwood we have no reason to believe that the level and value of future services should differ from those provided in the past.

## 12. Valuation of the consideration

Under the Proposal, the TSA would be cancelled and, instead of providing services to the Company, Noble will enter into a Subscription Agreement with Blackwood to subscribe to 19.7 million at a subscription price of \$0.200 per share.

5 million shares will be issued for the services provided by Noble to 9 December 2011, as opposed to the 11.6 million shares to which Noble is entitled under the TSA. In order to earn these 5 million shares, in addition to those services already provided, Noble will provide rent and office services for the year to 9 December 2012.

The total consideration proposed in exchange for the total 24.7 million shares, inclusive of the services provided and to be provided, is set out below:

	Value (\$)
Services provided and to be provided to 9 December 2011	\$799,644
Rent and office services for the year to 9 December 2012	\$129,363
Consideration offered under Subscription Agreement:	
Per share	\$0.200
Number of shares	19,700,000
<b>Total consideration offered</b>	<b>\$3,940,000</b>
<b>Total proposed services and consideration</b>	<b>\$4,869,008</b>
<b>Total shares proposed to be issued</b>	<b>24,700,000</b>
<b>Total services and consideration per share</b>	<b>\$0.197</b>

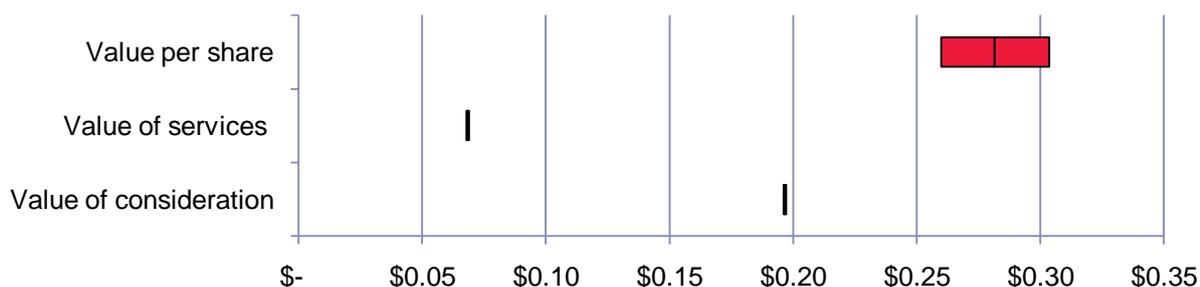
Source: Audited Financial Statements 30 June 2011, Information from Blackwood management, BDO analysis

### 13. Is the Proposal fair?

The value of a Blackwood share, the services provided, and the consideration offered per share is compared below:

	Ref	Low \$	Mid \$	High \$
Value of a Blackwood share	10.3	\$0.260	\$0.282	\$0.304
Value per share of services receivable under the TSA	11	\$0.069	\$0.069	\$0.069
Value of the consideration offered per share	12	\$0.197	\$0.197	\$0.197

The above valuations are depicted graphically below.



We note from the table above that the value of the consideration offered is less than the value per Blackwood share. However, if the TSA is not terminated as proposed, then Blackwood will only be entitled to receive services from Noble with no cash consideration. There is no minimum level of provision of services specified within the terms of the TSA however the total of 24.7 million shares proposed to be issued under the Subscription Agreement would equally be issued under the TSA in exchange for these services.

The consideration offered of \$0.197 per share is greater than the level of services per share that have been provided by Noble in the first year term of the TSA of \$0.069. Therefore, we consider that the Scheme is fair.

## 14. Is the Proposal reasonable?

### 14.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Blackwood a premium over the value ascribed to that resulting from the Proposal.

### 14.2 Practical Level of Control

If the Proposal is approved then Noble will hold an interest of approximately 51.2% in Blackwood. We note that Noble would potentially hold the same interest if the TSA were to continue.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Proposal is approved then Noble will be able to pass general resolutions and block special resolutions.

Noble's control of Blackwood following the Proposal will be significant when compared to all other shareholders. The next most significant shareholder will be the Chairman of the Company, Barry Bolitho, and his associates with 6.2 million shares (3.3% post Proposal). As such, Noble should be expected to pay a similar premium for control as if it were acquiring 100% of Blackwood.

### 14.3 Consequences of not Approving the Proposal

If the Proposal is not approved then the TSA would continue. Noble would be entitled to an issue of 11.6 million shares for the services provided, and to be provided, by 9 December 2011 and Blackwood would continue to receive services for the remaining 13.1 million shares to be issued on completion of the TSA term, 9 December 2012. The value of the services provided by Noble to date is discussed in Section 11.

The Subscription Agreement between Blackwood and Noble would not be entered into and therefore no cash would be received from Noble.

### 14.4 Advantages of Approving the Proposal

We have considered the following advantages when assessing whether the Proposal is reasonable.

Advantage	Description
14.4.1 The Proposal is fair	As set out in Section 13 the Proposal is fair. RG 111 states that an offer is reasonable if it is fair.
14.4.2 Additional funds will be received by the Company	Funds of \$3.94 million will be received under the Subscription Agreement. The intention of the Company is to utilise the funds received under the Subscription Agreement to continue the exploration work on the Company's coal assets in line with the Company's previously advised exploration strategy, and to assist the Company with its general working capital requirements.

## 14.5 Disadvantages of Approving the Proposal

If the Proposal is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below.

Disadvantage	Description
<p><b>14.5.1</b> Dilution of Shareholders' interests</p>	<p>Under the Proposal Blackwood will issue a total 24.7 million shares to Noble. If Shareholders approve the Proposal the current Blackwood shareholders' ownership will be diluted from 52.6% to 48.8% of the Company. Noble's relative interest will be 51.2% of the Company. However, Noble would potentially hold the same interest if the TSA was to continue.</p>
<p><b>14.5.2</b> Loss of control</p>	<p>If Shareholders approve the Proposal Noble's relative interest will increase from the current shareholding of 43.6% (prior to issuing the 11.6 million shares to which Noble is entitled under the TSA) to 51.2%.</p> <p>A 50% majority shareholder vote is required to pass an ordinary resolution and a 75% majority shareholder vote is required to pass a special resolution. While Noble will not have effective control of Blackwood, they will have significant influence in the passing of resolutions. Ordinary resolutions include but are not limited to:</p> <ul style="list-style-type: none"> <li>• election/re-election of directors;</li> <li>• appointment of an auditor;</li> <li>• acceptance of reports at the annual general meeting;</li> <li>• the ability to make strategic or commercial decisions; and</li> <li>• the ability to increase or decrease the number of directors in the Company.</li> </ul> <p>Special resolutions include but are not limited to;</p> <ul style="list-style-type: none"> <li>• Giving different dividend rights or shares in the same asset class; and</li> <li>• Selective reduction of share capital.</li> </ul> <p>However we note that as a result of the Proposal, Noble will not be subscribing to, and will not receive, any more shares than to which it is entitled under the TSA. In addition, Noble would potentially hold the same interest if the TSA was to continue.</p>

## 15. Conclusion

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is fair and reasonable to the Shareholders of Blackwood.

## 16. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Draft Subscription Agreement on or about the date of this report;
- Audited financial statements of Blackwood for the years ended 30 June 2010 and 30 June 2011;
- Unaudited management accounts of Blackwood for the period ended 30 September 2011;
- Technical Services Agreement Heads of Agreement;
- Independent geologist valuation prepared by Al Maynard;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Blackwood.

## 17. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$23,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Blackwood in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Blackwood, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Blackwood and Noble any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Blackwood and Noble and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Blackwood, or their associates, other than in connection with the preparation of this report.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of Blackwood.

A draft of this report was provided to Blackwood and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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## 18. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 150 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia. Sherif Andrawes is the Chairman of BDO in Western Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 13 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 19. Disclaimers and consents

This report has been prepared at the request of Blackwood Corporation Limited for inclusion in the Explanatory Memorandum which will be sent to all Blackwood Shareholders. Blackwood engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed issue of shares to Noble.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

BDO Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or review of Blackwood or Noble in accordance with standards issued by the Auditing and Assurance Standards Board. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Blackwood and Noble. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposal, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Blackwood, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent market valuations of the exploration assets held by Blackwood prepared by Al Maynard.

Al Maynard possesses the appropriate qualifications and experience in valuing exploration tenements to make such assessments. The approaches adopted and assumptions made in arriving at the valuations are appropriate for this report. We have received consents from the valuers for the use of their valuation reports in the preparation of this report and to append a copy of their reports to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**

**Sherif Andrawes**



Director

**Adam Myers**



Director

# Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Blackwood	Blackwood Corporation Limited (formerly Matilda Minerals Limited)
The Company	Blackwood Corporation Limited (formerly Matilda Minerals Limited)
Completion date	5 business days after all conditions of the Subscription Agreement have been satisfied or waived, or other date agreed by Blackwood and Noble
The Creditors Trust	The Trust created by the Creditors' Trust Deed, entered into by the Company's creditors on 22 February 2010
DCF	Discounted Future Cash Flows
DOCA	Deed of Company Arrangement approved by the Company's creditors on 15 April 2009, executed 4 May 2009 and amended on 28 August 2009 and 25 February 2010
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
GST	Goods and Services Tax
Janvel	Janvel Pty Ltd, a subsidiary of Noble Group Limited
Noble	Noble Group Limited and its subsidiaries
NAV	Net Asset Value
The Proposal	The proposal to enter into the Subscription Agreement
Our Report	This Independent Expert's Report prepared by BDO
SGX	Stock Exchange of Singapore

Shareholders	Shareholders of Blackwood not associated with Noble
Subscription Agreement	The agreement between to Blackwood and Noble to: <ul style="list-style-type: none"><li>• Terminate the TSA and issue 5 million Blackwood shares to Noble in settlement of the services provided, or to be provided, to the Completion date; and</li><li>• Issue 19.7 million Blackwood shares to Noble in exchange for consideration of \$0.200 per share</li></ul>
RG111	Content of expert reports (March 2011)
RG112	Independence of experts (March 2011)
TSA	Technical Services Agreement between Blackwood and Noble dated 10 September 2010

## Appendix 2 - Valuation Methodologies

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Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value (“NAV”)*

Asset based methods estimate the market value of an entity’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity’s assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis (“QMP”)*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security.

### 3 *Capitalisation of future maintainable earnings (“FME”)*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“EBIT”) or earnings before interest, tax, depreciation and amortisation (“EBITDA”). The capitalisation rate or “earnings multiple” is adjusted to reflect which base is being used for FME.

#### **4 Discounted future cash flows (“DCF”)**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **5 Market Based Assessment**

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

#### **6 Multiple of Exploration Expenditure (“MEE”)**

The Past Expenditure method is a method of valuing exploration assets in the resources industry. It is applicable for areas which are at too early a stage of prospectivity to justify the use of alternative valuation methods such as DCF. The Past Expenditure method is often referred to as the Multiple of Exploration Expenditure method.

Past expenditure, or the amount spent on exploration of a tenement, is commonly used as a guide in determining value. The assumption is that well directed exploration adds value to a property. This is not always the case and exploration can also downgrade a property. The Prospectivity Enhancement Multiplier (“PEM”) which is applied to the effective expenditure therefore commonly ranges from 0.5 to 3.0. The PEM generally falls within the following ranges:

- 0.5 to 1.0 where work to date or historic data justifies the next stage of exploration;
- to 2.0 where strong indications of potential for economic mineralisation have been identified; and
- to 3.0 where ore grade intersections or exposures indicative of economic resources are present.



## Appendix 3 - Independent Specialist's Report prepared by Al Maynard & Associates

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**Consulting Geologists**

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*Australian & International Exploration & Evaluation of Mineral Properties*

INDEPENDENT VALUATION

REPORT

FOR

BDO CORPORATE FINANCE (WA) PTY LTD

REGARDING QUEENSLAND COAL PROJECTS

CONTROLLED BY

BLACKWOOD CORPORATION LTD.

Author: : Allen J Maynard BAppSc(Geol), MAIG, MAusIMM  
Company; Al Maynard & Associates Pty Ltd

Date: 2<sup>nd</sup> November, 2011  
Al Maynard & Associates

## 1.0 Executive Summary

Blackwood Corporation Ltd (“Blackwood” or the “Company”), formerly Matilda Minerals Limited, has requested that Al Maynard & Associates prepare an independent geologists’ report on the Company’s Queensland coal projects.

Noble Group Limited (Noble) currently has a relevant interest in 43.65% in the issued voting shares of Blackwood Corporation Limited (Blackwood). This includes the relevant interest of Janvel Pty Ltd (Janvel) (a wholly owned subsidiary of Noble) who has a relevant interest in 22.33% of the issued voting shares of Blackwood. Blackwood proposes to issue Janvel a total of 24,700,000 Shares. Accordingly, Noble’s relevant interest in the issued shares of Blackwood would increase to 51.18% and Janvel’s to 32.7%, which requires the approval of Blackwood’s shareholders. In order to enable Blackwood’s shareholders to be fully informed prior to voting in relation to this matter, Blackwood needs to provide shareholders with an independent expert’s report assessing the fairness and reasonableness of the transaction.

This report provides a valuation of Blackwood’s assets, which will assist the independent expert (BDO) to make a determination in relation to the fairness and reasonableness of Noble’s acquisition of shares in Blackwood.

Blackwood has retained the coal areas under its wholly owned subsidiary Matilda Coal Pty Ltd (“Matilda”) so the descriptions below generally refer to Matilda as it is the registered holder with the Queensland Department of Mines.

The EPCs comprise 15 project areas that are distributed throughout five major coal basins (Table1). These are concentrated in the Surat, Bowen Clarence-Morton, Callide and Galilee Basins. The Surat, Clarence-Morton and Galilee Basins will be explored for high volatile coal for the thermal market or for Underground Coal Gasification (“UCG”). Some of the Bowen EPCs have potential for Pulverised Coal Injection (“PCI”) and coking coal.

Matilda has approximately 5,799km<sup>2</sup> granted and 1,599 km<sup>2</sup> under application, in prospective areas of the major coal producing basins of Queensland. Coal seams have been identified in a number of these EPCs which are generally under explored and host no JORC compliant resources. Only Granted or ‘Priority Application’ tenements are used for valuation purposes.

The Exploration Target ranges described in this report are not to be misunderstood nor misconstrued as possible estimates of Mineral Resources. These exploration target range estimates are conceptual in nature, and there is insufficient drill data to enable a Mineral Resource estimate. Future exploration is not certain of defining part or whole of any of neither these targets nor a Mineral Resource.

This report contains a summary geological report on the Qld Coal Projects and the original full geological report (*Amended Matilda Minerals Ltd Qld Coal Projects Summary. (3).doc*) is available at the Company’s office.

The following table details the projects held by Blackwood’s subsidiary; Matilda in terms of EPC status, area, prospectivity and the specific target geology. Prospectivity of each project has been gauged after considering the following factors:

- Presence of known coal measures which are productive along strike.
- Presence of significant coal seams established by drilling.
- Likelihood of occurrence of coal measures or seams on the EPC indicated by adjacent tenements.
- Likelihood of occurrence of coal measures or seams that are within reach of open cut or underground mining methods.
- Existence of existing or planned infrastructure which will enable mining and transport of the coal to markets.

Some areas have no outcrop of known coal measures but historical drilling has demonstrated the existence of coal measures at depth. This is particularly important in the Bowen Basin where the Triassic sandstones cover large areas of Permian coal measures. These areas are prospective where:

- The Triassic cover is known to be thin from previous exploration
- Favourable structures are likely to bring the underlying coal measures close to the surface.

The coal quality is more likely to support underground mining or overburden removal.

ID	Coal Basin	Sub-Blocks	Area (sq km)	Lease Name
1458	BOWEN	35	105.0	Dysart
1466	BOWEN	9	27.0	Emerald West
1467	BOWEN	14	42.0	Rolleston
1522	BOWEN	68	204.0	Springsure
1531	BOWEN	11	33.0	Rolleston
1562	BOWEN	4	12.0	Dingo
1599	BOWEN	17	51.0	Capella
1725	BOWEN	12	36.0	Valeria North
2191	BOWEN	2	6.0	Rolleston North
1495	CALLIDE	59	177.0	Biloela
1430	CLARENCE MORTON	12	36.0	Warwick East
1431	C- MORTON	47	141.0	Warwick East
1474	C- MORTON	128	384.0	Inglewood (North)
1475	C- MORTON	32	96.0	Inglewood (South)
1509	C- MORTON	169	507.0	Toowoomba
1530	C- MORTON	33	99.0	Warwick East
1533	C- MORTON	11	33.0	Warwick North (Hendon)
1555	C- MORTON	20	60.0	Mount Emlyn
1597	C- MORTON	6	18.0	Warwick East

				#2
1702	C- MORTON	5	15.0	Millmerran
1703	C- MORTON	8	24.0	Commodore East
1706	C- MORTON	5	15.0	Warwick East
1711	C- MORTON	4	12.0	Freestone
1760	C- MORTON	16	48.0	Greenmount West
2045	C- MORTON	1	3.0	Freestone
1483	GALLILEE	37	111.0	Lake Buchanan
1485	GALLILEE	76	228.0	Galilee Basin
1486	GALLILEE	299	897.0	Pentland South (Lake Moocha)
1496	GALLILEE	179	537.0	Hughenden
1762	GALLILEE	240	720.0	Pentland
1436	SURAT	69	207.0	Taroom
1459	SURAT	3	9.0	Dalby
1461	SURAT	13	39.0	Dalby
1462	SURAT	18	54.0	Dalby
1464	SURAT	41	123.0	Barakula
1465	SURAT	66	198.0	Taroom West
1556	SURAT	19	57.0	Taroom
1557	SURAT	19	57.0	Taroom (Kinnoul Creek)
1558	SURAT	20	60.0	Taroom
1563	SURAT	40	120.0	Injune
1565	SURAT	18	54.0	Chinchilla
1600	SURAT	4	12.0	Injune #2
1691	SURAT	5	15.0	Dalby
1724	SURAT	5	15.0	Bymount East
1733	SURAT	14	42.0	Dalby
1734	SURAT	8	24.0	Greenmount West
2064	SURAT	4	12.0	Noola Plains
2199	SURAT	6	18.0	Colamba Creek
2200	SURAT	2	6.0	Wongongera
granted October 2011		1933	5799	

Table : Summary of Matilda Coal's EPCs.

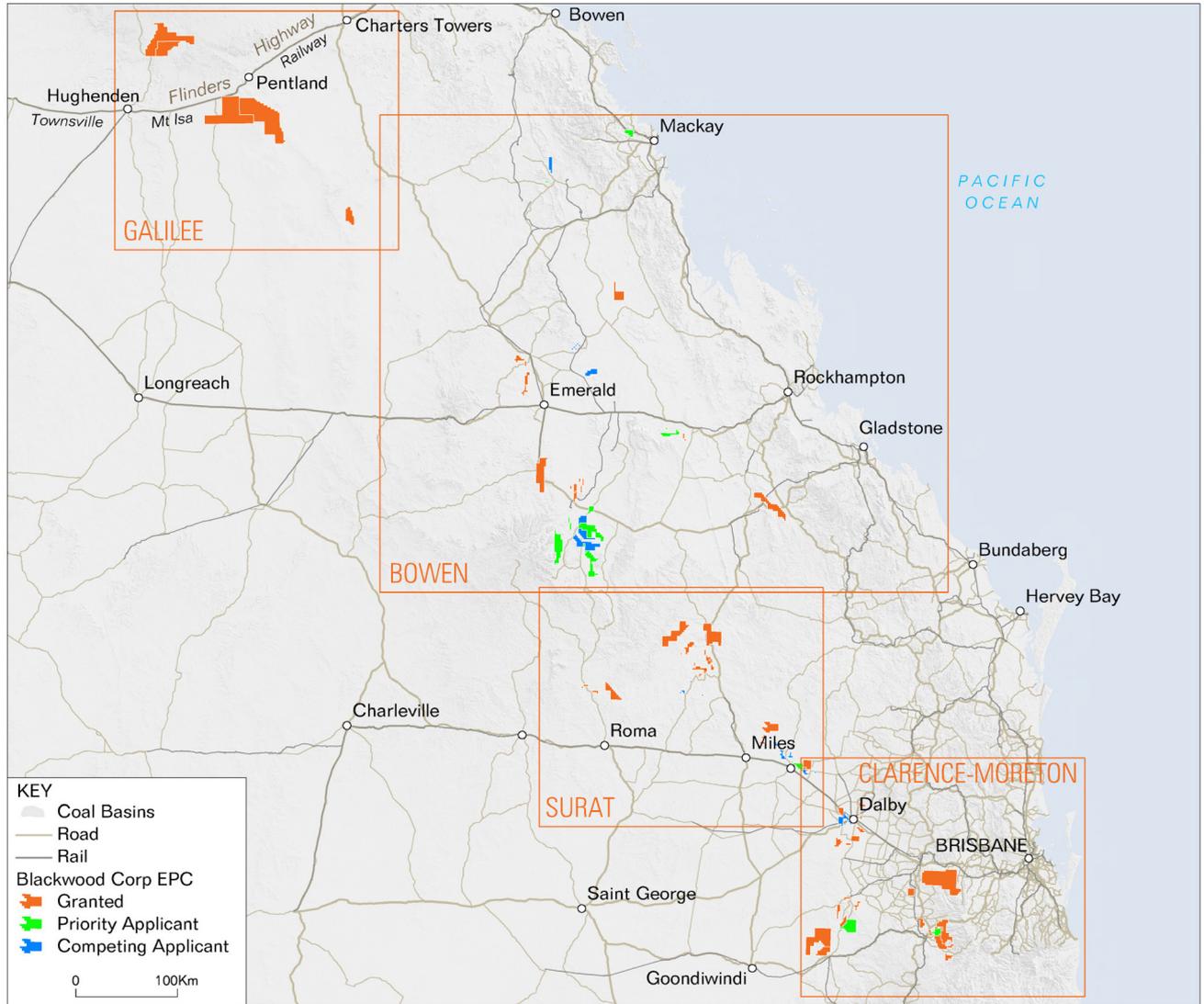


Figure 1: Matilda Coal's EPCs.

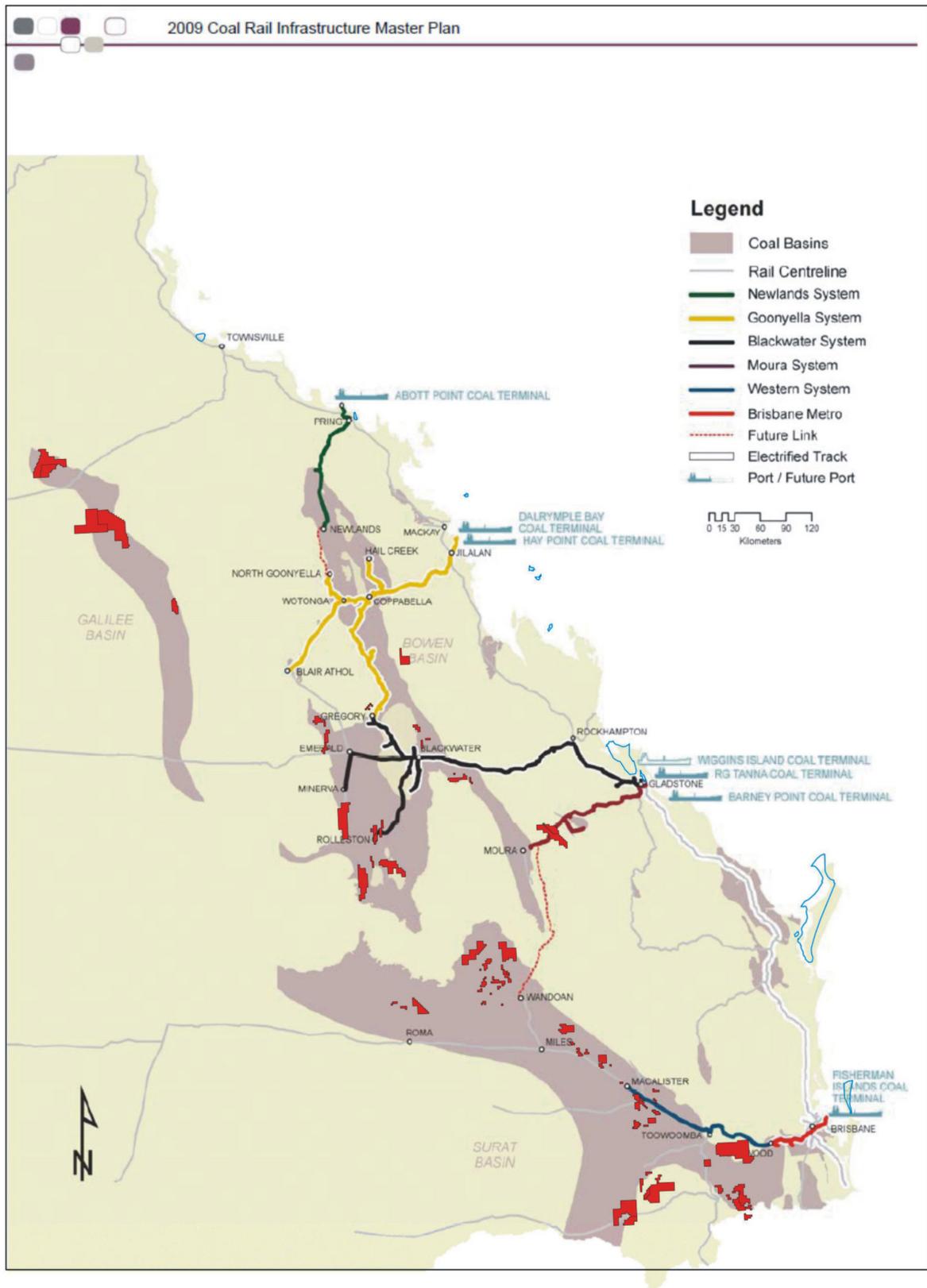


Figure 2: Major Queensland Coal Basins and Infrastructure.

## Summary of New Data Available for Revaluation up until September, 2011

### Introduction

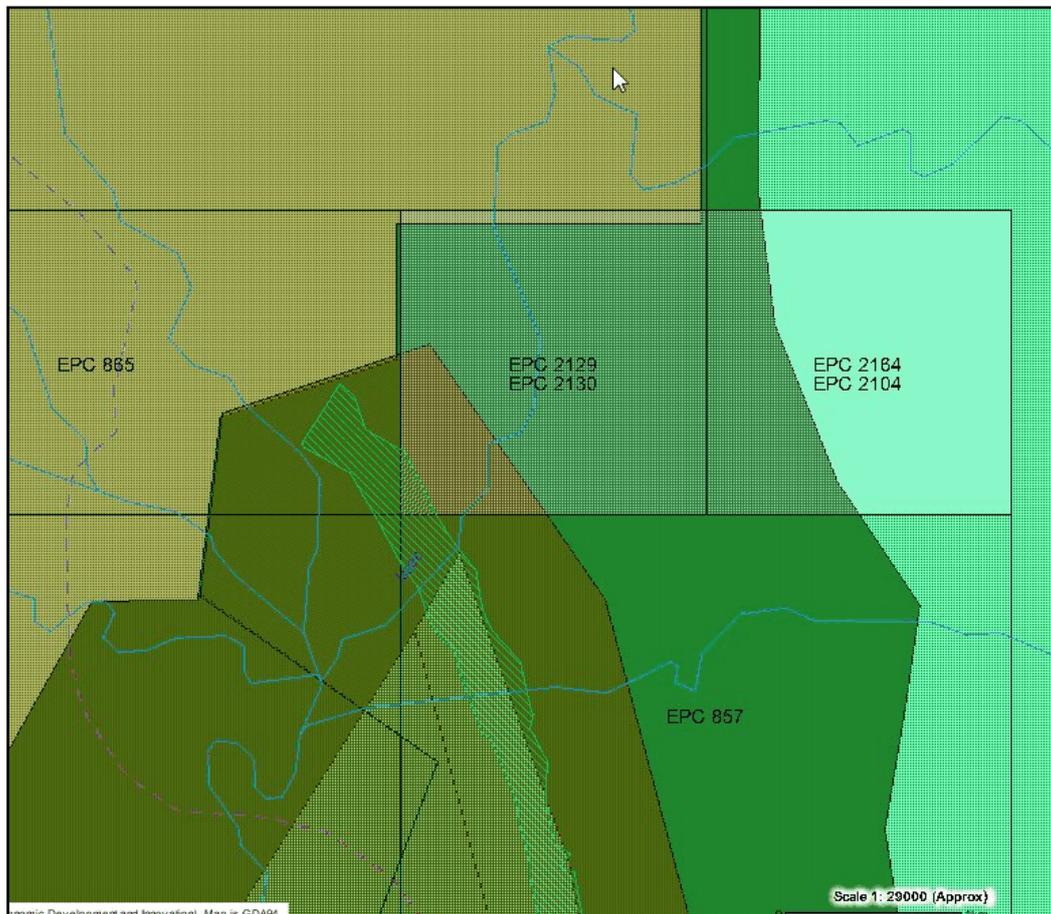
A significant amount of new data is available up until September, 2011 to warrant a revaluation of Blackwood Corporation's (under the name of Matilda Coal) EPCs which was previously completed in May, 2010.

### Contents

- 1.0 New EPC applications and grants
- 2.0 Exploration completed by Blackwood Corporation

### 1.0 New EPC applications and grants since May 2010

### EPC 2130 AND 2104 BURTON PROJECT BOWEN BASIN



**Figure 3: Geology and tenements for EPC 2130 and 2104**

### Tenement Status

Blackwood has a priority application for EPC 2130 and an “Exploration Permit Proposal” status for EPC 2104.

## Geology

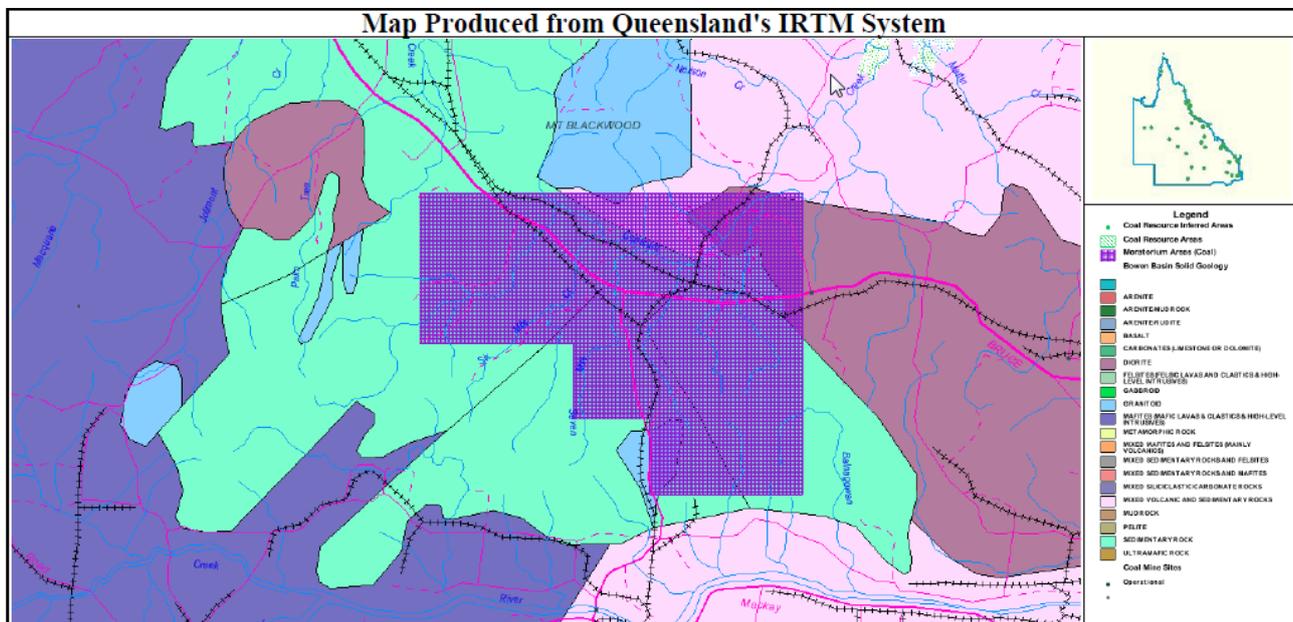
Outcrop is Triassic Rewan Formation which is barren of coal but is underlain by the Permian Fair Hill Formation, Fort Cooper Coal Measures which host the nearby Burton Coal resource and the Lake Elphinstine mineralisation to the east.

Previous explorers resolved that the Fair Hill formation dips to the east and would be expected to occur at depth beneath both EPC under 2130 and 2104

## Resource Potential

Both EPC 2130 and 2104 are very prospective for coal measures in the Permian Fair Hill Formation, Fort Cooper Coal Measures which host the nearby Burton Coal resource and the Lake Elphinstine mineralisation to the east.

### EPC 2138 CALEN PROJECT



**Figure 4: Geology and infrastructure for EPC 2138**

## Tenement Status

Blackwood has been given “priority application” on this EPC.

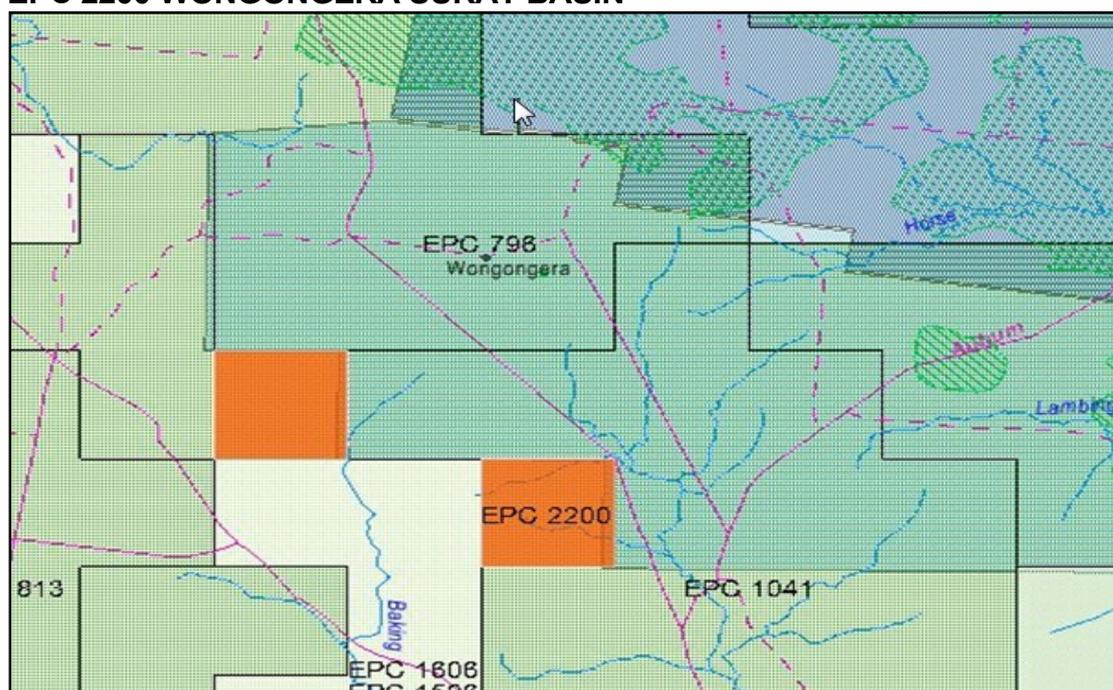
## Geology

The target rocks are the Calen Coal Measures hosted in the Permian sandstones, siltstones and carbonaceous mudstones. These sediments are enclosed within Mesozoic metamorphic rocks and the coals are of a higher rank as a result of regional; metamorphism.

## Resource Potential

Historical exploration has reported thin and discontinuous seams of coal with coking qualities. The area is structurally complex and intruded which may hamper exploration but the potential for coking coal in this location near the coast and major infrastructure is attractive.

## EPC 2200 WONGONGERA SURAT BASIN



**Figure 5: EPC 2200 in orange six kilometres south west of the Horse Creek coal deposit.**

EPC 1606 /1596 is immediately south is a competing application between Arrow and Blackwood.

**Tenement Status.** Granted

### Geology

This is some 6 kilometres to the south west of the very large Horse Creek coal deposit and hosts the same lower Walloon Coal Measures at depth. Published exploration on adjacent EPCs indicates a shallow dip to the SW of 1 to 4 degrees and a probable depth of 200 to 350 metres to the coal seams.

### Resources Potential

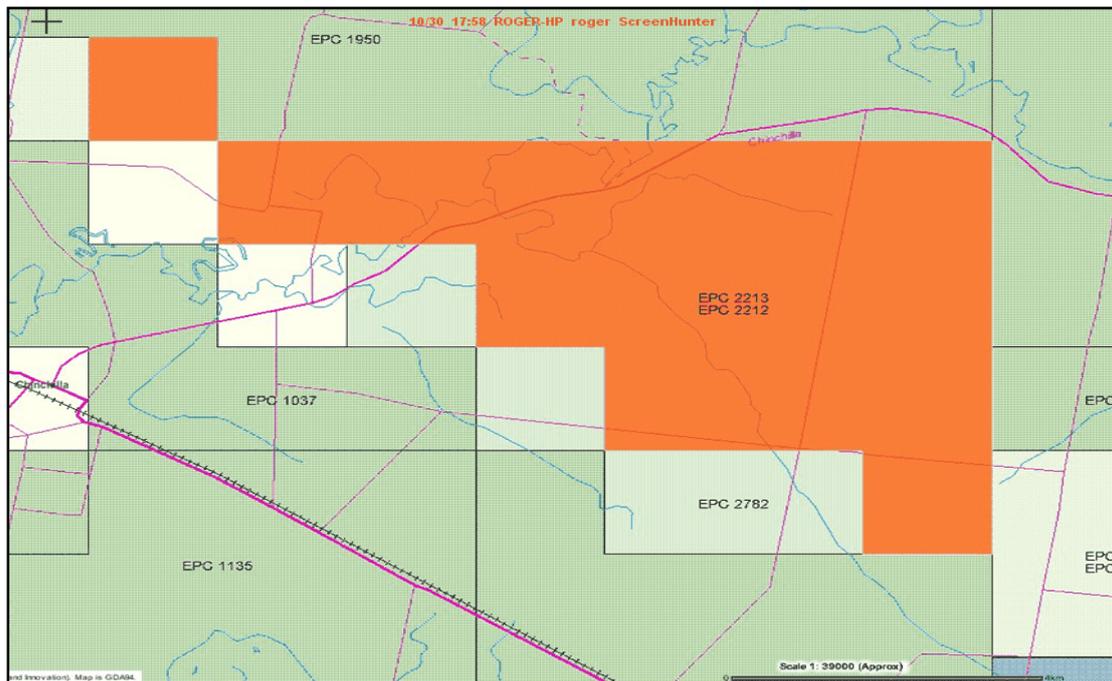
Arrow Energy announced in 2009 that it had recently discovered potential minable coal deposits while exploring for UCG in EPC 1037 immediately north west of Chinchilla.

This adds to the prospectively of the area between the sub-crops of the lower and upper Walloon coal measures.

“Arrow Energy (as ACBM) has been carrying out CSG exploration drilling under petroleum ATP 676, and the area is subject to PLA 253. During this work it was realised that a discontinuous but thick seam of Macalister coal presented a potential mining target. The permit was acquired to evaluate the surface and underground mining potential of this resource.” (*Partial Relinquishment Report For EPC1037 June 12, 2008 Arrow Energy Ltd*).

EPC2212 has potential for underground coal resources at depth within the lower Walloon Coal Measures.

## EPC 2212 CHINCHILLA



**Figure 6: EPC 2212 and nearby rail access.**

### Tenement Status. Priority Applicant

The Chinchilla area contains the largest concentration of major deposits in the Surat Basin. It hosts operating coal mines and significant identified deposits. It also hosts the Kogan Creek power station and the UCG and Coal to Liquids projects of Linc Energy Ltd and Carbon Energy Ltd. With the existing infrastructure and the planned rail-line north to Gladstone, this area is primed to become a major industrial centre.

### Geology

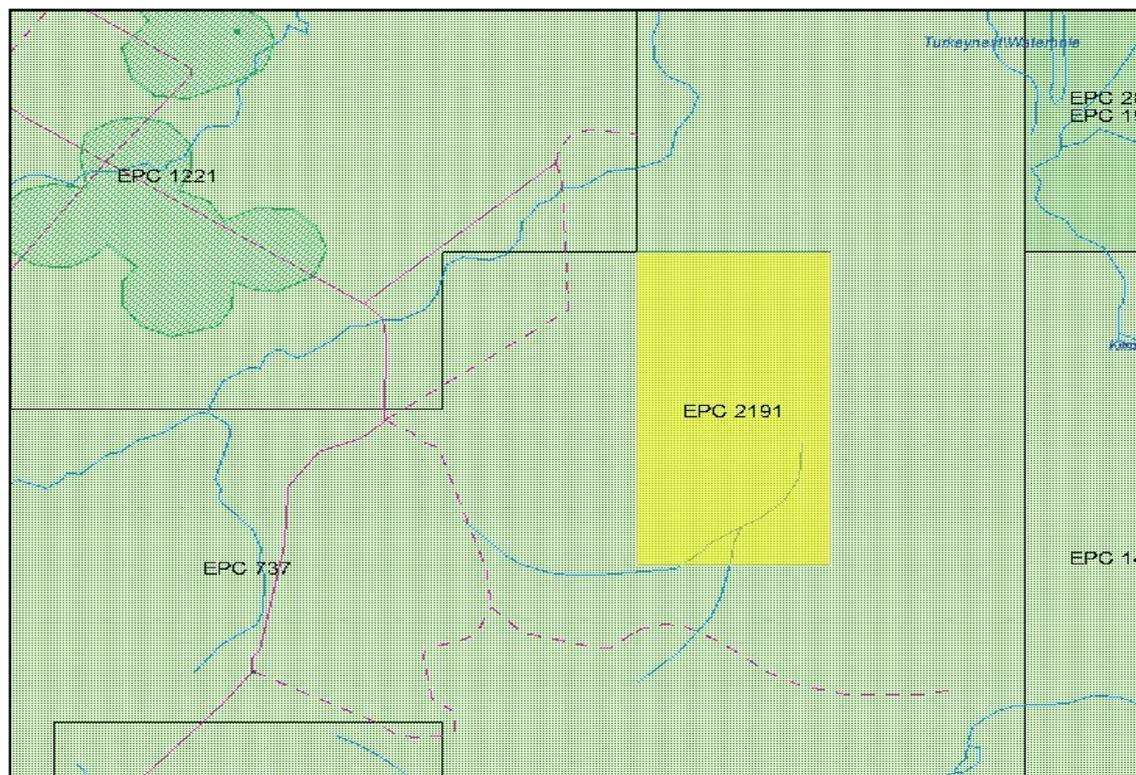
In the 1970s and 1980s, several coal deposits were discovered in the area which were deemed too small to develop. This is an area that has experienced little exploration until the recent “boom” and is believed to have potential for additional deposits with the advent of advanced exploration methods and an increase in the level of understanding of the geology of the region.

Two coal bearing sequences form part of the Walloon Coal Measures of the Injune Creek Group. These dip gently south-west to south towards the centre of the basin. The Walloon Coals are deposited in a marsh/swamp and floodplain environment with little surface relief. The coals are high volatile with excellent combustion and burnout characteristics.

In the mid 1990s the Wilkie Creek mine (47km southeast of Chinchilla) was developed to produce coal as both domestic and export thermal products. This mine is still operating. Large deposits have also been delineated at Kogan



## EPC 2191 ARCTURUS EAST PROJECT



**Figure 8: EPC 2191 in relation to the Arcturus deposit (3km NW) on EPC 1221 held by Bandanna Energy.**

**Tenement Status.** Granted

### **Geology**

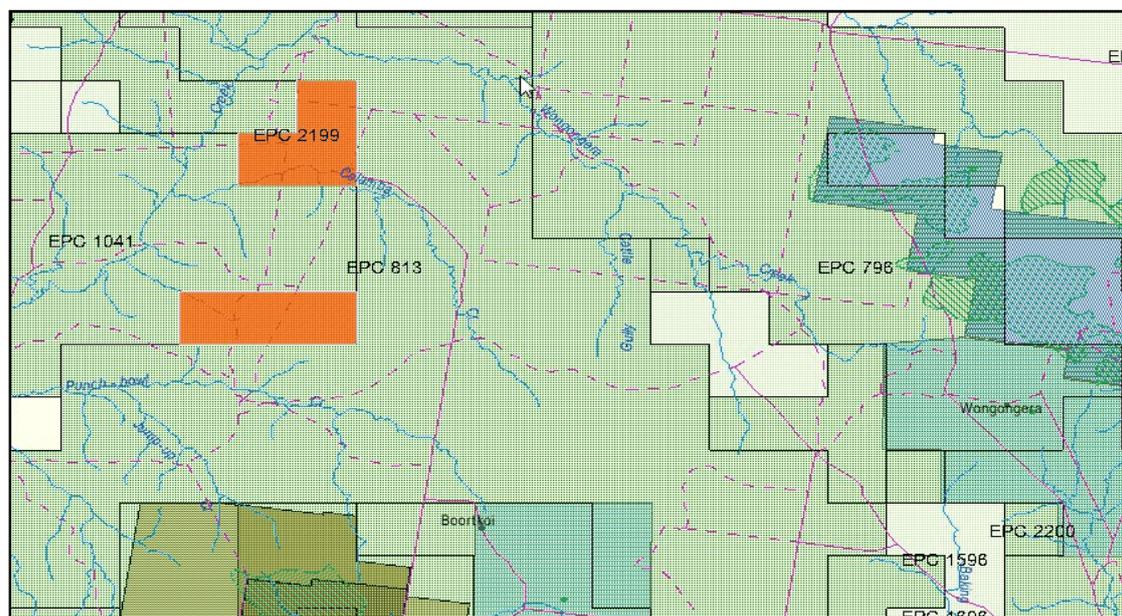
EPC 2191 has outcropping Rangal Coal Measures which host the coal deposits of Rolleston and nearby Orion Downs. The Rangal Coal Measures are partly concealed by sediments of the Rewan group and tertiary volcanics.

### **Resource Potential**

EPC 2191 in the Southern Bowen Basin. They are covered by sub-cropping Rangal Coal Measures which host the Rolleston deposits to the south and Orion Downs deposit to the north. Recent drilling by Endocoal announced to the ASX that they had "... intersected 12 metres of export quality thermal coal in Rangal coal measures above 150 metres including two 5 metre seams at the Indiri prospect....."(May, 2010). This was on EPC 1517 south of EPC 2191.

An anticline may run through this EPC which may bring the Group (iv) coal beds close to the surface with minimal cover. This EPC is prospective for near surface group (iv) coals. This is a similar geological setting to the recent discoveries of Springsure and Arcturus (where the overlying sediments have been truncated by folding and erosion) are considered excellent targets.

## EPC 2199 COLAMBA CREEK



**Figure 9: EPC 2199 as two separate blocks in relation to the Horse Creek deposit, 15km to north east, and the Cambey Downs deposit 7km to the south.**

**Tenement Status:** Granted

### Geology

This is some 15 kilometres to the west of the very large Horse Creek coal deposit and hosts the same lower Walloon Coal Measures at depth. Published exploration on adjacent EPCs indicates a shallow dip to the SW of 1 to 4 degrees and a probable depth of 50 to 200 metres to the Lower Walloon coal measures.

### Resource Potential

Arrow Energy announced in 2009 that it had recently discovered potential minable coal deposits while exploring for UCG in EPC 1037 immediately north west of Chinchilla.

This adds to the prospectively of the area between the sub-crops of the lower and upper Walloon coal measures.

**“Arrow Energy (as ACBM) has been carrying out CSG exploration drilling under petroleum ATP 676, and the area is subject to PLA 253. During this work it was realised that a discontinuous but thick seam of Macalister coal presented a potential mining target. The permit was acquired to evaluate the surface and underground mining potential of this resource.”**

*(Partial Relinquishment Report for EPC1037 June 12, 2008 Arrow Energy Ltd)*

EPC2212 has potential for open pit and underground coal mineralisation at depth within the Lower Walloon Coal Measures.

## 2.0 EXPLORATION COMPLETED BY BLACKWOOD

**Blackwood conducted desktop studies, access negotiations and drilling operations in the 11 months since re-listing on the ASX. This report includes the results of these activities in the drilling operations**

### 1 Desktop Studies

The following studies were undertaken:

- ▲ Drill targets were developed for Capella, Millmerran and Injune Projects.
- ▲ Assessments of EPCs 1430, 1431, 1495, 1509, 1530, 1533, 1555 and 1565 for renewal/relinquishment.
- ▲ Assessments of Millmerran, Dalby and South Rolleston Projects EPCs for prospectivity.
- ▲ Assessment of new areas near Chinchilla coming out of moratorium on 31 August.

### 2 Access

Landholder Negotiations – Conduct and Compensation Agreements (CCAs) with landholders are currently being sought for the Capella and Taroom Projects.

Landholder access is overall progressing well. However some projects and areas are proving more difficult, time-consuming and expensive under the government's new Land Access Code provisions. This poses a risk that exploration projects beyond the current operations may be put back while CCAs are being negotiated.

Cultural Heritage clearances are being completed for all current and planned exploration programs.

### Drilling Operations

- **South Pentland Project**

Four holes have been completed on the project to date.

GC01 and GC02 were the first two to be completed , both to 360m. GC01 showed 2 seams with economic potential, although at depths greater than 200m. These may have thinned/deteriorated in GC02, without an improvement in depth.

Two additional chip holes were completed (GC003 and GC004), although a number of problems in GC003 prevented the geophysical logging of the hole. Problems with poor hole conditions continued in GC004, and eventually logging was only possible through HQ rods.

Both drill holes confirmed a package of coals seams spanning a 100m interval, with a cumulative coal thickness of >10m (further detail in table below). The thickest individual coal seam is ~2.5m.

Hole	Site	TD	Top	Base	Key seams \ comments
GC 001	A	360.5	207.5	300.0	A seam 2.5m working section (3m intersection) D seam 2.5m working section (5m intersection)
GC 002	E	360.0	204.5	297.5	D seam 2.5m working section (5m intersection)
GC 003	D	390.0	350.0	450.0	No geophysics
GC 004	H	432.0	350.0	436.0	Logged through rods - data processing required. D seam 2.5m working section (5m intersection)

**Table 1: Drilling Results South Pentland**

The first four holes highlighted that the contract drillers experienced numerous problems with their gear, organisation and processes. It is understood Blackwood have made a number of changes to rectify this situation since collation of this report. Drilling problems notwithstanding, the camp and operations are being conducted in a safe manner. SSE Brian Lyne visited the site on 12 August and 2 September. A second rig was brought on site in late September.

- **North Rolleston Project**

Drilling at North Rolleston was aimed at confirming Blackwood's geological re-interpretation of the area. This included planned holes both on the shallowing limbs of the anticline (coal target to the east) and numerous areas of sterilisation drilling in the west.

NR001 was completed in early August to 317m, showing almost 2m of coal at 82m, and confirmed the geological re-interpretation and also intersected a shallower coal target than the regional \ existing data to the east. NR002 (305m) and NR003 (401m) were also completed with no coal intersected in NR002, and only poor quality coal (2m at 199m) in NR003. Three additional chip holes were also completed NR004, NR005 and NR006, all with limited coal intersections.

Both of these holes further confirmed the new interpretation, and are thought to have intersected the Burngrove Formation (below the Bandanna Formation).

Analysis of the structural setting of the Bandanna Formation in this area is continuing, attempting to predict the presence or otherwise of the thick seams found to the south and west of the area.

The 2011 Rolleston program was completed in October 2011. Blackwood plan to return to Rolleston in 2012 with a focused drill program on the confirmed re-interpretation and coal target, with an aim of identifying both thicker seams along strike and further shallowing of the target.

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## **2.0 INTRODUCTION**

### **2.1 Competent Person**

This Independent Valuation Report is prepared for BDO Corporate Finance (WA) Pty Ltd to assess the Queensland coal assets of Blackwood Corporation Ltd.

It has been prepared by Allen J. Maynard, Member of both AusIMM and the Australian Institute of Geoscientists (“AIG”). This is a revised version of the previous March, 2010 report also prepared by Al Maynard & Associates (“AM&A”)

AM&A is an independent geological consultancy established 25 years ago and which has operated continuously since then. A.J. Maynard has in excess of five years relevant experience in the estimation, assessment and evaluation of precious and base metal, uranium, diamond and industrial mineral properties.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by A. J. Maynard. A. J. Maynard 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’. A. J. Maynard consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Neither AM&A nor any of its directors, employees or associates have any material interest either direct, indirect or contingent in Blackwood nor Matilda nor in any of the mineral properties included in this report nor in any other asset of Blackwood nor has such interest existed in the past. This report has been prepared by AM&A strictly in the role of an independent expert. Professional fees payable for the preparation of this report constitute our only commercial interest in Blackwood. Payment of fees is in no way contingent upon the conclusions of this report.

### **2.2 Standard**

The standard used in preparing this report is the Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert reports (the Valmin Code).

### **2.3 Sources of Information**

In the course of the preparation of this report, access has been provided to all relevant data held by Matilda and various other technical reports and information quoted in section 6: References. We have made all reasonable endeavours to verify the accuracy and relevance of the database. Blackwood has warranted to AM&A that full disclosure has been made of all material in its possession and that information is complete accurate and true. None of the

information provided by Matilda has been specified as being confidential and not to be disclosed in our report.

## **2.4 Description of Reserves/Resources**

Many of the Projects are at the “grass roots” exploration stage as little previous exploration has been recorded. Some projects have significant past exploration which recorded coal measures and coal seams in drilling. At this stage, no JORC compliant reserves or resources have been defined on these EPC’s. Accordingly no table as set out in Appendix 3 of the Guidance Note has been included in this report.

## **3.0 PROJECT OVERVIEW**

### **3.1 General**

This report describes the mineral exploration assets (“the Tenements”) of Matilda Coal Pty Ltd, a wholly owned subsidiary of Blackwood. The properties are all located in Queensland, are primarily focused on coal resources and range in development from grass roots exploration through projects with identified coal targets. Some of the EPCs have potential for Underground Coal Gasification (UCG) and where they have no overlying petroleum tenements Blackwood has made application to add ‘the mineral ‘f’ to a tenure under the MRA .

### **3.2 General Project Areas**

The areas are distributed across the five main producing sedimentary basins in Queensland and have been subdivided into fifteen main project areas, which include the following:

#### **Bowen Basin**

- Springsure
- Springsure south
- Rolleston
- Capella
- Dingo

#### **Callide Basin**

- Biloela

#### **Surat Basin**

- Taroom
- Chinchilla
- Dalby
- Bymount

#### **Clarence Morton Basin**

- Millmerran
- Warwick

#### **Galilee Basin**

- North Hughenden

- South Pentland
- North Carmichael

#### 4.0 Queensland Coal Projects

Matilda’s EPCs are mainly centred on the major coal fields of the Bowen Basin, Surat Basin and the Clarence-Moreton Basin (Figs 1 & 2).

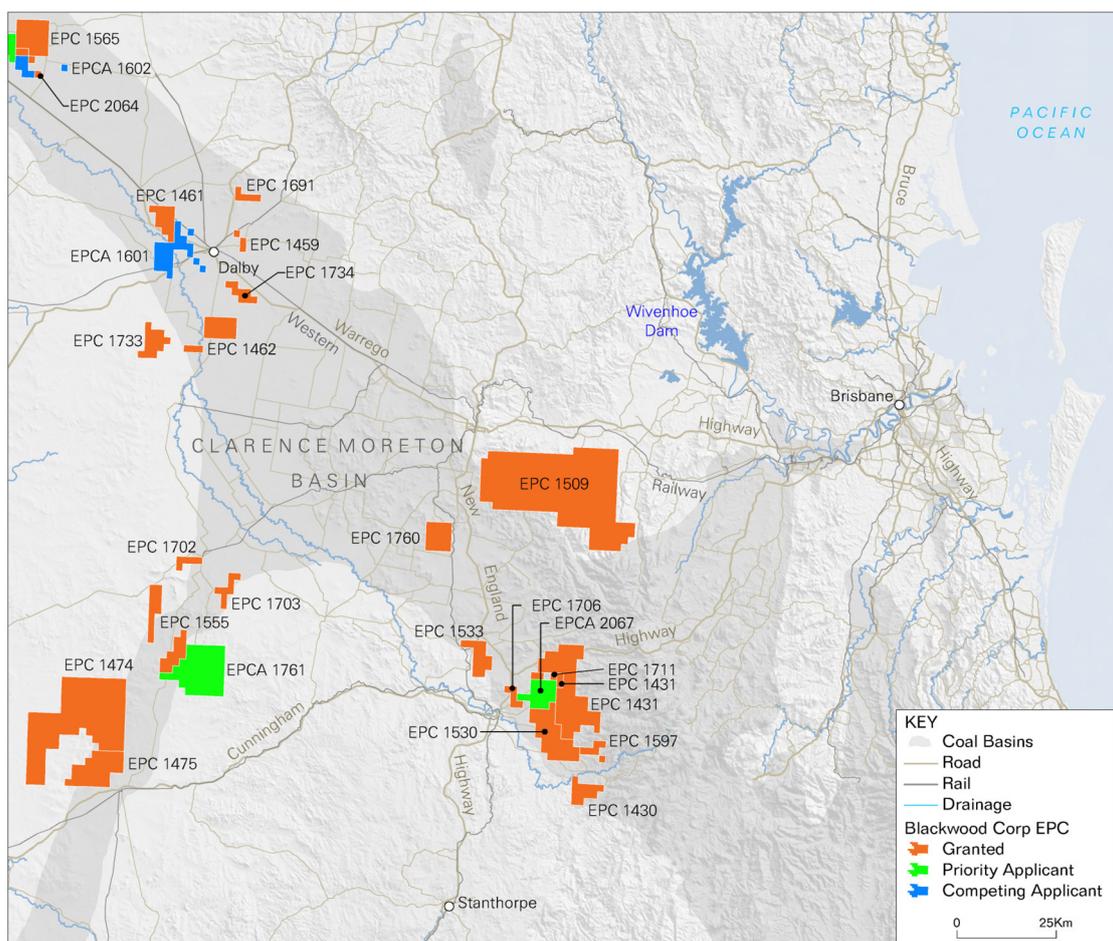
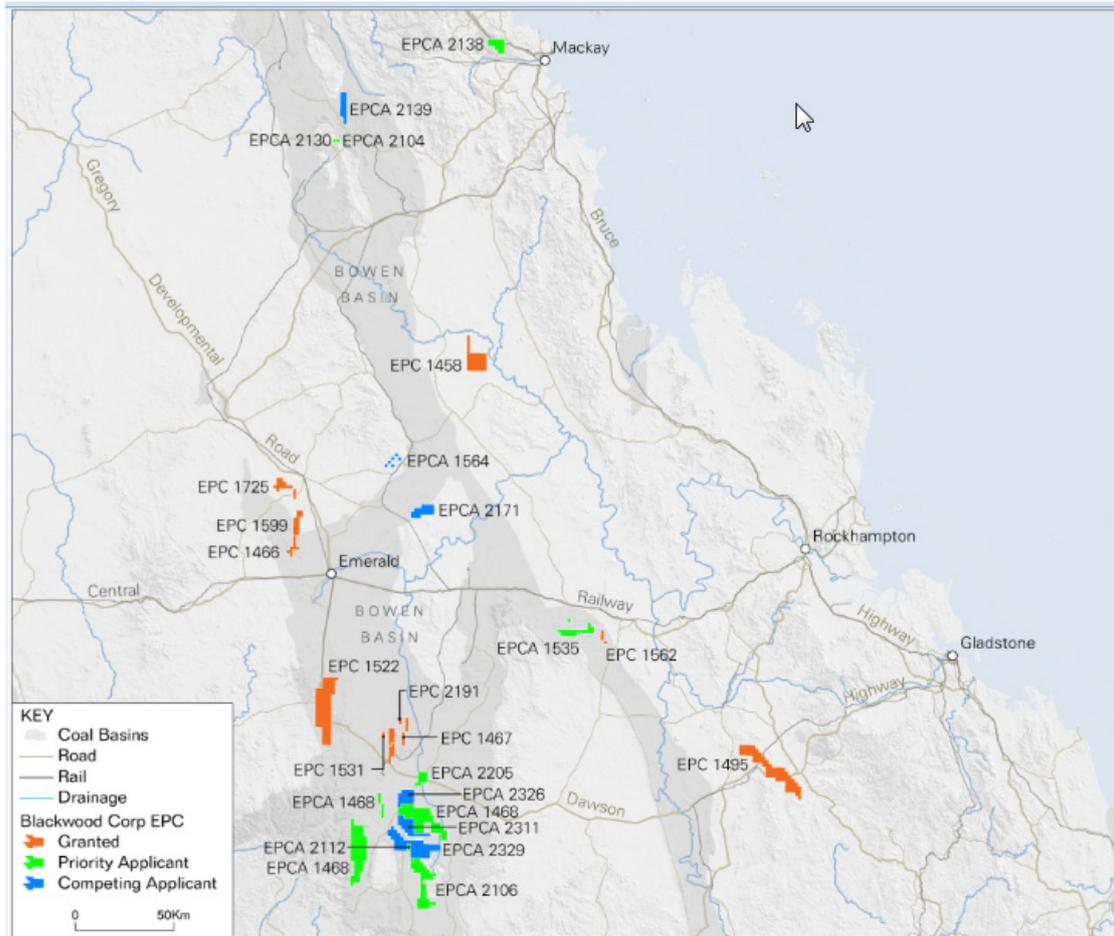


Figure 10: Southeast Queensland (Clarence Moreton Basin).



**Figure 11: Central Eastern Queensland Basins (After Qld DME).**

#### 4.1 Bowen Basin

Matilda has 16 EPCs totalling approximately 1,540km<sup>2</sup> granted or under application in the Bowen Basin.

The Bowen Basin contains much of the known Permian coal mineralisation in Queensland, including virtually all of the known mineable prime coking coal. Coal accumulation in the Bowen Basin occurred in a wide variety of depositional environments and the coal measures reflect this diversity, with variation in seam thickness, lateral continuity and coal quality. Triassic rocks that overlie the Permian coal measures do not contain significant coal. Coal seams in the Bowen Basin exhibit considerable variation in rank and quality.

A broad pattern of increasing coal rank within individual formations from west to east is apparent, and reflects the effects of depth of burial.

Later, localised igneous intrusions have also influenced coal rank, particularly in the north-east. In the eastern part of the basin, the coal rank ranges from low volatile bituminous to anthracitic and deposits are generally more structurally

complex. Coals in the central and north-western part of the basin trend toward medium to high volatile bituminous rank and include the best coking coals. Structural deformation in these deposits is less pronounced. In the central-west and south-west, coal rank falls below the coking range and the most significant deposits are of high volatile bituminous thermal coals.

Queensland's prime hard coking coals are mainly mined from the Moranbah Coal Measures and the German Creek Formation. A range of metallurgical coals, including PCI coals, are mined from the Rangal Coal Measures and Baralaba Coal Measures.

The Bowen Basin contains coals that span the entire rank range, from sub-bituminous to anthracite. This means that a wide variety of coal types are present in Queensland and current production includes coals sold into all sectors of the international market.

These include the premium low and medium volatile hard coking coals from the Bowen Basin, which are widely acknowledged as among the best coking coals in the world, producing strong cokes with low reactivity.

High volatile, high fluidity coking coals and a range of other coking coals suitable for blending are also produced from the Bowen Basin.

The sulphur content of Queensland export thermal coal is generally less than 0.8%. CSIRO tests indicate significantly lower levels of mercury and selenium and other harmful trace elements compared with many other internationally traded coals.

## Capella Area and Dysart Area

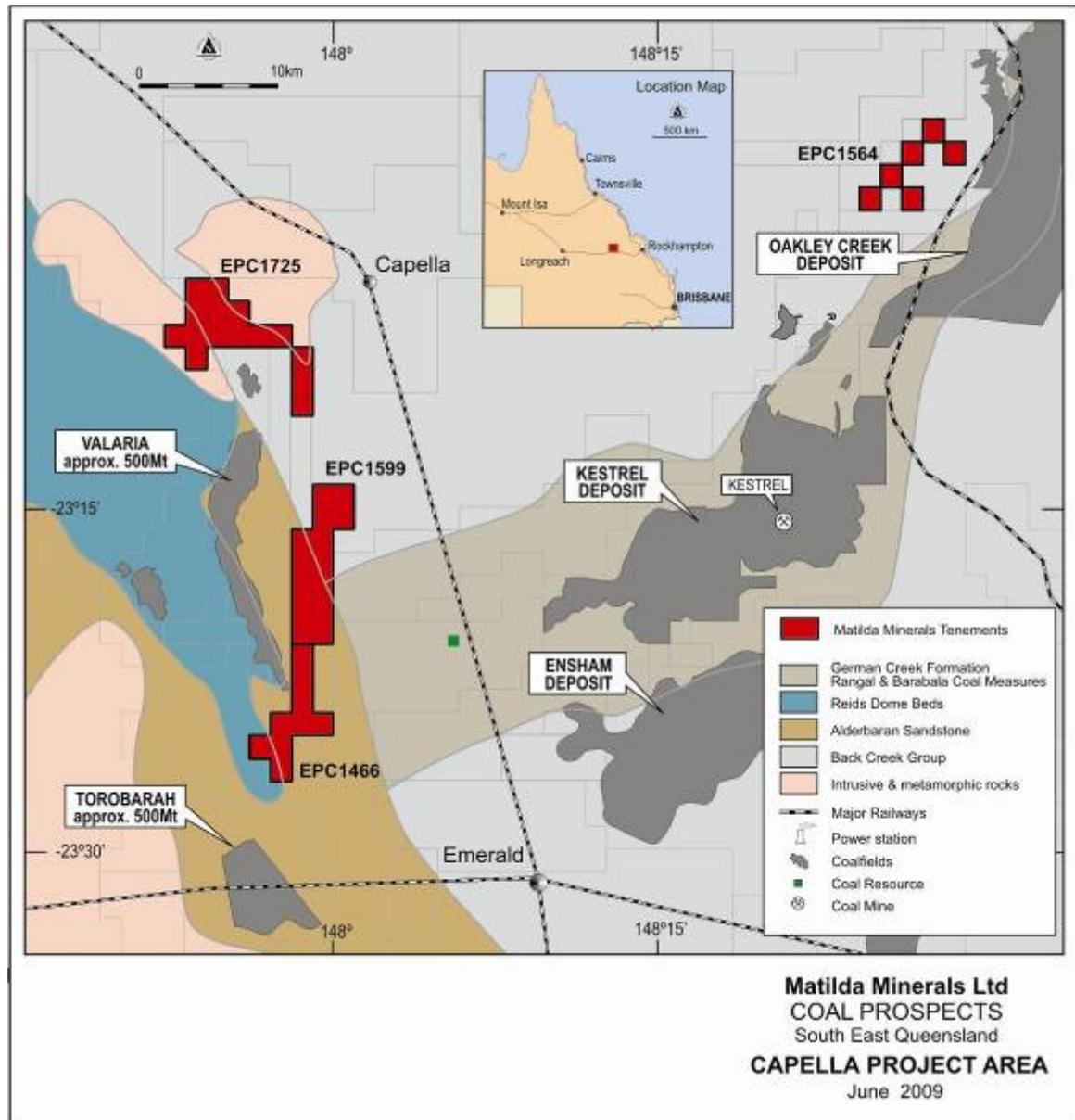


Figure 12: Capella EPCs and Nearby Deposits.

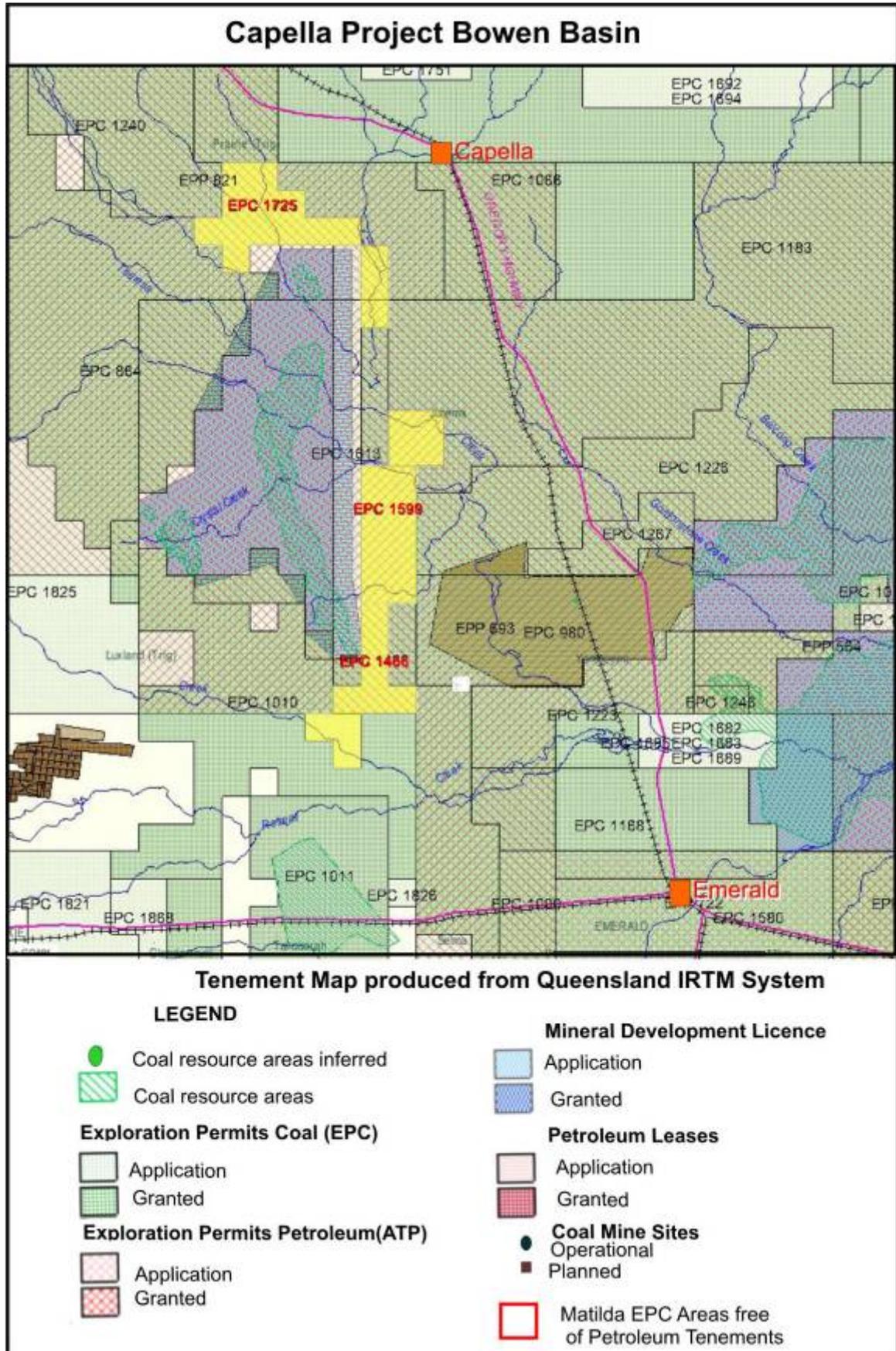


Figure 13: Capella Project EPCs & Other Tenements.

EPC **1564** is located 40km north-east of Emerald. It is immediately west of the German Creek and Oaky Creek deposits which dip to the east. Blackwood is in competition for this EPC with both Area Coal Pty Ltd and St Lucia Resources Pty Limited applying on the same day. St Lucia holds the surrounding EPC application and is most likely to be offered this EPC as a result.

It is entirely covered by the Permian Back Creek Group, which is comprised of sandstone, siltstone, carbonaceous shale, minor coal and sandy coquinite (a well cemented, shell-rich limestone.) The German Creek deposit is partly hosted by the Back Creek Group as are other deposit in the Bowen Basin.

This EPC is prospective for coking coal deposits in the Back Creek group. Matilda holds EPCs **1468**, **1595** and **1725** in between Rio's Valeria Deposit and the German Creek, Fort Cooper coal measures immediately east. Linc Energy recently negotiated on two tenements immediately east of Matilda's EPC **1595** and **1466** for a potential sale at \$1.5 billion to Xinwen.

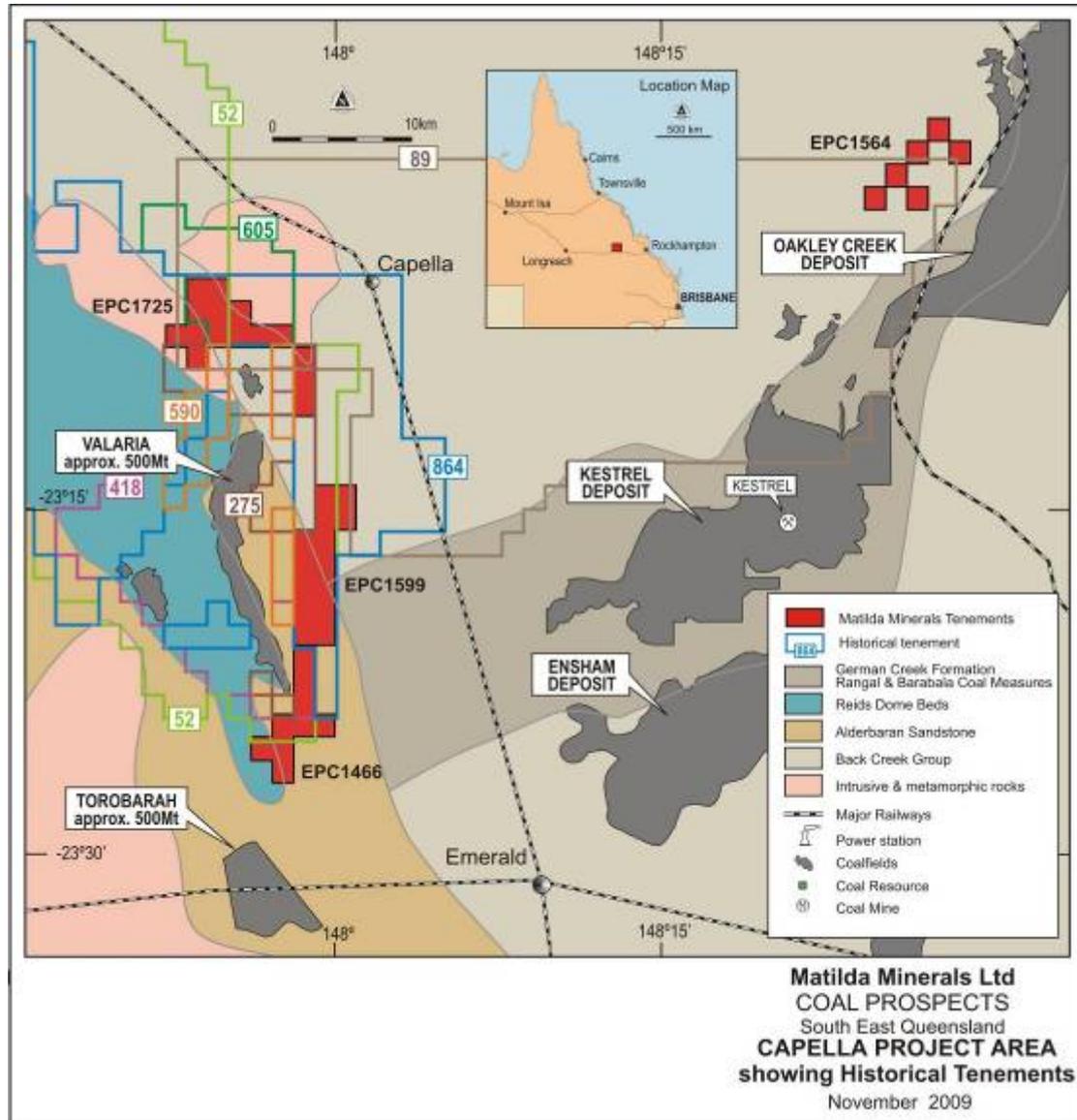
While Matilda's tenements do not contain the German Creek Coal Measures, they are strategically located between these two large deposits and are composed mainly of the same early Permian sediments which host the Valeria Deposit (Rio Tinto) immediately to the west.

The Valeria deposit is contained within the Reids Dome Beds and the Aldebaran sandstone, both of which continue southeast into Matilda's EPCs. The Valeria deposit strikes directly into Matilda's EPC **1466**. The large Taraborah deposit is only 5km south of Matilda's EPC 1466 and is also in the Aldebaran sandstone.

<b>CAPELLA 52</b>	Investigator Coal Exploration Pty Ltd, Authority to Prospect No C52 "Capella" Geological Report on Area Relinquished 31 May 1977 A Report for Blair Athol Coal Pty Limited.
	Appendix 3 Borehole Location Plan Extracted from Williams and Westblade 1979.
<b>89</b>	The Broken Hill Proprietary Company Limited incorporating Queensland Coal Mining Company Limited, Final Report on Authority to Prospect 89C near Capella 26 April 1963.
<b>275</b>	Blair Athol Coal Pty Limited Authority to Prospect 275c Rubyvale 30 November 1981.
<b>418</b>	Report on 418C 1988.
	Pacific Coal Pty Limited, Exploration Permit Coal 418 Final Relinquishment Report, January 1997.
<b>590</b>	Pacific Coal Pty Limited, Valeria Extended, Final Report incorporating Final Relinquishment Report, January 1997.
<b>605</b>	Blackthunder Pty Limited, EPC605C West Capella, Annual and Final Report for the 12 month period ended 24 June 1977 dated October 1977.
<b>864</b>	Diamond Creek Coal Pty Ltd EPC 864 Capella Partial Relinquishment Report dated September 2004 by Energy Minerals Pty Ltd.
	Diamond Creek Coal Pty Ltd EPC 864 Capella Partial Relinquishment Report dated June 2006 by Energy Minerals Pty Ltd.

	Diamond Creek Coal Pty Ltd EPC 864 Capella Report on Areas Relinquished 21 July 2007 by Energy Minerals Pty Ltd.
	Diamond Creek Coal Pty Ltd EPC 864 Capella Report on Areas Relinquished 21 July 2008 by Energy Minerals Pty Ltd.

**Table 2: Capella Previous Exploration.**



**Figure 14: Capella Project EPCs & Historical Tenements.**

## **ROLLESTON PROJECT**

**Blackwood currently holds EPC's 1531 & 1467, and is priority applicant for EPC's 2112 and 2106** in the south-west of the Bowen Basin. These tenements are all prospective for export quality thermal.

**The coal bearing sequences in the south-west Bowen basin** are as follows:

**Group (i) coals** are the oldest in the basin and are represented by the Reids Dome Beds which host the Capella and Minerva deposits.

**Group (ii) Coals** which are hosted in the south-west by a marginal marine sequence and tend to be high in sulphur. This is represented by the Aldebaran sandstone and the Taborah Deposit near Emerald.

**Group (iv) coals** which are represented by the terrestrial sedimentary unit hosting the Rangal Coal Measures, Bandanna Formation and Baralaba Coal Measures. This group hosts a major part of the Queensland coking coal production in the north-eastern section of the Bowen Basin and a major portion of the thermal coal production from the south-west of the basin.

Blackwood are targeting export quality thermal coals of group (iv) in the southern Bowen basin, specifically the Rangal Coal Measures

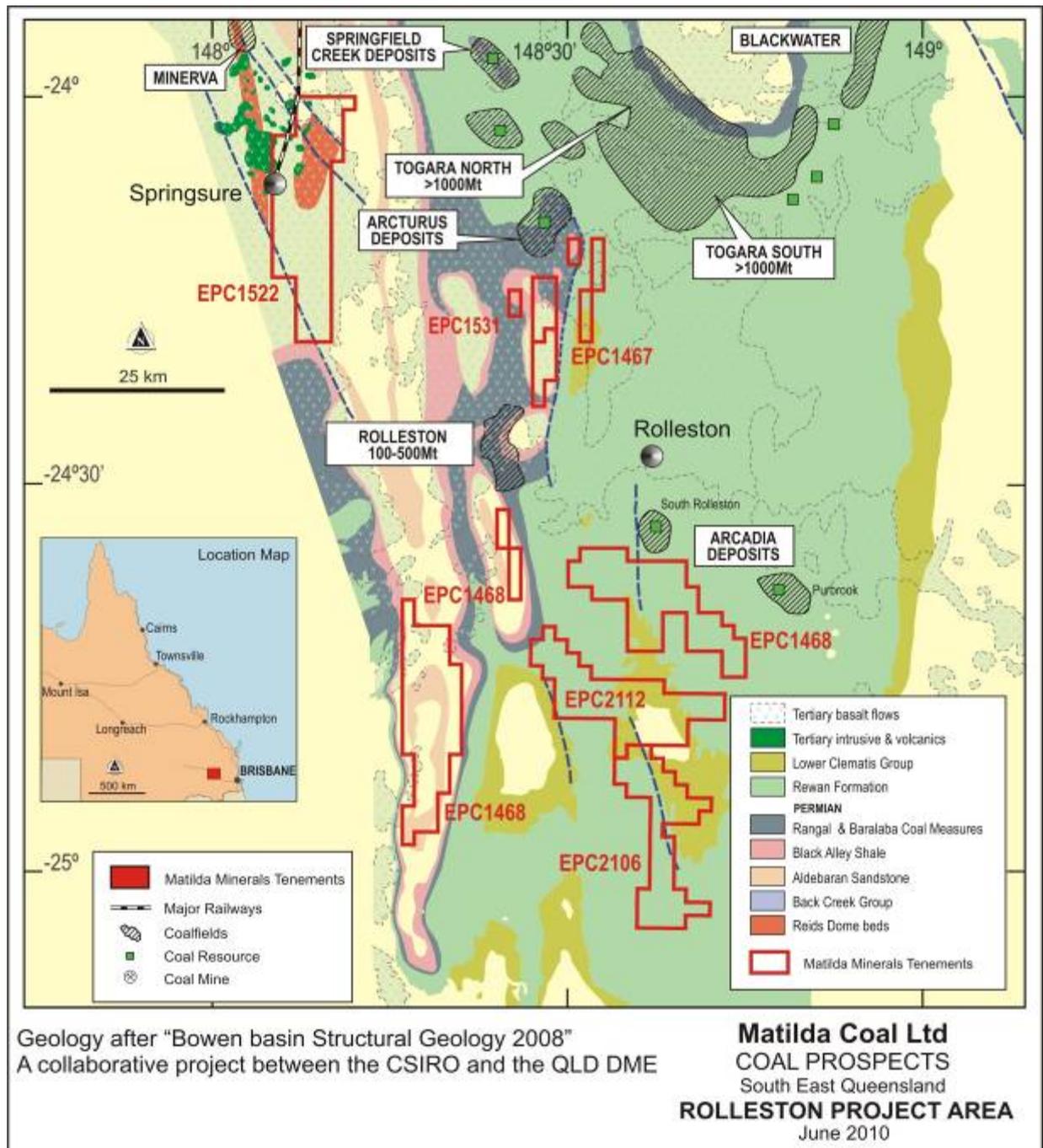


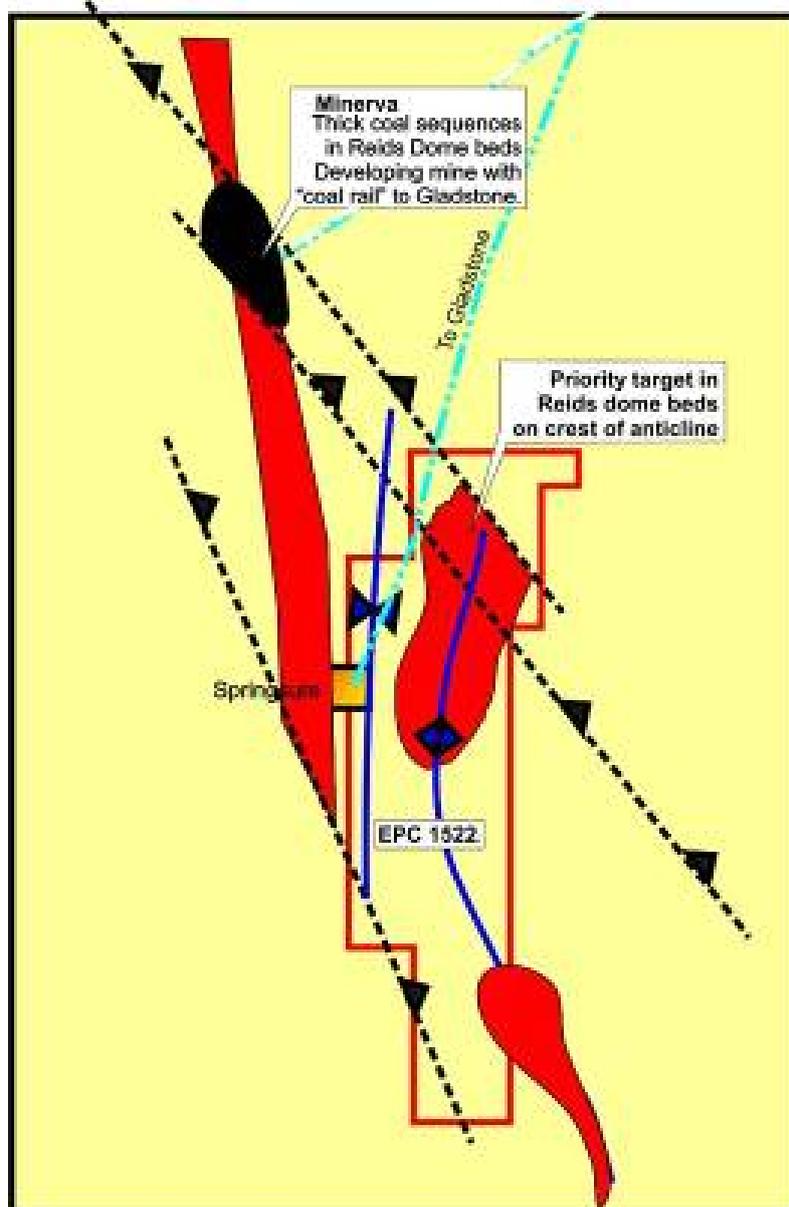
Figure 15: Rolleston & Springsure Project EPCs and Nearby Deposits.

### Springsure Project

EPC 1522 near Springsure was granted on 23/07/09.

This is part of the Dennison Trough which occurs in the south western Bowen basin and hosts the Valeria, Cullin la Ringo and Minerva deposits within the Reids Dome Beds. This sequence varies considerably in thickness and typically hosts multi seam deposits. Seams up to 30 metres thick have been reported from oil drilling at depth in the southern part of the Dennison trough in Reids Dome Beds.

The Reids Dome Beds outcrop over the northern and extreme south-east areas of this EPC (Group I coals, as above). An anticline runs north-south through this EPC and plunges to the south. This tends to bring the Reids Dome Beds closer to the surface along the full length of the tenement.



**Figure 16: EPC 1522 Showing Target Area.**

The priority target is the upper Reids Dome Beds in the northern part of this EPC, which are partly overlain by Tertiary basalt. Drilling by the DME in the 1970s showed the basalt cover to be minimal or absent over the target area shown in figure 9. Numerous coal seams were intersected in the Reids Dome beds on what is now EPC 1522.

*This area is in a very similar structural setting to the Minerva and Athena deposits which are currently being mined at Minerva as an open-cut and multi-seam mine established for the 2.5 million tonnes production of premium thermal*

coal and medium volatile PCI coal per year. Included in the markets of Minerva are Korea, Japan, India and Taiwan.

### Springsure South Project

This is comprised of EPC 1468 (west) and EPC 1468 (central) which has a competing application by Conarco Minerals Pty Ltd. It covers an anticlinal structure striking north with subcrop of the Frietag Formation and the Aldebaran sandstone, both of which host significant coal seams. EPC 1468 (central) is immediately south of the Rolleston deposit and contains prospective Aldebaran sandstone beds.

### Rolleston Project

EPC 1468 (east) comprises an area of non-outcropping group 1V coals. There is potential for shallow coal mineralisation in the areas where anticlines and or thrust faulting have brought these group 1V coals nearer to the surface. This eastern portion of EPC 1468 has excellent potential as a strike extension for shallow group 1V coals, which occur on the adjacent EPC in Arcadia's new discoveries at Rolleston South and Purbrook as illustrated in the adjacent Figure 18.

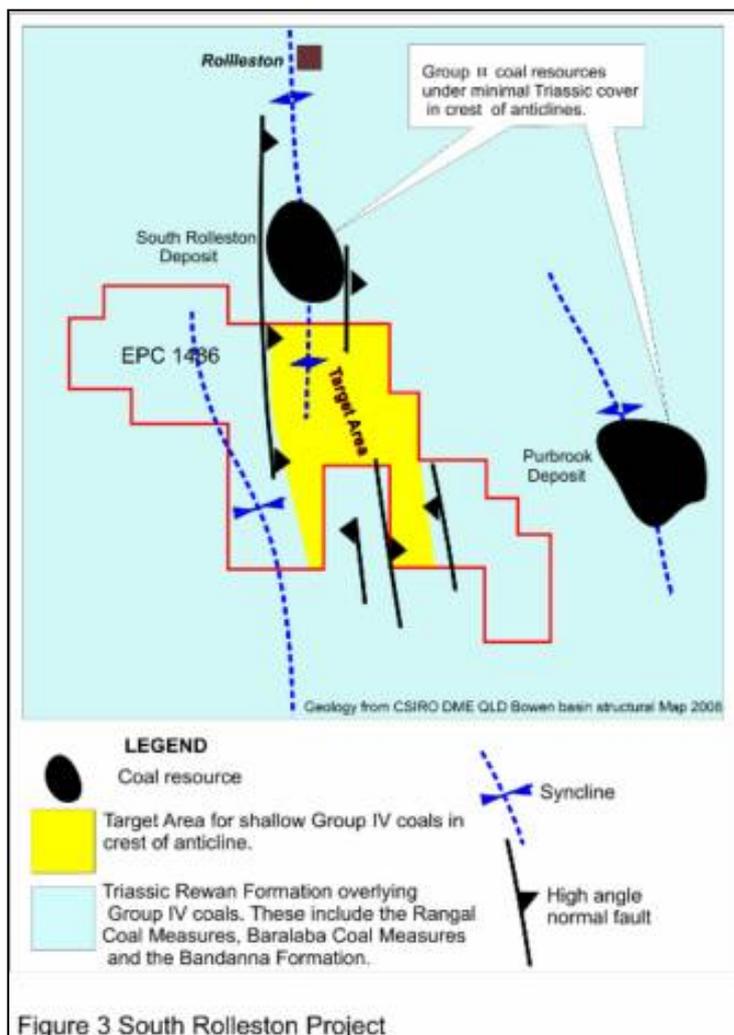


Figure 17: Arcadia's New Discoveries.

EPC 2106 was applied for on the 4<sup>th</sup> May 2010 and is in competition with Stanmore Coal. This EPC has potential for export quality thermal coal in the Rangal coal measures which underlie the Rewan formation (see figure 8).

EPC 2112 was applied for on the 4<sup>th</sup> May 2010 and was subject to a secondary application by Stanmore Coal on the 5<sup>th</sup> May 2010. This EPC lies immediately north of EPC 2106 and is also prospective for Rangal coal measures beneath the Rewan cover. This EPC 1468 East Target Map actually covers subcrop of Rangal coal measures in its extreme North West corner. (See figure 8)

EPC **1531** was granted on the 15<sup>th</sup> May, 2009 and contains some of the same prospective Rangal Coal Measures, Bandanna Formation and Baralaba Coal Measures which host the Rolleston deposit approximately 5km south along strike.

EPC **1647** is along strike from the Rolleston deposit and contains some of the same prospective Rangal Coal Measures, Bandanna Formation and Baralaba Coal Measures as EPC 1531. These are partly concealed by sediments of the Rewan group.

An anticline runs through this EPC which may bring the Group (iv) coal beds close to the surface with minimal cover. This EPC is prospective for near surface group (iv) coals. This is a similar geological setting to the recent discoveries of Springsure and Arcturus (where the overlying sediments have been truncated by folding and erosion) are considered excellent targets.

EPC 1467 and 1531 are adjacent Endocoal's EPC 1517 in the Southern Bowen Basin. They are covered by sub-cropping Rangal Coal Measures which host the Rolleston deposits to the south and Orion Downs deposit to the north. Recent announcements of drilling results by Endocoal on nearby EPC 1517 strongly support the prospectivity of Matilda's EPCs.

In May, 2010 Endocoal announced to the ASX that they had "... *intersected 12 metres of export quality thermal coal in Rangal coal measures above 150 metres including two 5 metre seams at the Indiri prospect.....*"(See figure 11) close to Matilda's EPC 1467. Matilda's EPCs are well positioned to host similar deposits along strike.

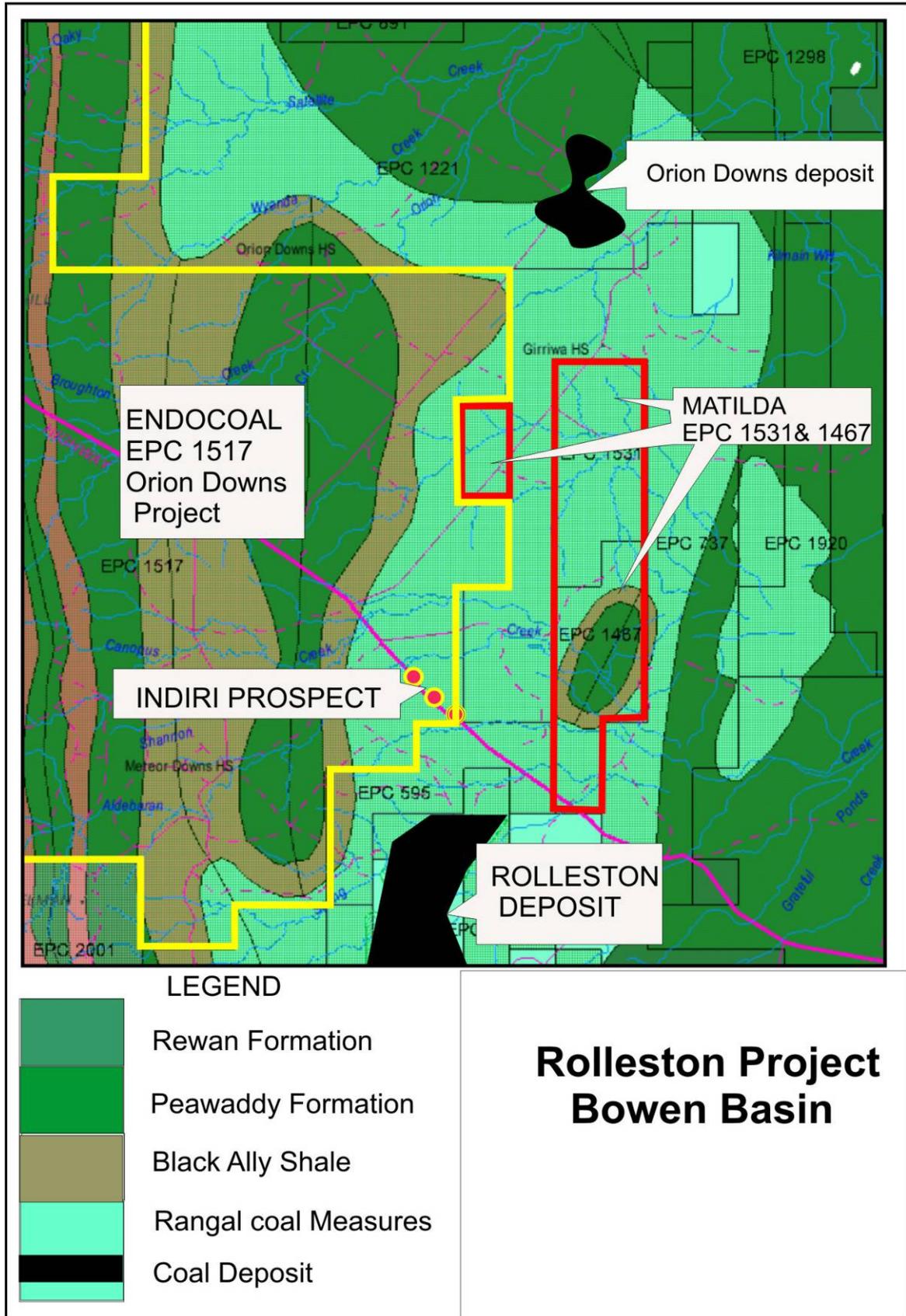
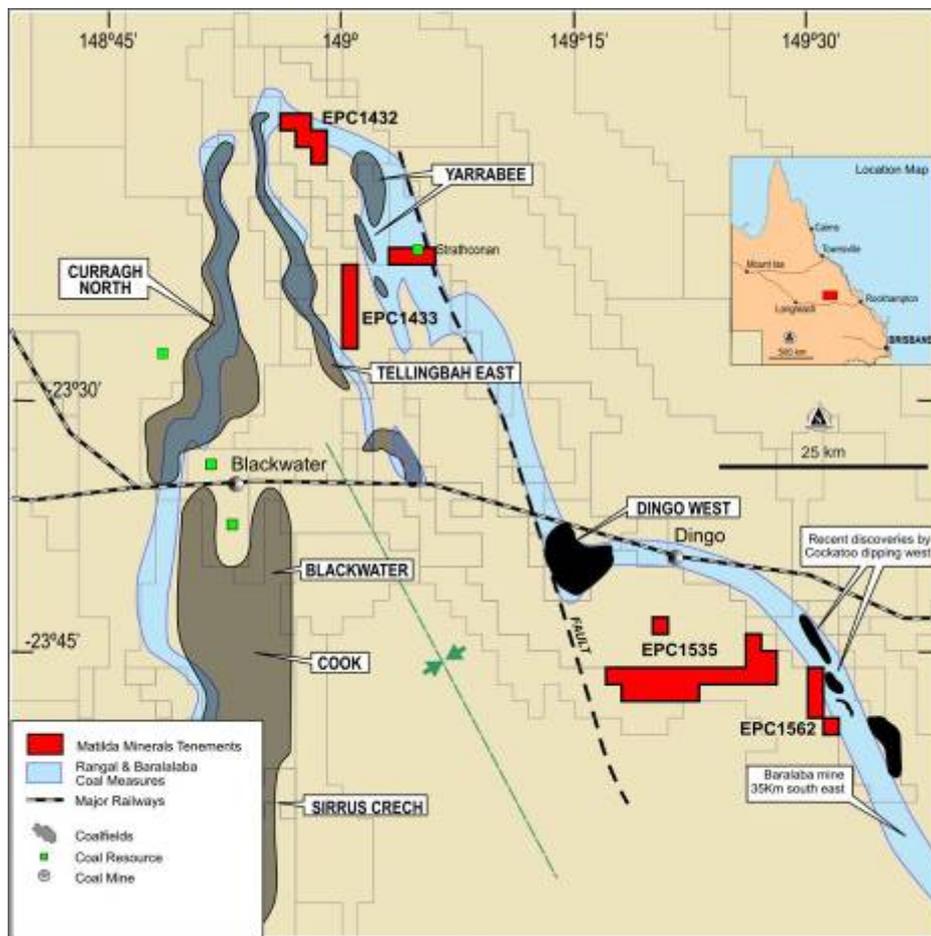


Figure 18: New Discoveries Announced by Endocoal.

<b>ROLLESTON 57c 57</b>	Brigalow Mines Pty Ltd AP57C Rolleston, Evaluation Progress Report for the Six Month Period 31 October 1984, CSR January 1985.
<b>892</b>	Arcadia Coal Pty Ltd, Relinquishment Report, 90 Sub Blocks, EPC 892 September 2007.
<b>833</b>	Macarthur Coal, EPC 833 Serecold, Report for Additional Area Relinquished effective 27 September 2008 prepared for Western Rolleston Coal, May 2009.

**Table 3: Rolleston Previous Exploration.**

**DINGO PROJECT**



**Figure 19: Dingo EPCs & Nearby Deposits.**

EPC **1535** has a competing application by MGC Resources Pty Ltd. The area is overlain by the Triassic Rewan formation which covers the Rangal Coal Measures, Bandanna Formation, Baralaba Coal Measures (which host the large Cook deposits to the west) and the Baralaba deposits to the south-east. Both of these deposits are shallow dipping and occupy a large area under the Rewan sandstone. EPC 1535 has potential to host similar coking coal measures in the Rangal Coal Measures, Bandanna Formation and the Baralaba Coal Measures.

EPC **1562** was granted on 4/08/09 is two sub-blocks east of EPC 1535 and straddles the Rangal Coal Measures, Bandanna Formation, Baralaba Coal Measures. This is prospective for coking coal at shallow depth.

Matilda's EPC applications **1432** and **1433** are secondary applications to Yarrabee Coal Company Pty Ltd. Cougar Energy have made a secondary application to Matilda for EPC 1432. Matilda's application is most unlikely to succeed unless Yarrabee withdraw its application

EPC 1432 consist of 5 blocks all overlain by the Triassic Rewan Formation. Immediately beneath in the Rewan formation are the Rangal and Baralaba Coal Measures which outcrop as steeply dipping sub-linear units orientated north-south. These coal measures outcrop to the east and west of the EPCs and contain the Jellinbah, Yarrabee and Currah North coking coal mineralisation.

The eastern blocks of EPC 1433 contain the Rangal and Baralaba coal measures and also have an indicated resource under the project name Strahconan.

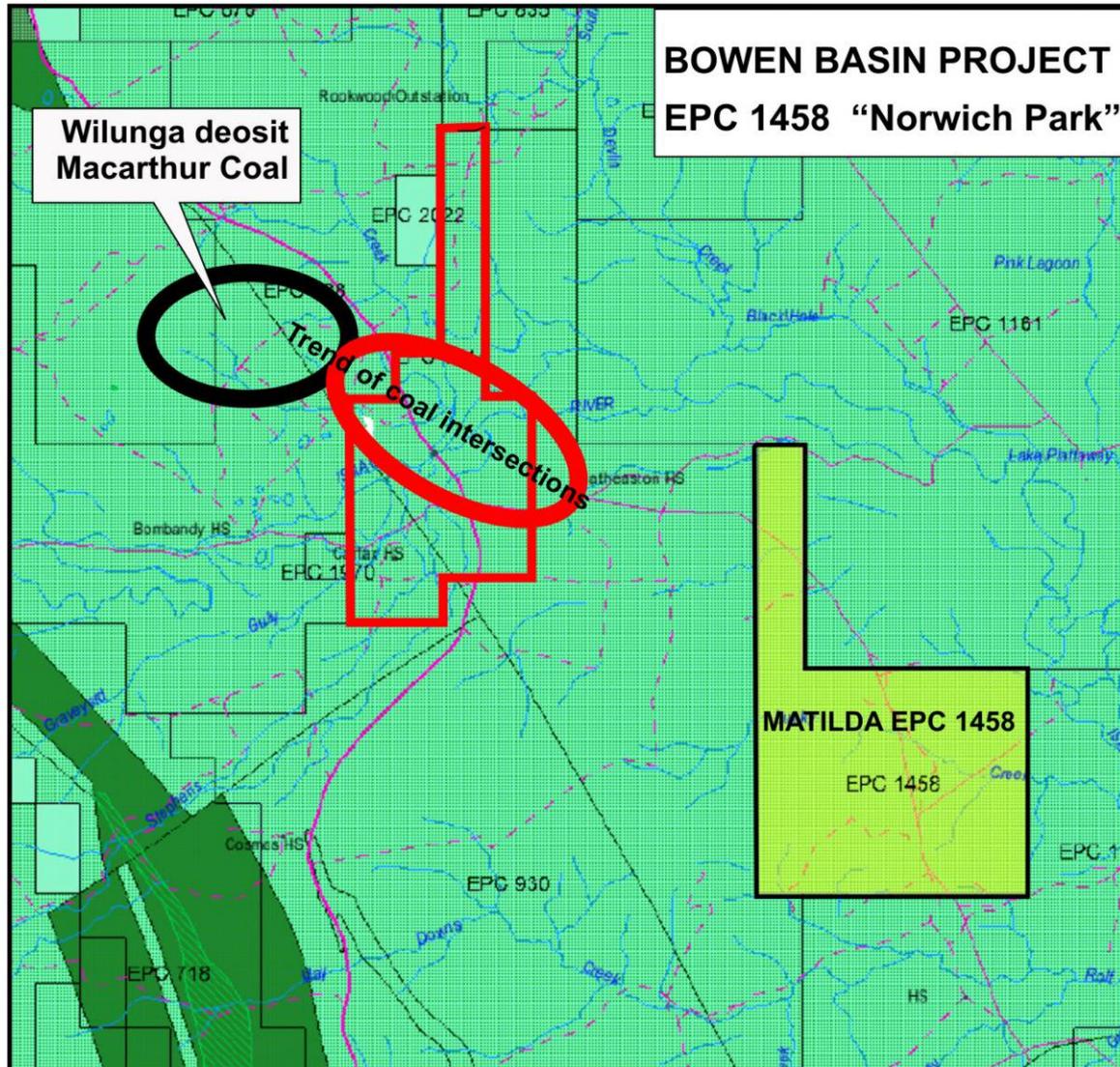
Both EPC 1433 and 1432 are prospective for coking coal mineralisation in the Rangal and Baralaba Coal Measures.

<b>DINGO 8</b>	Dingo 8, Mount Morgan Ltd, Completion Report, Authority to Prospect 30 June 1965.
<b>38</b>	Geopeko Limited, Mount Morgan, Final Report, Authority to Prospect 38C, September 1986.
<b>40</b>	Completion Report, Authority to Prospect 40C Queensland, September 1986 Coal Geology Section.
<b>116</b>	Maps Dingo Area 116.
<b>632</b>	Mt Robert Coal Pty Ltd, EPC 632 Coomooboolaroo Final Report by Fred Robbins Geological Consulting, 24 September 2002.
<b>960</b>	Argos (Qld) Ltd , fully owned subsidiary of Aquila Resources NL; Exploration Permit Coal 960 Duaringa Project, Partial Relinquishment Report to 29 April 2009 prepared by C Doon, 8 September 2009..

**Table 4: Dingo Previous Exploration.**

### **Norwich Park Project. EPC 1458**

Studies of the historical exploration suggest that the Rangal and Baralaba Coal Measures could be present at relatively shallow depth. This tenement is prospective for coking coal mineralisation in the Back Creek Group and in the underlying Rangal coal measures.



**Figure 20: EPC 1458 Norwich Park New information from ASX Announcements.**

This EPC is approximately 40km east of Dysart and hosts the Permian Back Creek Group which is composed of sandstone, siltstone, carbonaceous shale, minor coal and sandy coquinite. The Back Creek Group hosts a number of coal deposits in the Bowen Basin: including the Picardy and Codrilla deposits. Study of the historical exploration suggests that the Rangal and Baralaba coal measures could be present at depth. This tenement is prospective for coking coal mineralisation in the Back Creek Group and in the underlying Rangal coal measures.

It covers a total area of approximately 120 km<sup>2</sup>. The Oaky Creek Rail Line of the Goonyella Rail System is approximately 55km north west of the tenement, with a total distance of approximately 300km by rail to the Dalrymple Bay Coal Terminal. This rail infrastructure and nearby road access service a number of surrounding coal mining operations including the Peak Downs, Saraji Billiton Mitsubishi Alliance.

A summary of surrounding projects is outlined below;

Project	Company	Proximity to Rockwood	Coal type	JORC Resources <sup>1</sup> (mt)	Production (mtpa)
Peak Downs	BMA	52km to the west	Coking coal	2,024	9.0
Saraji	BMA	39km to the west	Coking coal	1,085	8.0
Norwich Park	BMA	35km to the west	Coking coal and low volatile PCI coal	471	5.5
Wilunga <sup>2</sup>	Macarthur Coal Ltd (ASX:MCC)	Immediately adjacent to the west	Low volatile PCI coal	165	n/a

<sup>1</sup> Includes measured, indicated and inferred JORC resources based on publicly available information as at December 2009  
<sup>2</sup> Non-operating coal projects

**Table 5: Table of surrounding operations.**

Source: Company announcements to the ASX.

### Geology and Previous Exploration

Rockwood falls within the Nebo Synclinorium, and the area contains a sequence of strongly folded and faulted Permian strata. The majority Tertiary and Quaternary alluvial sediments, with the thickness of the superficial strata varying from 3m to over 100m.

There has been limited historical exploration on the Rockwood tenement. Areas within the tenement have been previously held by Clutha Development Pty Ltd and Macarthur Coal, however there has been little subsurface exploration on the area within EPC 1458. Recent drilling by Endocoal on nearby EPC 1515 intersected coal seam thickness of approximately 2m to 3m at relatively shallow depth.

### Callide Basin Biloela Project

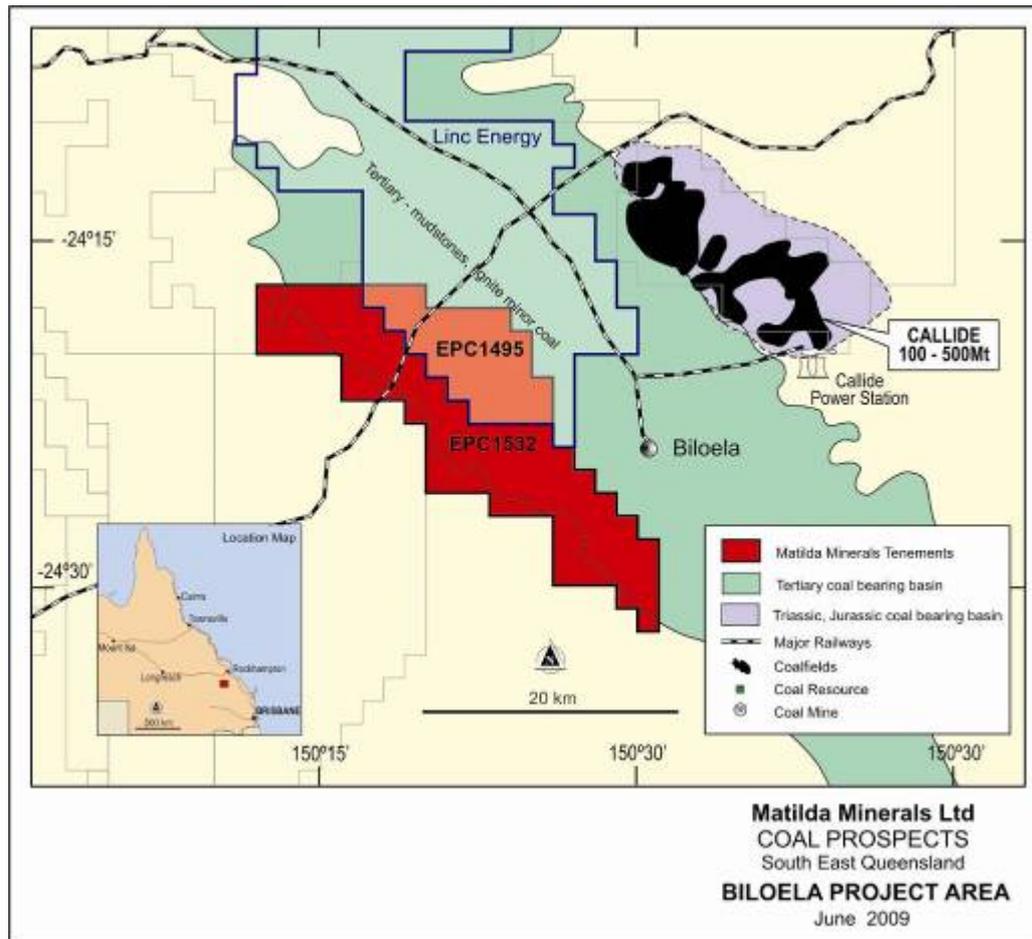
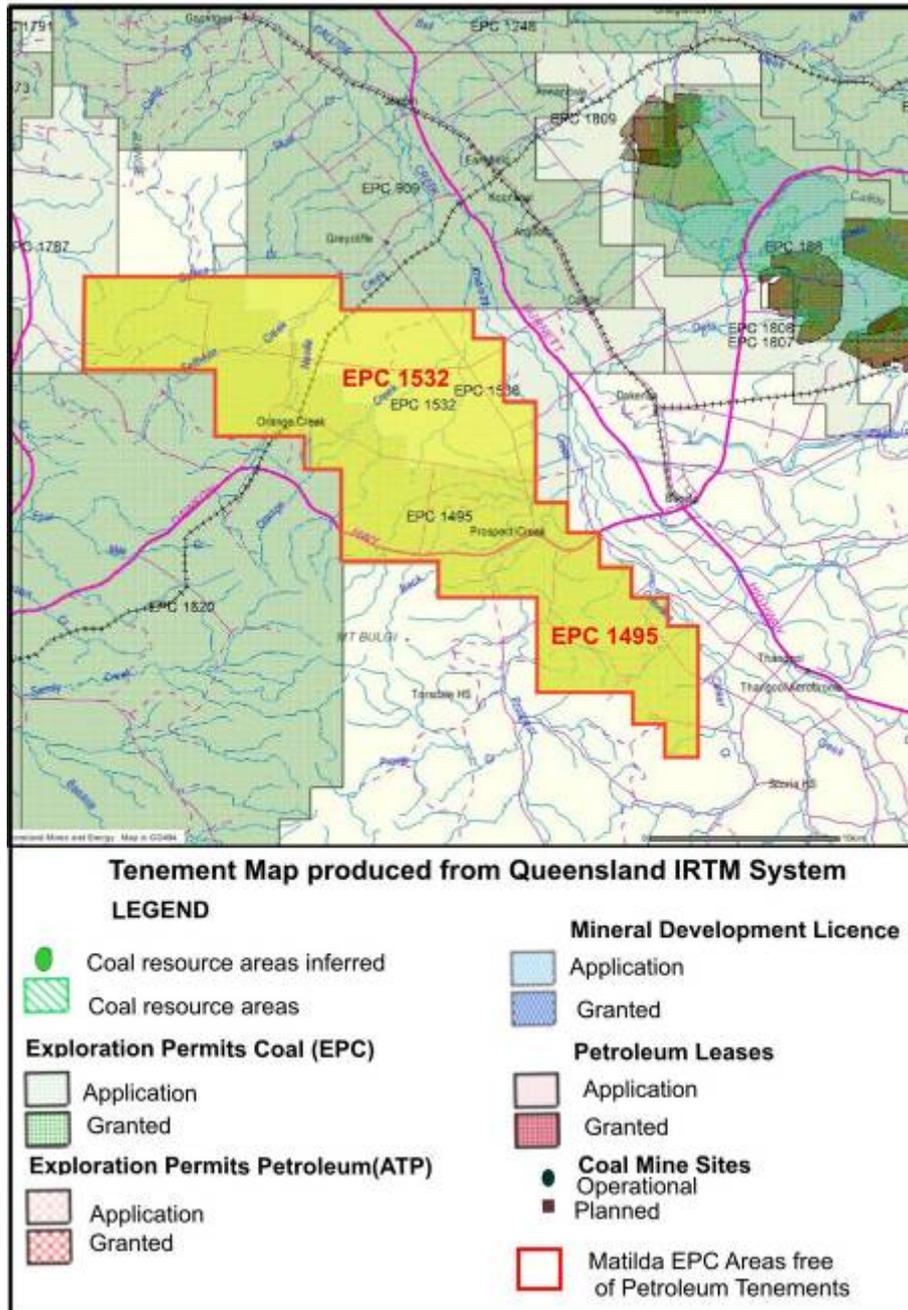


Figure 21: Biloela Area EPCs & Nearby Deposits.

**BILOELA PROJECT CALLIDE BASIN**



**Figure 22: Biloea Area EPCs.**

Matilda has two EPCs, **1495** and **1532** which cover 795km<sup>2</sup> and overlie Tertiary sediments which are highly prospective for brown coal. These may be suitable for UCG. EPC 1495 was granted on 3/07/09. Linc Energy Ltd holds the leases for the remainder of this Tertiary basin and Clean Carbon Energy Ltd hold tenements to the east. Infrastructure in the area includes the Callide power station and the railway to Gladstone.

Although no significant coal deposits are known to occur in this basin, coal intersections in drill-holes conducted for oil shale exploration are yet to be fully evaluated.

One drill-hole completed by the Geological Survey of Queensland in 1980, GSQ Monto 5, intersected coal at 168.9m (9.5m thick) and at 213.8m (5.7m thick).

Coal at these depths is optimal for the UCG process which is able to utilize sub-economic coal mineralisation and use them for either a GTL process or as feedstock for a gas power station.

Two samples from the upper seam were analysed. The results indicate that the coal is lignite grade, a low rank of coal with high moisture content.

The area is strategically located near power generation facilities, gas pipeline and close to the Gladstone industrial complex and hence may host a resource.

<b>Project</b>	<b>Title</b>
<b>BILOELA</b>	EPC 909 Jambin Project Linc Energy Partial Relinquishment Report (Nigel Clifford) 2008
<b>909</b>	EPC 909 Jambin Project Linc Energy Partial Relinquishment Report (Nigel Clifford) 27.04.2009

**Table 6: Biloela - Previous Exploration.**

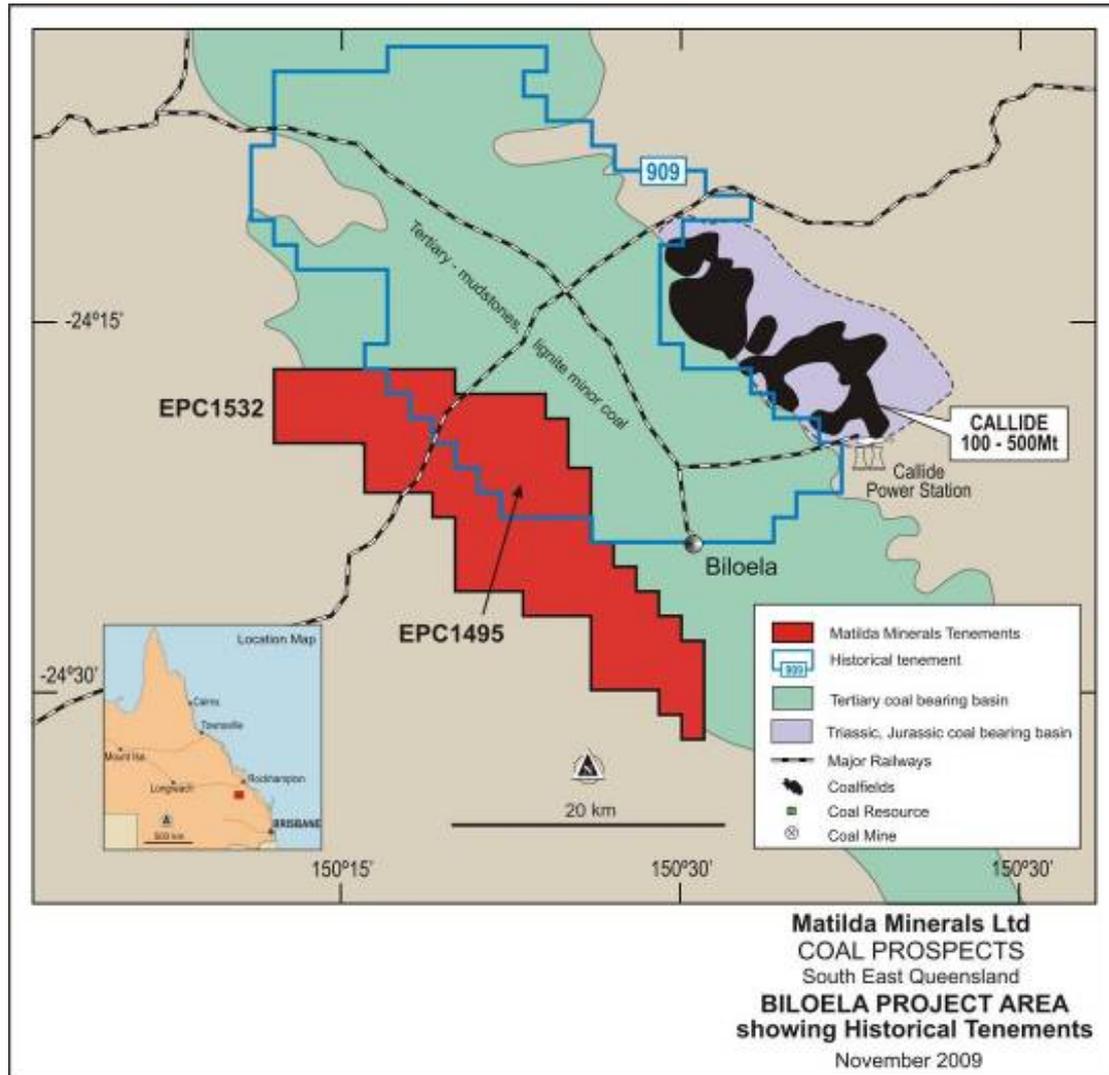
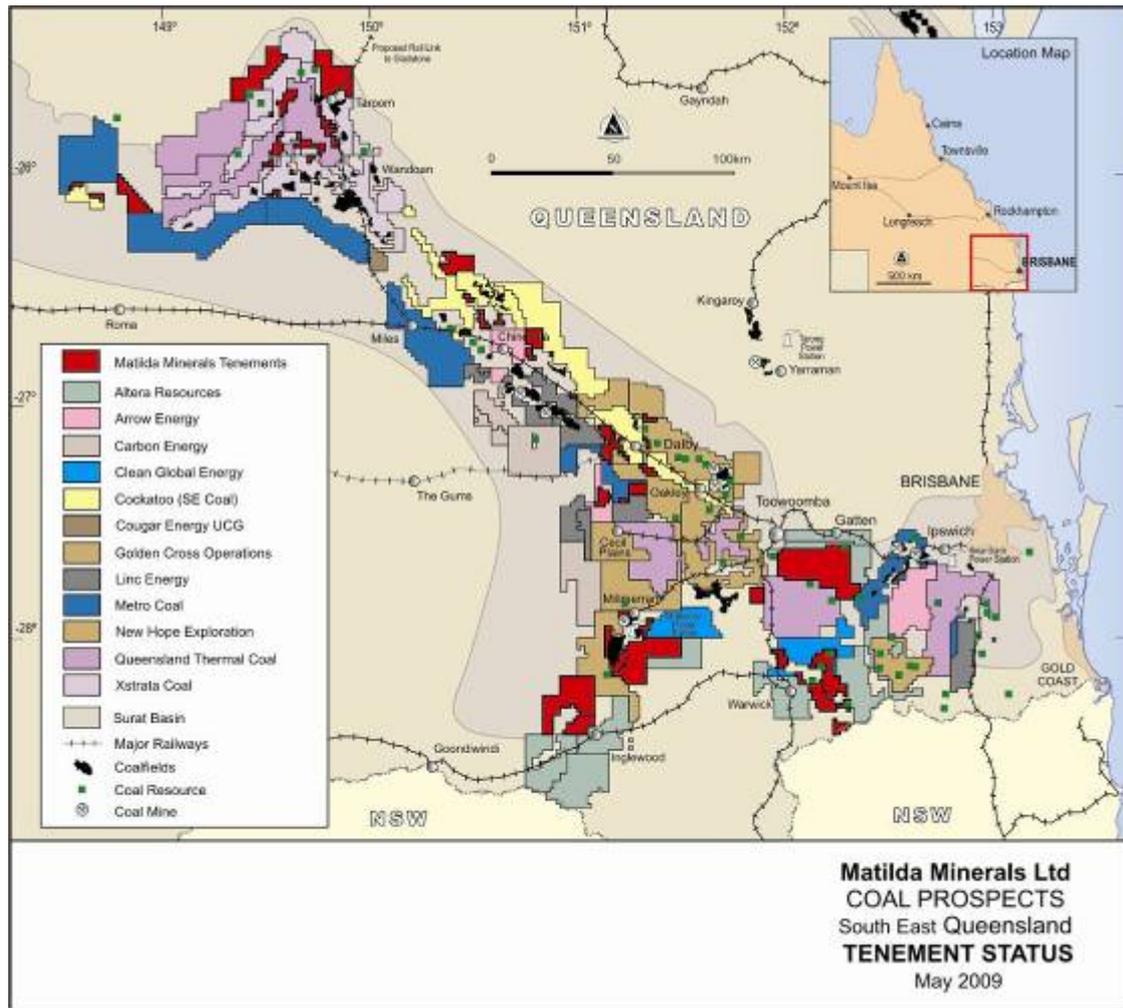


Figure 23: Biloela Area Historical tenements.

## 4.2 Surat Basin



**Figure 24: Surat Basin EPCs & Nearby Deposits.**

Blackwood has 21 EPCs in The Surat Basin totalling 1,419km<sup>2</sup> for a total expenditure requirement of \$667,000. Most of Blackwood's EPCs lie towards the eastern end of the Surat Basin in South East Queensland. Many cover subcrop of the Jurassic-age Walloon Sub-group, which includes the Juandah and Taroom Coal Measures. Although they contain no JORC coal resources, they are located along the major trend of Surat Basin open-pittable coal, including the giant Wandoan group of deposits and other nearby bodies.

The projects are generally located near rail and not far from the proposed new Wandoan to Gladstone rail link which, when complete would enhance the economic viability of these coal deposits.

The Surat Basin in southern Queensland is rapidly becoming an important energy province with the promise of new coal mines and development of coal seam gas (CSG), underground coal gasification (UCG) and liquefied natural gas projects.

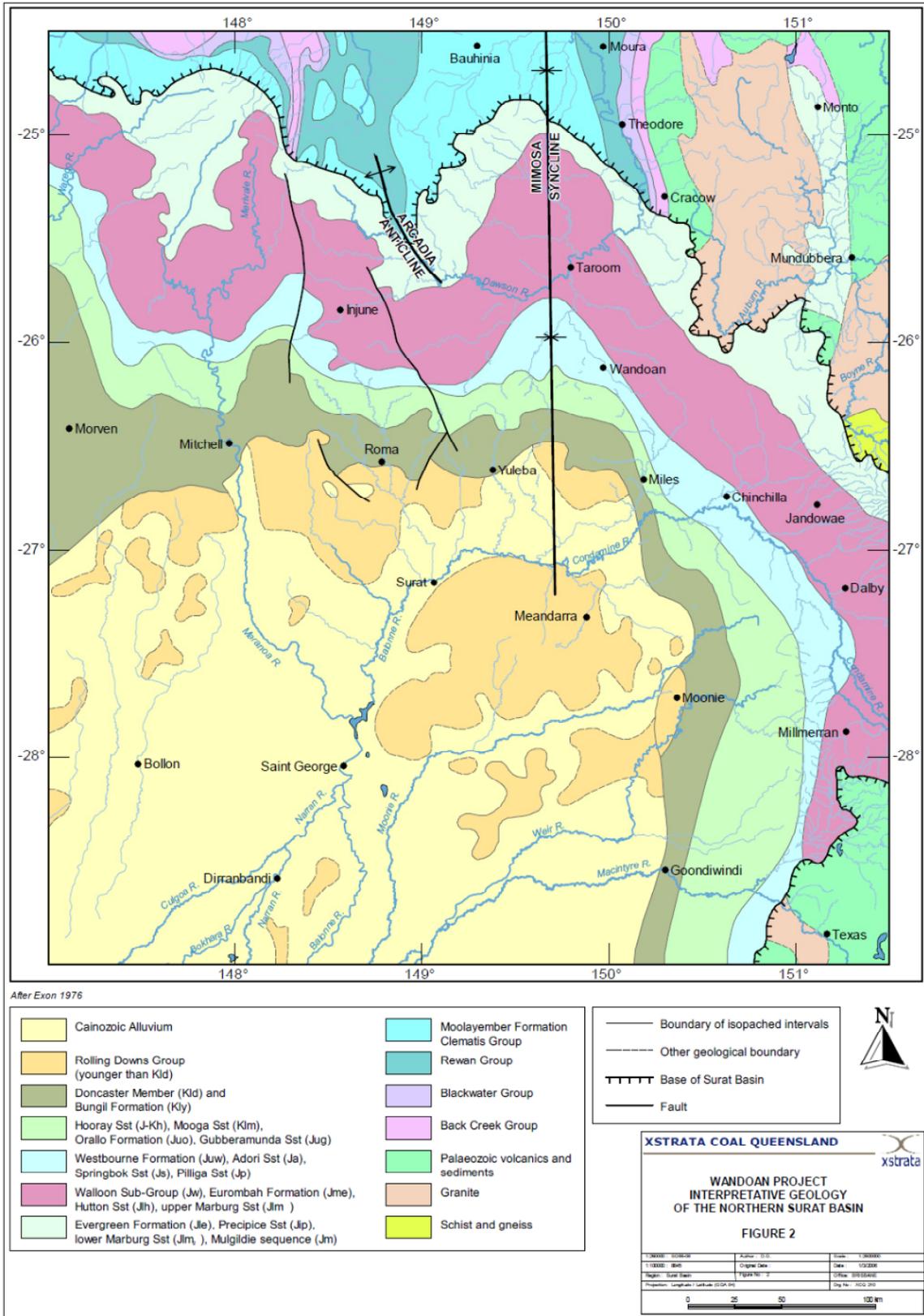


Figure 25: Surat Basin Geology (After Xstrata).

More than four billion tonnes of proven thermal coal resources amenable to open-cut mining have been identified but are largely undeveloped. The planned

rail link to Gladstone will change this, as it will provide an avenue for gross exports of thermal coal from the Surat coal measures. Coals from the Surat Basin are not suitable for metallurgical coke making but are high volatile, oil prone, and clean-burning.

Surat Basin coals are in demand for domestic power stations and export for the thermal coal market. The oil prone nature and high volatile content makes these coals particularly suitable for gasification and also for conversion to liquid fuels by direct hydrogenation– liquefaction processes. This Coal to Liquids route could greatly increase the returns from Surat coals. Underground gasification could open up huge mineralisation below current mining limits.

The Surat has surpassed the Bowen Basin as Australia’s largest CSG producer with the successful Tipton Methane Pilot Plant and associated developments. On 16/10/09 Arrow Energy announced that it will expand its operations in its existing coal seam gas (CSG) fields at Tipton West, Daandine, Stratheden and Kogan North near Dalby.

The younger coals of the Surat Basin contain less gas than the Permian coals of the Bowen but they are more permeable and can produce better gas flows.

Matilda’s EPC applications are focused on the sub-crop trend of known coal deposits in the Walloon coal measures. Historical exploration has focused on near surface coal deposits suitable for open-pitting. Areas overlain by Tertiary sediments and/or volcanic rocks have previously been under-explored. As a result, these areas have high exploration potential for coal deposits, which may be suitable for UCG.

**UCG and Coal to Liquids pilot operations** have seen a major resurgence of interest in the past five years. This technology promises to be a very big industry particularly in the Surat Basin because of the high volatile content of the Walloon coals and the existing infrastructure. Linc Energy Ltd and Carbon Energy Ltd have advanced pilot projects to extract UCG and convert Walloon coals to liquids near Chinchilla in the Surat Basin.

## Taroom Area

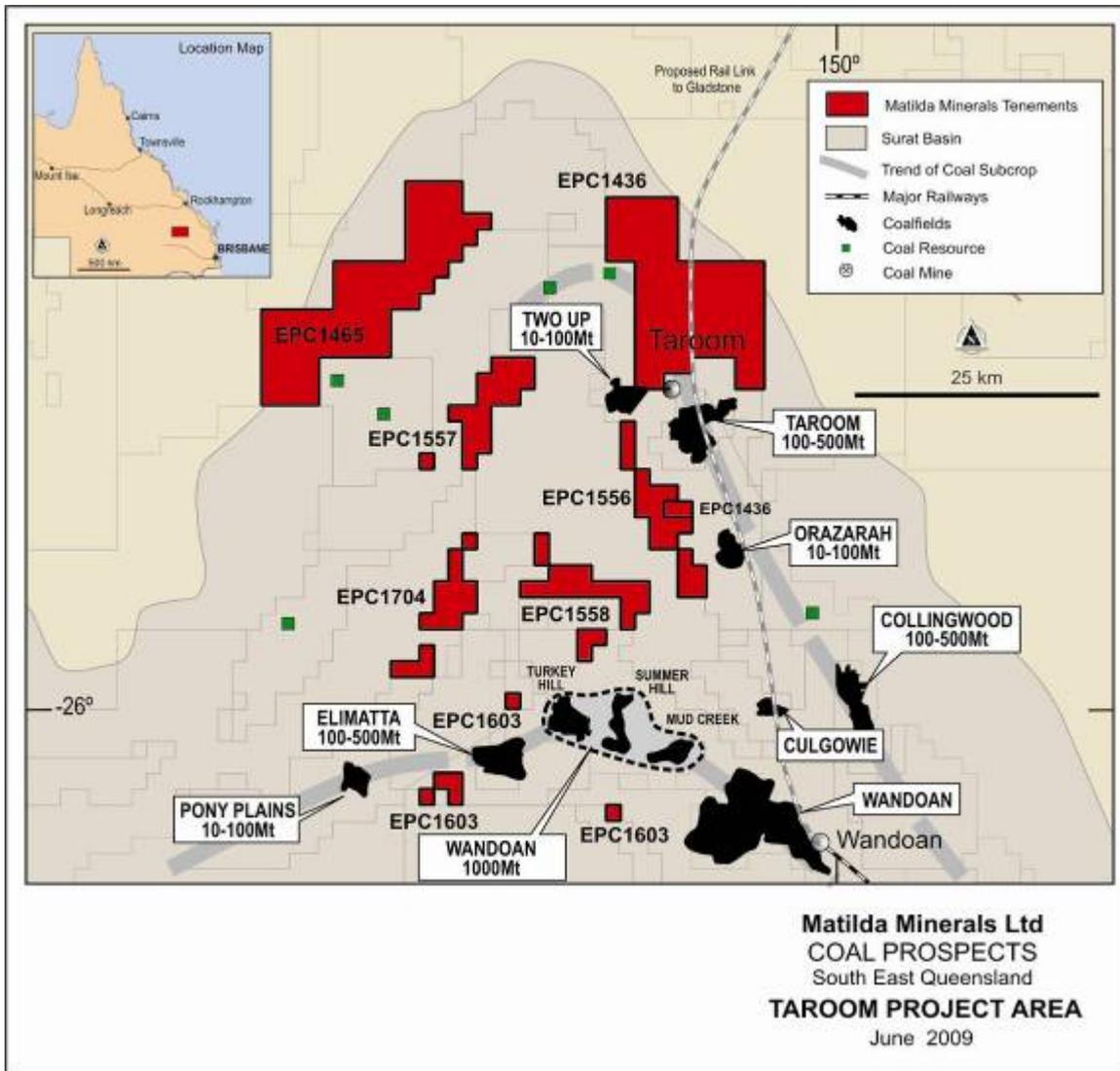
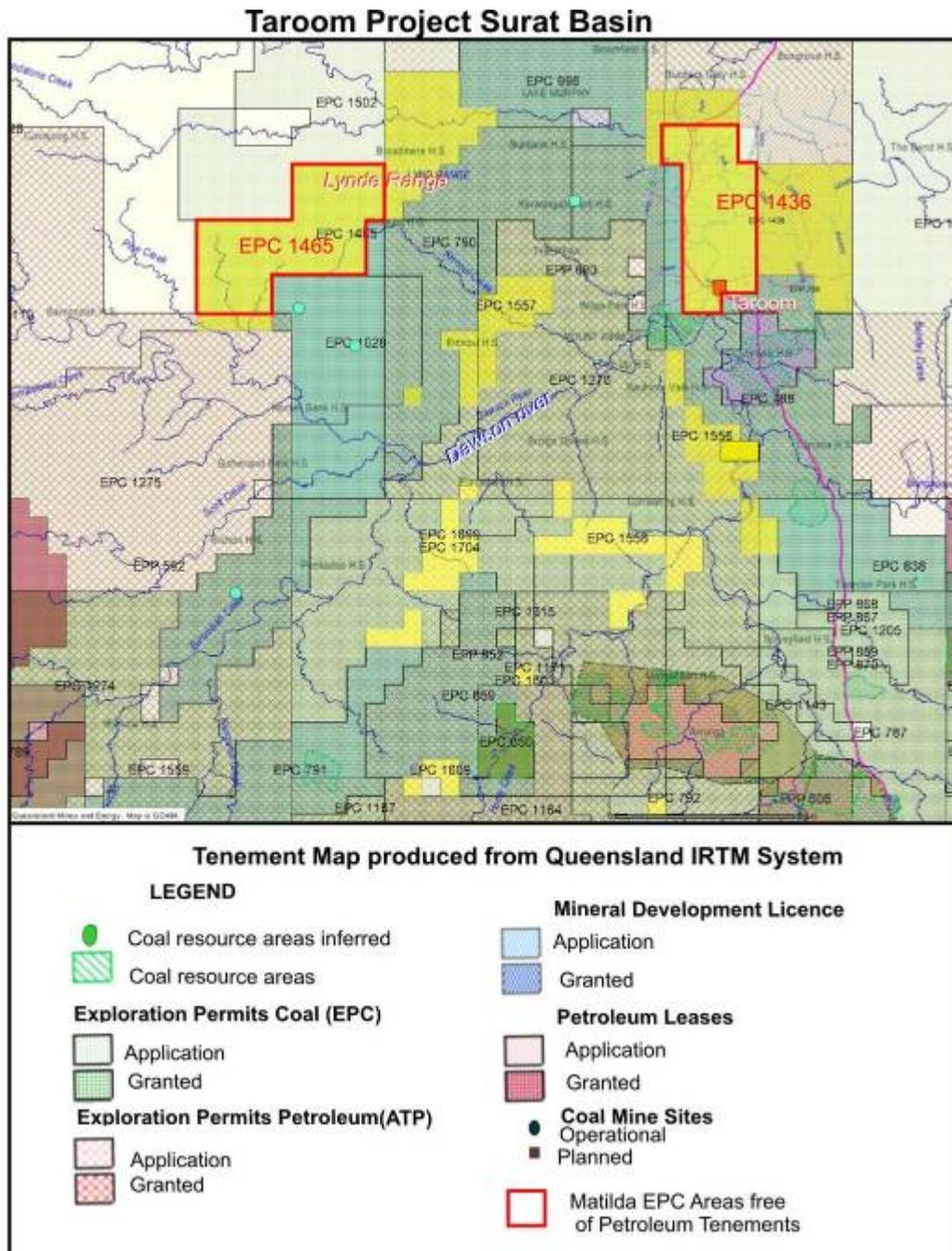


Figure 26: Taroom EPCs & Nearby Deposits.



**Figure 27: Taroom EPCs & Other Tenements.**

This area has one of the largest concentrations of coal deposits in Queensland with the Taroom, Collingwood, Wandoan deposits totalling over two billion tonnes. This has prompted funding for a new rail-line to connect the Surat Basin by direct rail to Gladstone and a dedicated loading terminal. This will be a major boost to the Surat Basin. Blackwood holds EPC 1465 was granted on 17/08/09 which is partly covered by petroleum tenements. EPC 1436 was granted on 17/08/09 and occurs within the sub-crop trend of the Taroom Deposit in an area where there is no overlying petroleum tenement. The Two-Up Deposit borders the south-east corner of EPC 1436 and it is interpreted to extend into Matilda's

EPC. EPC **1566** is immediately down-dip of Orazabah, Taroom and Two-Up deposits and has potential for underground coal resources and is ideally located for UCG. EPC **1577** was granted on 17/08/09 and is also well located for underground coal resources as it is located immediately down-dip of Xstrata's development licences EPC 1699 and 1558. It is also prospective for UCG.

<b>TAROOM 39C</b>	Results Drilling, Authority to Prospect 39C held by Exoil NL and Transoil NL; area totally relinquished 31 July 1968.
<b>56C</b>	Second Half Yearly Progress Report ATP 256C Taroom East for period 13.9.1979 to 12.3.1980 by L M Casey June 1980.
<b>149C</b>	Brigalow Mines Pty Ltd AP 149C West Taroom, Exploration Progress Report for six month period ending 30 June 1985 and Final Report dated September 1985.
<b>152</b>	Brigalow Mines Pty Ltd AP 152C Dawson, Exploration Progress Report for the six month period 30 June 1985 and Final Report dated August 1985.
<b>157</b>	Area Relinquished Summary. Map area relinquished.
<b>223</b>	Summary for Shell Company of Australia Report forms Second Six Monthly dated October 1979.
<b>229</b>	Thiess Bros Mining, A Reconnaissance Resistivity Survey over 229C by Murdoch Geophysics, December 1978. Thiess Bros Mining, AP 229C Kerwongah by Murdoch Geophysics, December 1978.
<b>231</b>	Brigalow Mines AP 231C Juandah Report on Area Relinquished 14 June 1982 by CSR dated December 1982.
<b>241</b>	Marathon Petroleum Australia Ltd, Authority to Prospect 241C (Taroom West) Six Monthly Progress Report for period 2 May to 1 November 1979 dated February 1980.
<b>267</b>	Brigalow Mines Pty Ltd "The Major Structural Elements of the Pre-Permian basement of the Northern Surat basin.
<b>305</b>	Six Monthly Progress Report, Authority to Prospect 305C (Taroom) for the period 17 December 1983 to 16 June 1984 and Final Report.
<b>309</b>	Griffin Coal Mining Company, Authority to Prospect 309C, Final and Relinquishment Report November 1983. Griffin Coal Mining Company, Authority to Prospect Report before final Relinquishment January 10, 1983.
<b>355</b>	Griffin Coal Mining Company, Authority to Prospect Report before final Relinquishment January 10, 1983.
<b>375</b>	Authorities to Prospect 375 and 376C "Bell-Jandowae Final Report.
<b>393</b>	Mobil Energies Australia, Six Month and Final Report on A-P 393C, Two Up 1982, period ended 24 November 1982.
<b>404</b>	Mobil Energies Australia, Authority to Prospect 404C period ended 23 November 1983 and Final Report dated 1984. Mobil Energies Australia Borehole Location and Geology Map 404C 1983.
<b>406</b>	Authority to Prospect 406C Wilga Park Final Report September 1983.
<b>432</b>	CSR Limited, Surat Coal Joint Venture summarises exploration and evaluation dated 15 April 1988. CSR Coal Division, Taroom Extended AP432C Summary of

	Exploration 1/1-30/6/1988.
<b>442</b>	Mobil Energy Minerals Australia, Report on Operations for the period 23 May 1985 – 6 April 1986 AP422C Juandah Creek Final Report.
<b>563</b>	MIM Holdings Limited, Final Report EPC 563 Wandoan. Locality Map EPC 563 Wandoan.
<b>580</b>	Maps 580C.
<b>787</b>	Xstrata Coal Geology Maps 797C.
<b>788</b>	Green Exploration Mining Services EPC 788 Taroom East Qld, Relinquishment Report for the period ended 24 February 2007 for Xstrata Coal. Maps 788C Geology and Area Relinquished.
	Green Exploration Mining Services EPC 788 Taroom East Qld, Relinquishment Report for the period ended 24 February 2005 for Xstrata Coal dated 24 April 2005.
<b>790</b>	Xstrata Coal EPC 790 Taroom East Qld, Relinquishment Report for period ending 24 February 2008 dated 28 April 2008. Xstrata Coal maps for Sub Block Relinquishment Area EPC 790.
<b>838</b>	Xstrata Coal EPC 838 Wandoan East Qld, Relinquishment Report for period ending 15 August 2007 dated 15 September 2007.
<b>859</b>	Xstrata Coal EPC 859 Bimbadine Taroom East Qld, Relinquishment Report for period ending 6 July 2008 dated 2 September 2008.
<b>996</b>	Xstrata Coal EPC 996 North Taroom Qld, Relinquishment Report for period ending 12 October 2007 dated 12 November 2008.
<b>1041</b>	Cockatoo Coal Limited, EPC 1041 Partial Relinquishment Report for period ending 12 June 2008 dated 10 November 2008.

**Table 7: Taroom – Previous Exploration.**

## Dalby Area

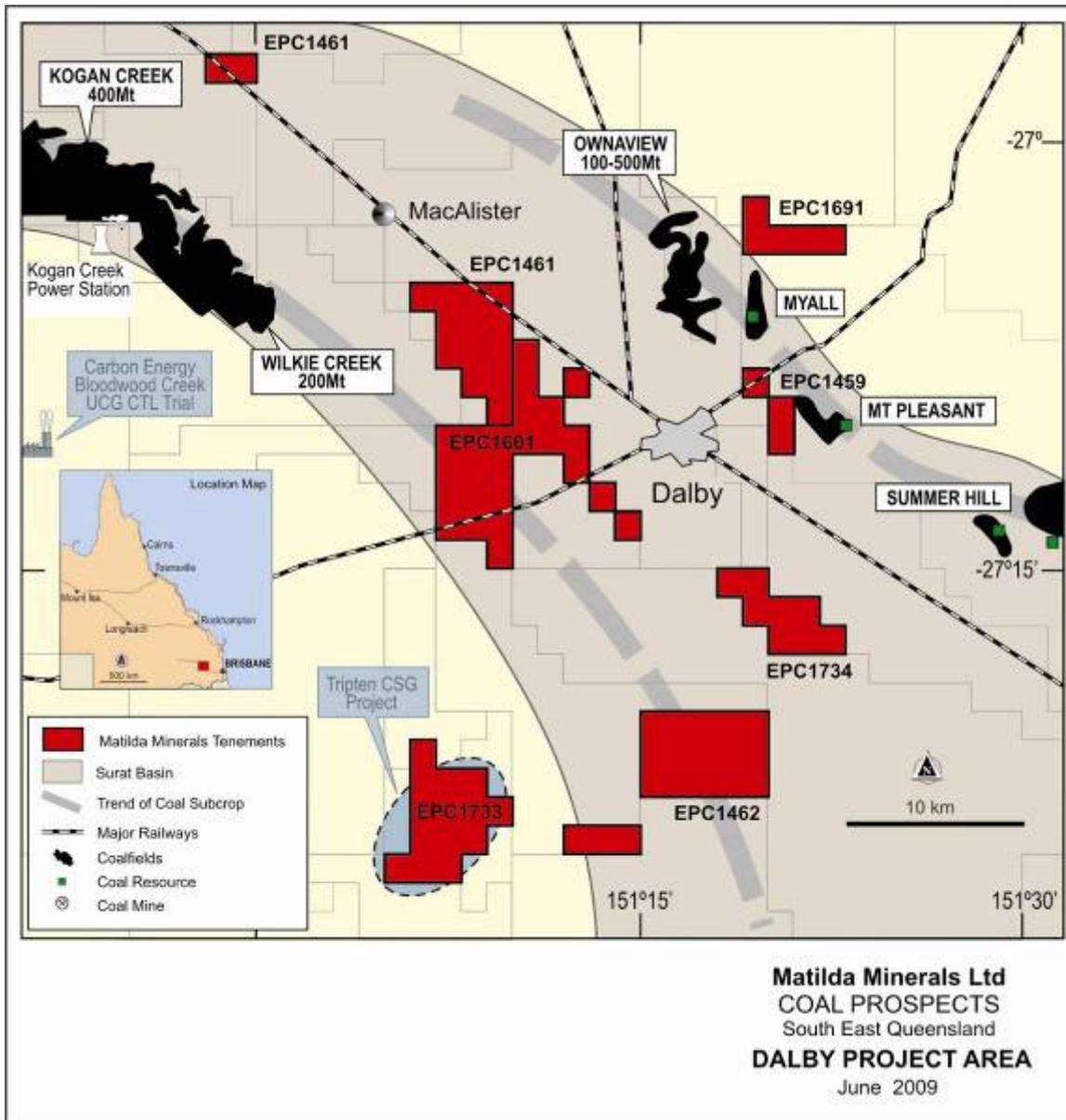


Figure 28: Dalby EPCs & Nearby Deposits.

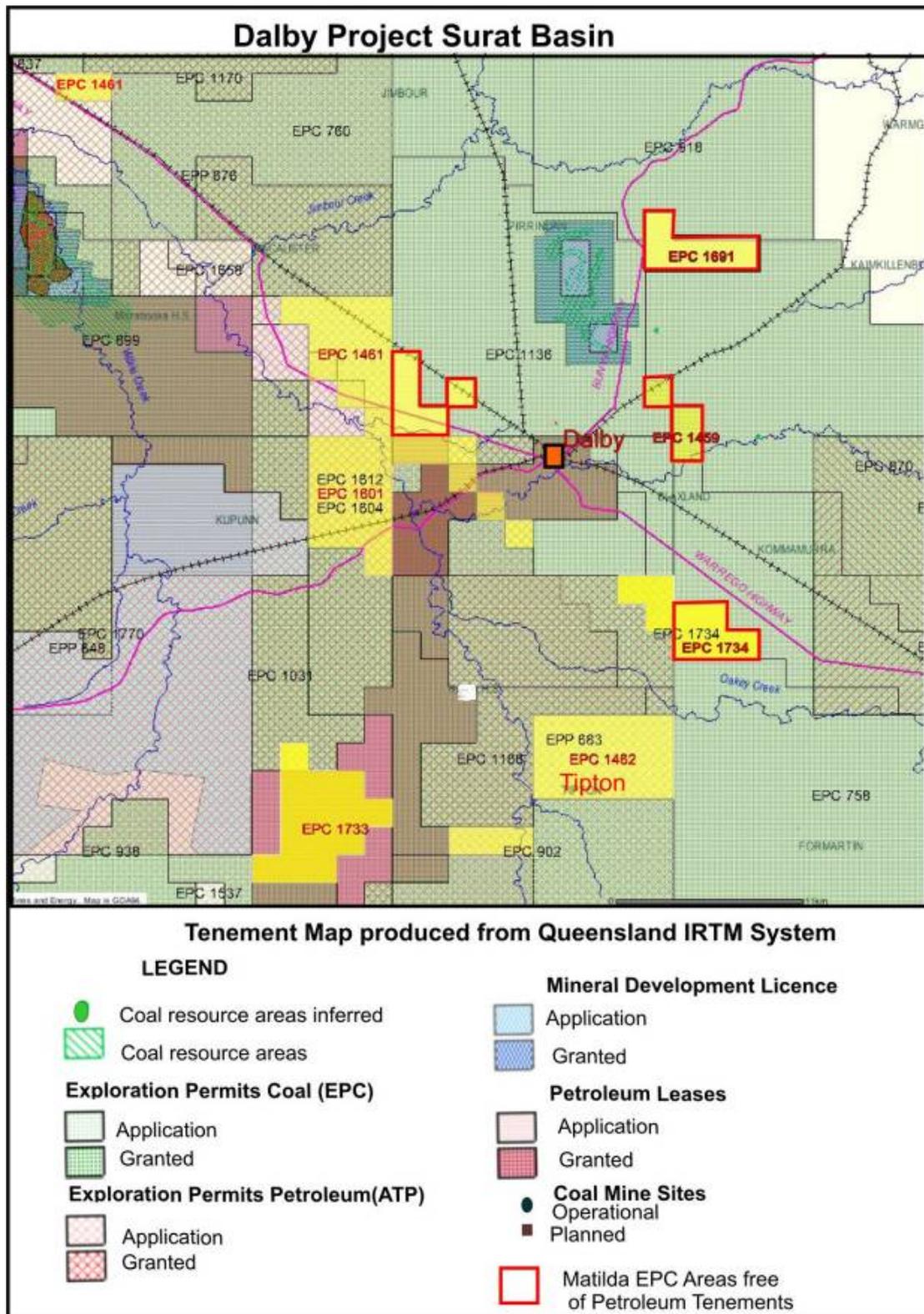


Figure 29: Dalby EPCs & Other Tenements.

Matilda has 7 EPCs in the Dalby Project Area in the Surat Basin. These cover a total area of 255km<sup>2</sup>, for an annual expenditure of \$122,000. Of these, only EPC **1601** has a competing application. Both the western section of EPC **1601** and the central zone of EPC **1462** overlies the south-western strike extension of the coal measures mined at Wilkie Creek. EPC **1733** is centred on the Tipton CSG

Project. EPC 1459 was granted on 17/08/09 and is well located between the Ownaview and the Mt Pleasant deposits along the subcrop projection of the lower Walloon Coal Measures.

### Previous Exploration

<b>DALBY 39</b>	Report on Authority to Prospect 39C by T J Madden 3 October 1968.
<b>133</b>	Mines Administration Pty Ltd, Final Report on Authority to Prospect 133C Jimbour by P D Denman September 1974.
<b>181</b>	Shell Development (Australia) Pty Ltd, Authority to Prospect 181C Dalby North, Final Report on Authority to Prospect 181C Dalby North by John McLean Hodgson.
<b>191</b>	Shell Development (Australia) Pty Ltd, Authority to Prospect 191C Jondaryan, Relinquishment Report of 66 Sub Blocks by John McLean Hodgson.
<b>205</b>	Shell Company of Australia, Six Monthly Progress Report period ending 22 February 1982; Authority to Prospect 205C Bowen Qld by R F Reeson.
	Shell Company of Australia ATP 205C Bowenville Qld, Ownaview Geological Review by C L Patterson, April 1984.
	Shell Company of Australia, Authority to Prospect 205C, Six Monthly Report to 23 February 1989 by F. Bos.
	Shell Company of Australia, Authority to Prospect 205C, Ownaview Geological Report October 1989.
	Shell Company of Australia, Investigation of Basalt Margin Using Magnetometry Techniques in Bowenville, Qld by R D Hewson, June 1983.
	Surat Basin Core Picture Book, W J Clark and D M Cooper, February 1982.
	Marathon Petroleum Australia Ltd, Surat Basin Project, 1982 Geological Evaluation.
<b>280</b>	Marathon Petroleum Australia Ltd, Authority to Prospect 280C Tipton Progress Report for period 2 January 1983 to 21 June 1983 by D H Hall, September 1983.
<b>313</b>	Summary Authority to Prospect 313C, Qld.
<b>321</b>	International Oil Proprietary Ltd, Combined Energy Resources Ltd, Authority To Prospect 321 Coal, Relinquishment Report, 17 September 1981 by Golder Associates.
	International Oil Proprietary Ltd, Authority to Prospect 321C, Exploration Report Stage 1, January 1982 by Golder Associates.
<b>340</b>	Robertson Research (Australia) Pty Ltd, Report 775, Aniropa Pty Ltd's Authorities in the Ipswich and Dalby Areas of Qld, May 1981.
	Geological Appraisal of Coal ATP's in the Ipswich and Dalby Areas of SE Qld by Layton & Associates.
<b>375/376</b>	Authorities to Prospect 375C and 376C Bell-Jandowie, Qld Final Report. Maps Prospect 375C and 376C.
<b>413</b>	Marathon Petroleum Australia Ltd, Authority to Prospect 413C (Dalby) Report on Area Relinquished from 20 June 1985 by D Brown-Kenyon.
	Marathon Petroleum Australia Ltd, Authority to Prospect 413C (Dalby) Report on Area Relinquished from 20 June 1986 by D Brown-Kenyon.
<b>434</b>	BHP Second Six Monthly and Final Report Authority to Prospect West Toowoomba, SE Queensland 434 C for period ended 5 September 1986, dated February 1987.

<b>758</b>	Marathon Petroleum Australia Ltd, EPC 758 Toowoomba Dalby Project, 2002 Relinquishment Report, Shiralee Roser, Senior Geologist, November 2002.
	Marathon Petroleum Australia Ltd, EPC 758, 759, 763 Toowoomba Dalby Project, 2003 Relinquishment Report, Shiralee Roser, Senior Geologist, December 2003.
	New Hope Coal Australia, Downs Project EPC 758 Mount Maria Relinquishment Report, 12 June 2007.
	New Hope Coal Australia, Downs Project EPC 758 Mount Maria 2008 Relinquishment Report.
<b>760</b>	New Hope Exploration Ltd, Partial Relinquishment Report EPC 760 (Jimbour Creek) August 2005.
<b>762</b>	New Hope Exploration Ltd, Partial Relinquishment Report EPC 762 dated 17 December 2006.
	Q Coal Pty Ltd, EPC 870 Bowenville, report on Relinquished Sub Blocks, October 2007 Energy Minerals Ltd.
	Q Coal Pty Ltd, EPC 870 Bowenville, report on Relinquished Sub Blocks September 2006 Energy Minerals Ltd.
<b>870</b>	Linc Energy EPC 870 Bowenville, report on Relinquished Sub Blocks October 2007.
	Linc Energy EPC 902 Exploration Permit for Coal, Partial Relinquishment Report 11 December 2006.
<b>902</b>	New Hope Coal Australia, Downs Project EPC 902 Partial Relinquishment Report, 5 December 2007.
<b>919</b>	New Hope Coal Australia, Downs Project EPC 919 Partial Relinquishment Report, 15 June 2007.
<b>930</b>	Rocklands Richfield Ltd, EPC 930 Richfield Report on the 60 Sub Blocks Relinquished 6 April 2007 dated May 2007.
<b>1031</b>	Arrow Energy, Partial Relinquishment Report for the 11 Sub Blocks Relinquished from EPC 1031, 19 April 2009.

**Table 8: Dalby – Previous Exploration.**

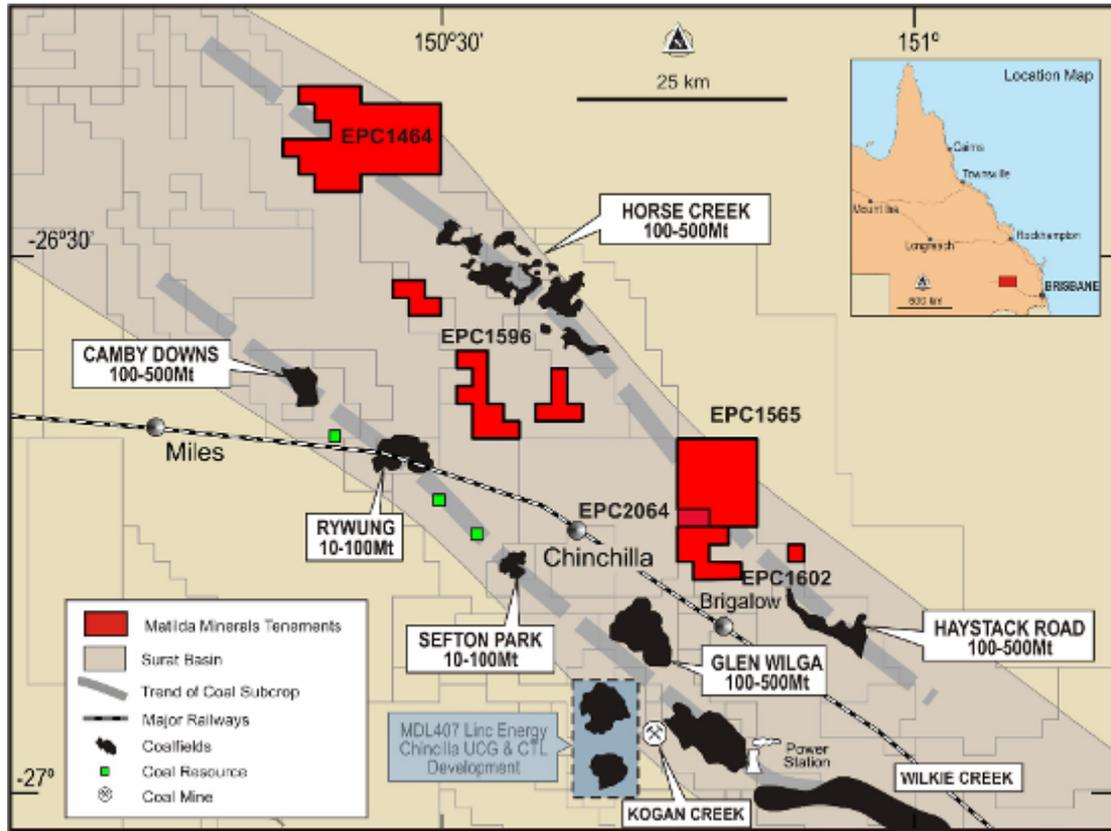


Figure 30: Chinchilla EPCs & Nearby Deposits.

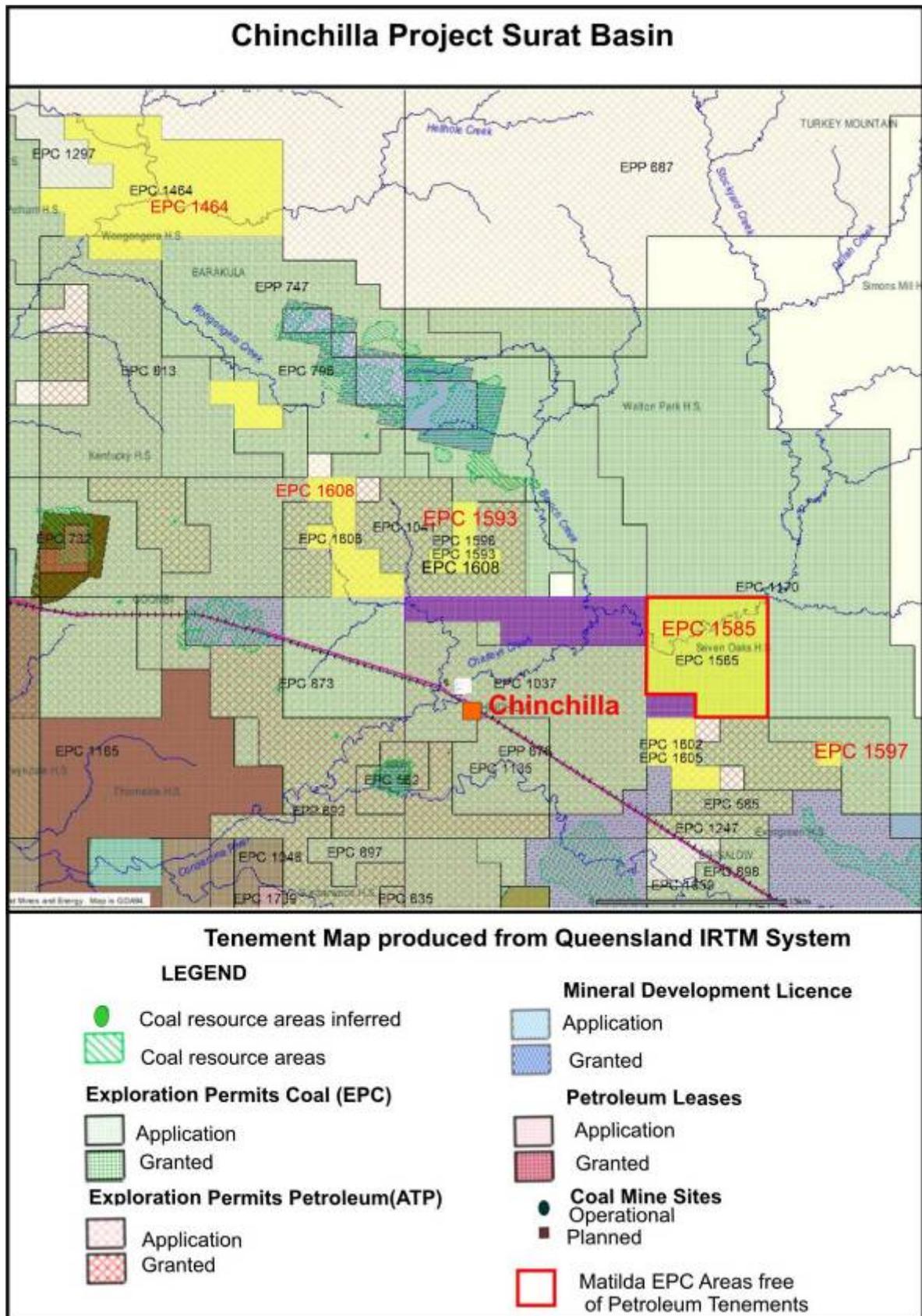


Figure 31: Chinchilla EPCs.

This area contains the largest concentration of major deposits in the Surat Basin. It hosts operating coal mines and significant identified deposits.

It also hosts the Kogan Creek power station and the UCG and Coal to Liquids projects of Linc Energy Ltd and Carbon Energy Ltd. With the existing infrastructure and the planned rail-line north to Gladstone, this area is primed to become a major industrial centre.

Blackwood has EPCs totalling 396km<sup>2</sup> covering the Walloon Coal Measures. Most of these areas are located on the trend of either the Upper or Lower Walloon Coal Measures and a number are located between major deposits. EPCs **1464, 1461, 1565, 1459, 2199, 2200, 2064, 1733, 1734, 1462, and 1691** are all located along the trends of known coal measures and identified deposits. These EPCs are prospective for open-cut coal deposits.

EPC **1565** is located on the subcrop trend in between the Horse Creek and Haystack Road deposits. This highly prospective area is free of all petroleum tenements.

Arrow Energy made a secondary application for the same area two weeks after Matilda's application. This was probably a response to Arrow's surprise find of thick sections of the McAlister seam on EPC1037 while drilling for a UCG target.

Arrow Energy announced in 2009 that it had recently discovered potential minable coal deposits while exploring for UCG in EPC 1037 immediately north west of Chinchilla.

This adds to the prospectively of the area between the sub-crops of the lower and upper Walloon coal measures.

(See: Partial *Relinquishment Report for EPC1037* June 12, 2008 Arrow Energy Ltd)

**“Arrow Energy (as ACBM) has been carrying out CSG exploration drilling under petroleum ATP 676, and the area is subject to PLA 253. During this work it was realised that a discontinuous but thick seam of Macalister coal presented a potential mining target. The permit was acquired to evaluate the surface and underground mining potential of this resource.”**

Arrow Energy has competing applications lodged on the same day as Matilda's applications for EPC **1596, 1601 and 1602**. While this diminishes the chances of Matilda being granted these EPCs it is testament to the value of the areas. All three areas are affected by overlying petroleum tenements.

EPCs **1459, 1734, 1461 and 1733** are located between the two coal measures but well located to host coal down-dip at a depth suitable for underground mining or UCG. *There are a number of factors which increase the prospectivity of the areas between the Juandah and Taroom coal measures in this part of the Surat Basin as follows:*

- The surprise discovery of the Macalister seam on EPC 1037 to the north east of Chinchilla with a thick interval, which may be suitable for conventional mining.

- The realisation that the Surat has suffered more structural disruption than earlier explorers realised. Normal faulting with modest throws combined with the shallow dips can cause considerable shift in the location of open cut targets.

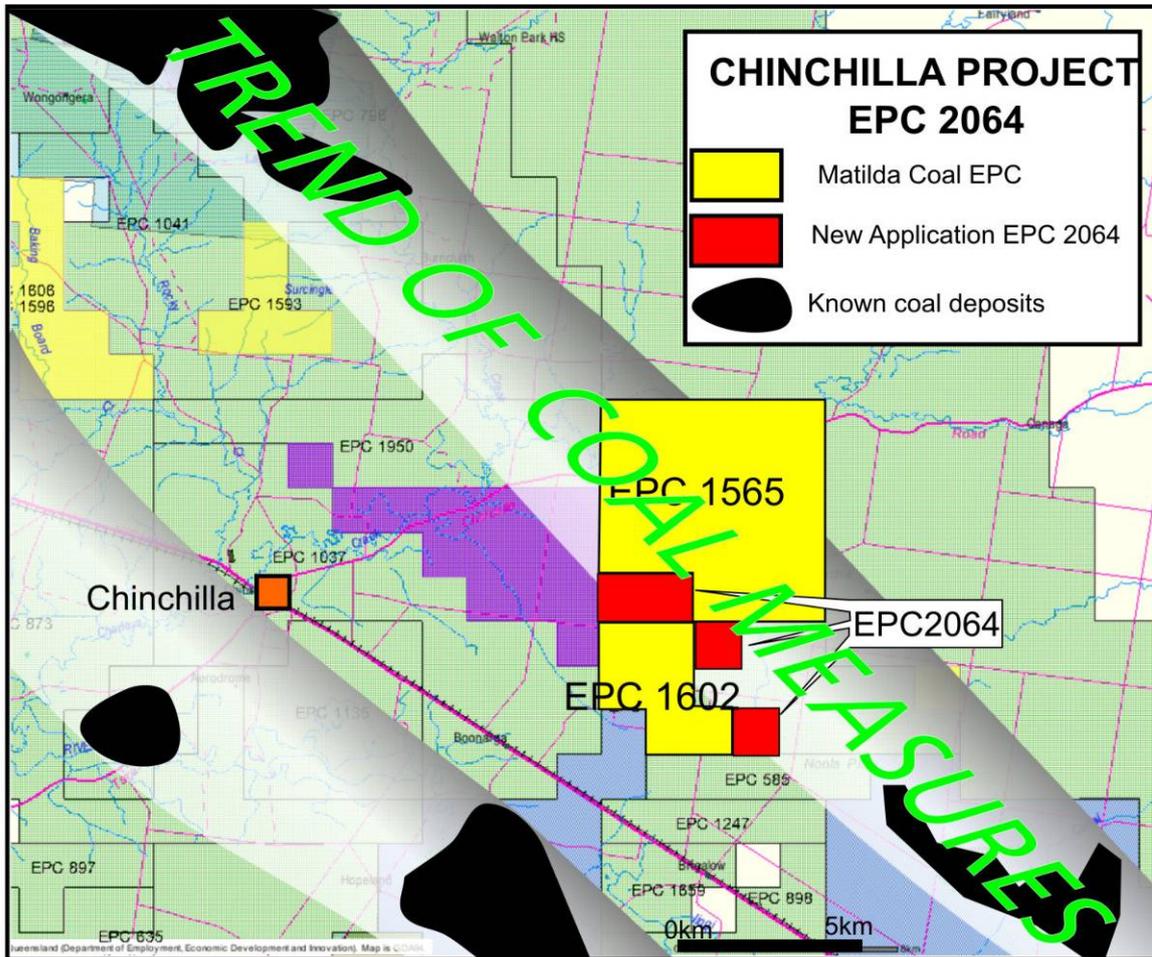
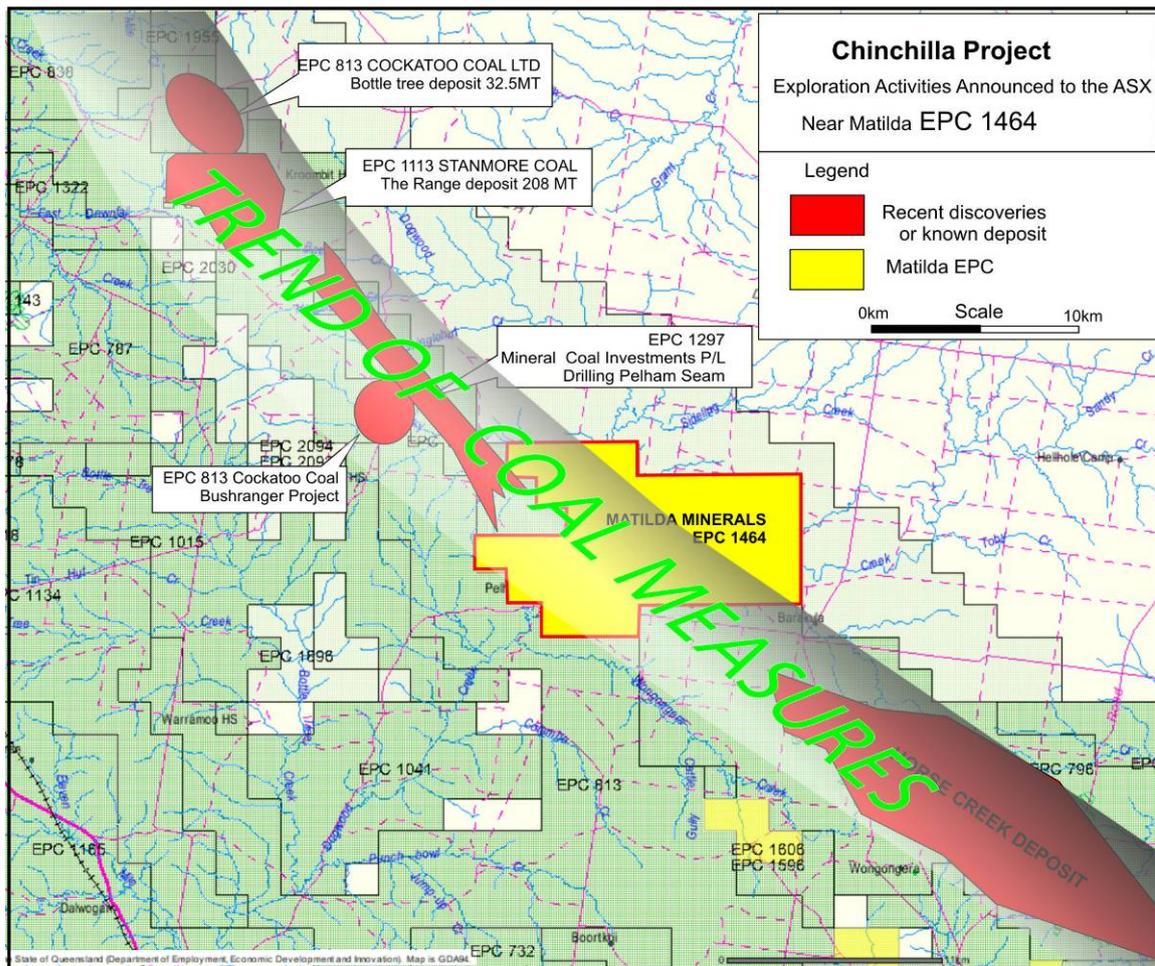


Figure 32: EPC 2064 and Trend of Coal Measures.



**Figure 33: EPC 1464 - New Information from ASX Announcements.**

The trend of the Juandah Coal Measures has been established by recent exploration based on the announcements to the ASX by Cockatoo Coal, Stanmore Coal And Mineral & Coal Investments Ltd. Drilling along this trend which has intersected significant thicknesses of potentially export quality thermal coal.

1. EPC 813 Cockatoo Coal Limited ASX Announcement dated 22<sup>nd</sup> September 2009. Surat Basin resources over 335 Mt.
2. EPC 113 Stanmore Coal Limited ASX Announcement dated 19<sup>th</sup> may 2010 Upgrade in JORC Inferred resources to 208Mt at The Range Prospect.

### Previous Exploration

<b>CHINCHILLA 39</b>	Report on Authority to Prospect on 39C by T J Madden, Consulting Geologist 3 October 1968.
	EXOIL NL Progress Report with Appendices A T P 39C dated 31 January 1968
<b>102</b>	Thiess Bros Pty Ltd Mining Division for Brigalow Mines Pty Ltd and Lone Star Exploration NL AP102C Chinchilla Exploration Progress Report for six month period ended 7 November 1974.
<b>162</b>	Shell Development (Australia) Pty Ltd, Authority to Prospect 162C Burncluith, Six Monthly Progress and Final Report for period ending 31 August 1976, compiled by J S Brunton.
<b>210</b>	Authority to Prospect 210C, Report on May 1978 Drilling Programme, Chinchilla Queensland and Final Report, R J Forrest 11 July 1978.
	The Shell Company of Australia, Six Monthly Progress Report for period ending 23 January 1983, Volume 1 Authority to Prospect Barakula, Qld by R D Hewson, March 1983.
<b>312</b>	The Shell Company of Australia, Oilmin NL, Transoil NL, Petromin NL, ATP 312C Barakula Qld, Collingwood Geological Review, C L Patterson, June 1984.
	Mobil Energy Minerals Australia Inc, Authority to Prospect 312C Barakula, Six Monthly Report for period ended 22 July 1985 by Gary Leblang & Associates.
<b>356</b>	The Griffin Coal Mining Company, Authority to Prospect 356C, First Six Monthly Report for period ended 15 December 1981 and Final report submitted by Jacia Mine Management and Consulting Services March 1982.
<b>375/376</b>	Authorities to Prospect 375C and 376C Bell-Jandowae Qld, Final Report.
<b>431</b>	Surat Coal Joint Venture, Authority to Prospect 431C, Report on Area Relinquished 15 April 1988 by B A Coxhead, CSR Coal Division Qld.
<b>577</b>	Hedlow Pty Ltd EPC 577 Barakula, Report for Six Months Ended 2 July 1995 and Final Report by A S Joyce and S G Joyce 17 August 1995.
<b>796</b>	Bowel Central Joint Venture, Exploration Permits for Coal No 796 Horse Creek Project, Report for the Area Relinquished 3 June 2005 prepared by D Young 20 October 2005.
<b>813</b>	Bowel Central Joint Venture, Exploration Permits for Coal No 813 Dogwood Creek Project, Report for the Area Relinquished 16 April 2005 prepared by D Young 20 October 2005.
<b>899</b>	Exploration Permit for Coal, EPC 899, Partial Relinquishment Report prepared for Linc Energy Ltd 13 November 2007.
<b>902</b>	Exploration Permit for Coal EPC 902 Partial Relinquishment Report Linc Energy Pty 11 December 2006.
<b>1037</b>	Partial Relinquishment Report for the Partial 23 Sub Blocks Relinquished from EPC 1037 June 12, 2008 Arrow Energy Ltd.
<b>1041</b>	2008 Maps Cockatoo

**Table 9: Chinchilla - Previous Exploration.**

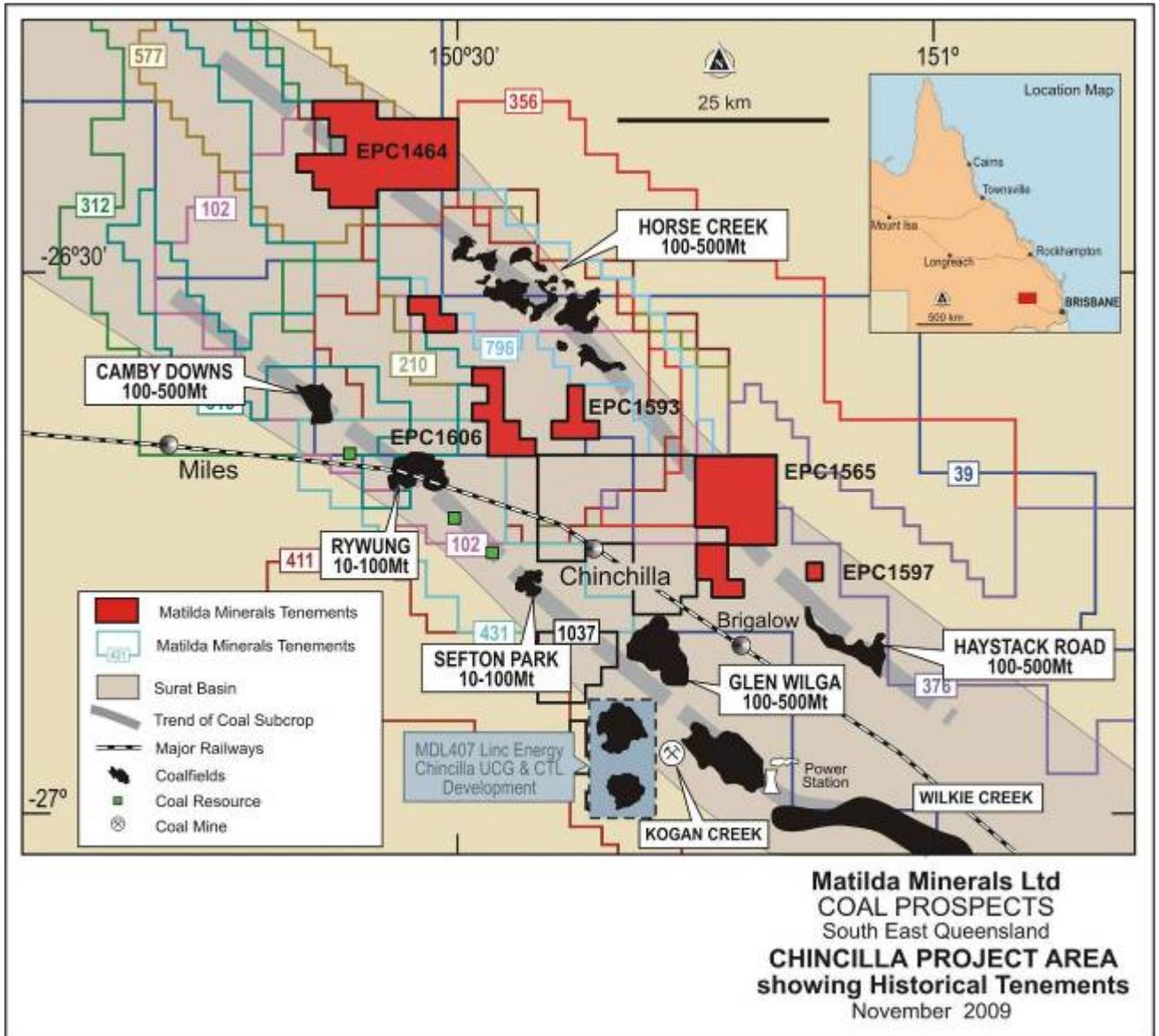


Figure 34: Chinchilla EPCs & Historical Tenements.

## BYMOUNT

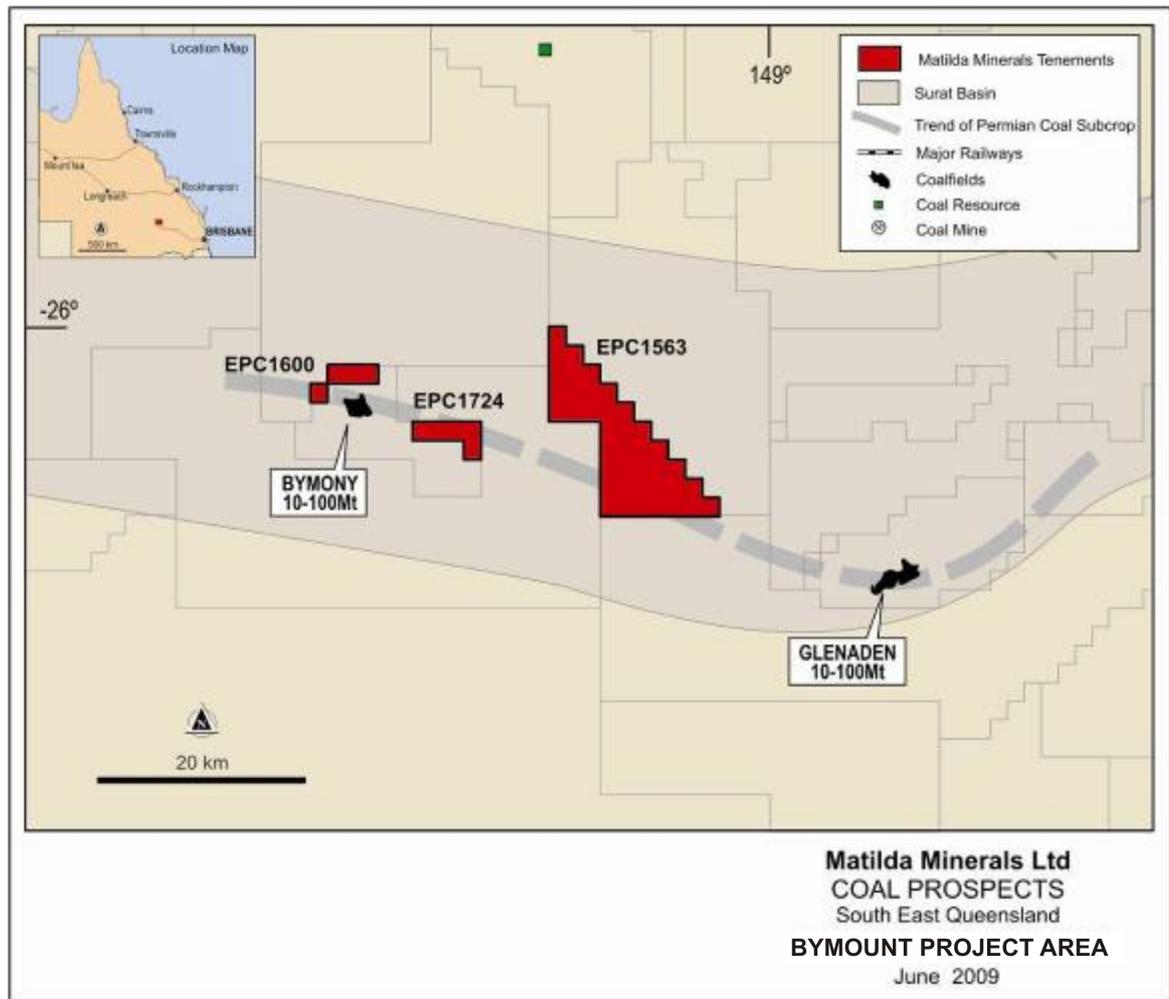
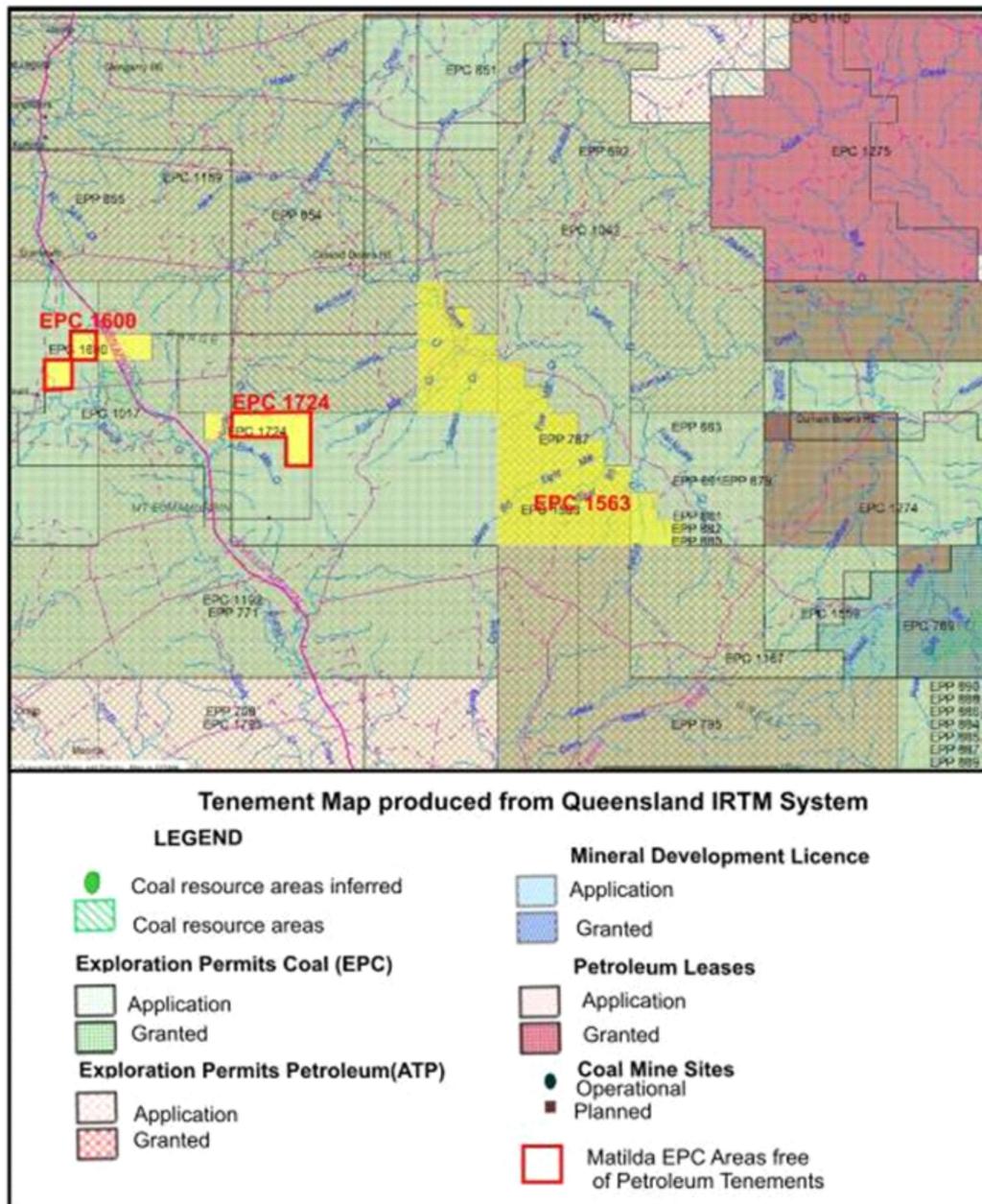


Figure 35: Bymount EPCs Location & Nearby Deposits.

### Bymount Project Surat Basin



**Figure 36: Bymount EPCs & Petroleum Tenements.**

Blackwood holds EPCs **1600** and **1724** which are adjacent to the Bymount Deposit and overlie the sub-crop trend of the Upper Walloon Coal Measures.

Matilda also holds EPC **1563** which is situated to the east of the Bymount deposit, the southern end of which also overlies the Upper Walloon Coal Measures.

The same unit is also targeted at the Glen Aden deposit, which is approximately 15km to the east-southeast of EPC **1563**.

**Previous Exploration:**

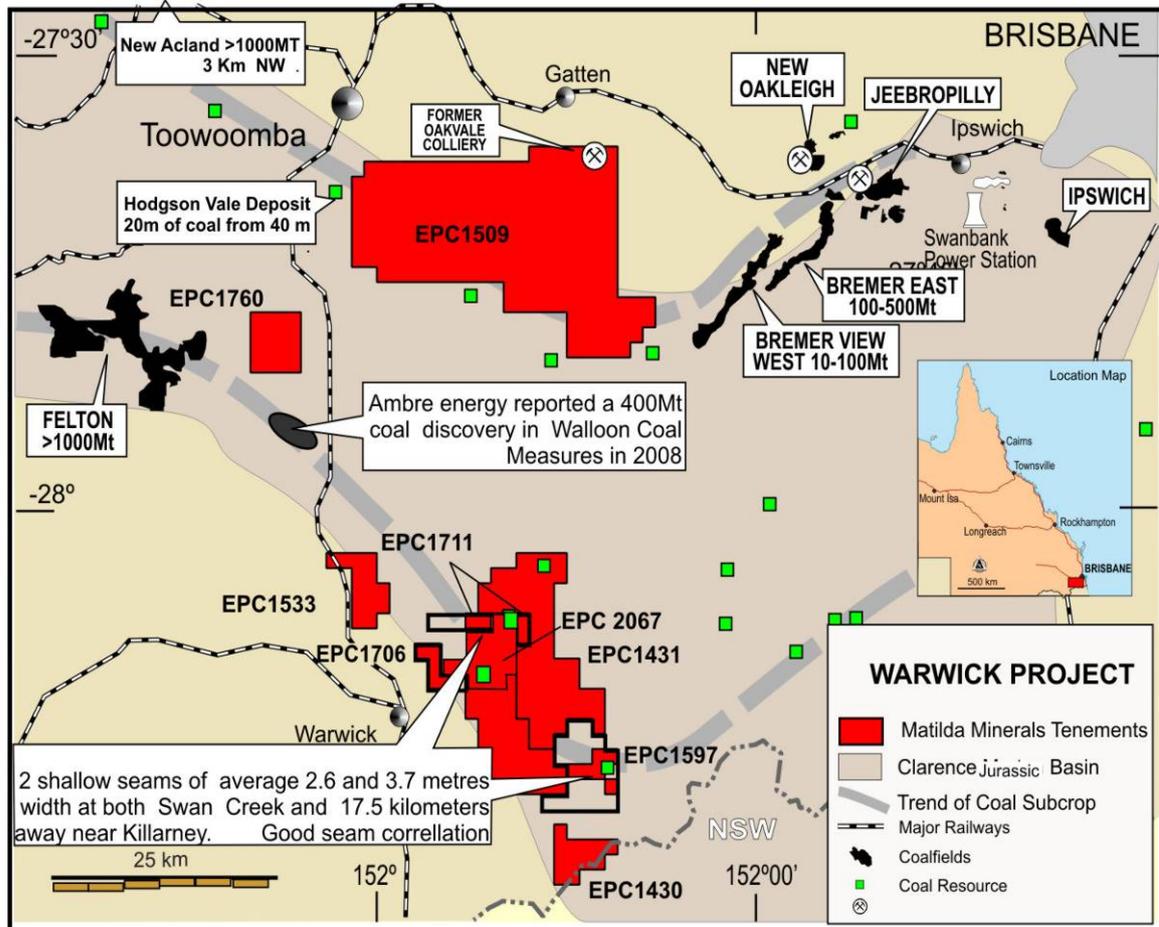
<b>BYMOUNT 1017</b>	EPC 1017 "Bymount" Partial Relinquishment Report for the period ended 17 June 2008 submitted by Cockatoo Coal Pty Ltd 9 October 2008.
<b>INJUNE 151</b>	Brigalow Mines Pty Ltd AP151C Injune, Final Report and Exploration Progress Report for the six month period ended 30 June 1982 prepared by Exploration and Evaluation Group CSR Coal Division December 1982.
<b>194</b>	Thiess Bros Mining Division for Brigalow Mines Pty Ltd AP194C Kooringa, Exploration and Progress Report for Six Month Period ended 9 September 1978.
<b>264</b>	Robertson Research (Australia) Pty Limited, Final Report for Mobil Energy Minerals Australia Inc, Authority to Prospect 264C Surat Basin, Queensland.
<b>265</b>	Brigalow Mines Pty Ltd, AP 265C Kooringa, Final Report Incorporating Exploration Progress Report for Six Month Period ended 3 July 1982 dated August 1982.
	Authority to Prospect 412C Bungil Creek, First Six Monthly Progress Report for period 9 June 1983 to 8 December 1983 by D H Hall, March 1984.
<b>412</b>	Marathon Petroleum Aust Ltd, AP 412C, Report for Six Month ending 8 June 1984 and Final report by D C O'Neill.
<b>1017</b>	Cockatoo Coal Limited, EPC 1017 "Bymount", Partial Relinquishment Report for period ended 17 June 2008 by M Vickers, 9 October 2008.

**Table 10: Bymount - Previous Exploration.**

**4.3 CLARENCE-MORETON BASIN**

Matilda has 15 EPCs in The Clarence-Moreton Basin totalling approximately 2,400km<sup>2</sup>. These EPCs provide coverage of both the Upper and Lower Walloon Coal Measures which host the large deposits of New Acland, Felton, Jeebropilly and Commodore. There are two project areas in the Clarence - Morton Basin, the Warwick and Millmerran Projects.

**Warwick Area**



**Figure 37: Warwick EPCs Location & Nearby Deposits.**

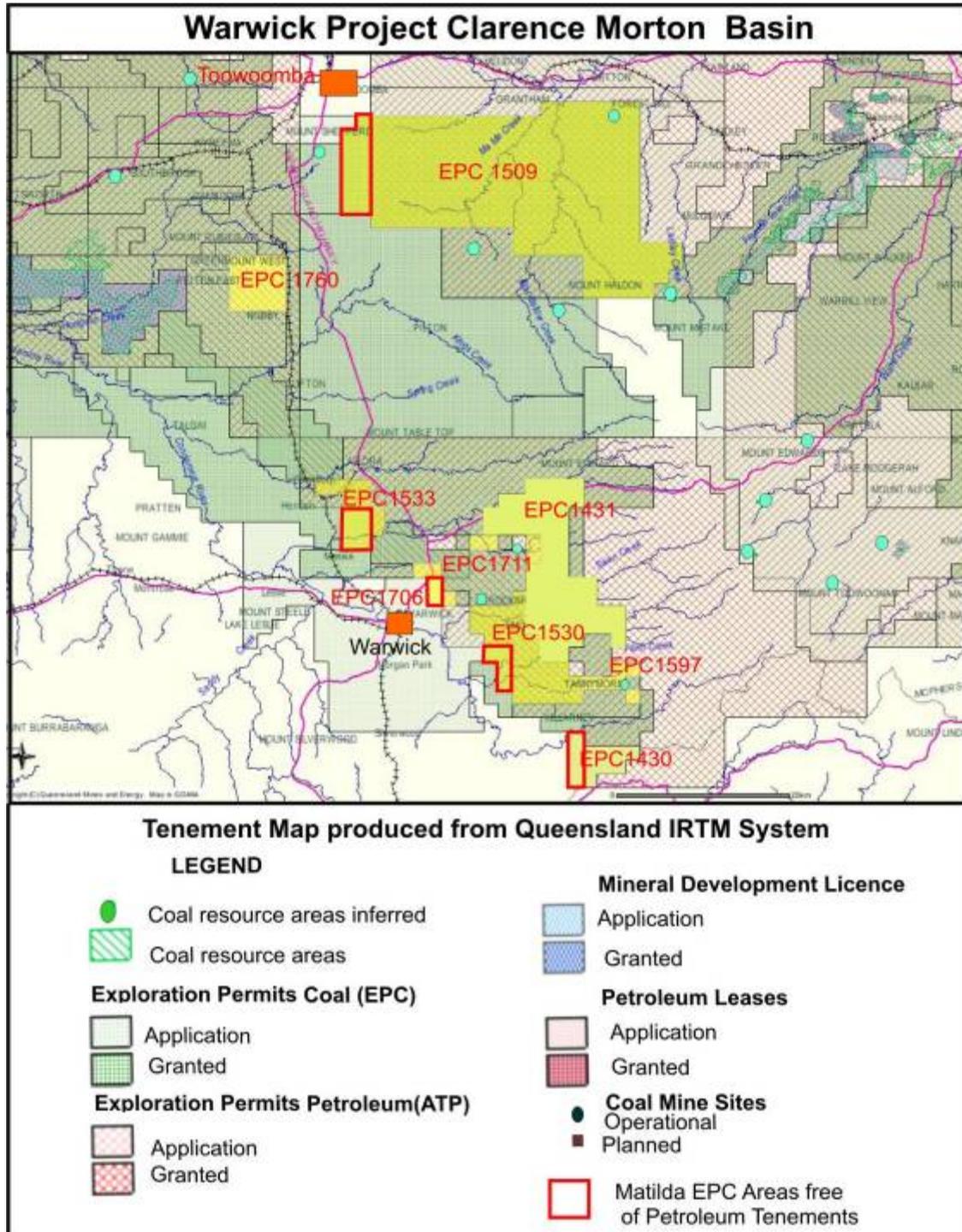


Figure 38: Warwick EPCs & Other Tenements.

This area is situated close to Brisbane and has produced coal and coal gas since the early 1800s. Current mines include Jeedropilli, New Acland and Felton. Exploration in the past has not been comprehensive and there are very good indications that sizable deposits exist under Matilda’s EPCs, as evidenced by the inclusion of two former underground collieries, Maryvale and Oakleigh.

Blackwood EPCs contain four recorded coal occurrences and significant outcrop of the Walloon coal measures in EPCs **1533, 1530, 1706** and **1430**. The Walloon coal measures strike southeast and their extension has been evidenced by the

recent discovery of a 400 million tonne (Mt) deposit on Amber Energy's EPC 1078. Matilda has some very prospective tenements on this trend. Altera and Metro have applied for ground immediately down-dip of Matilda's tenements. Matilda has a number of blocks in which the Walloon coal measures outcrop or there are records of coal measures from historical drilling or from underground coal production.

Tertiary basalt, may also have acted as a natural trap for methane in the underlying coal measures. This area has some attractive assets for a possible UCG operation with the likelihood of large high volatile coal resources within 200m of the surface. The value of the Warwick Project is further enhanced by its close proximity to good existing infrastructure and a ready market in Brisbane.

### **EPC 1509 Warwick Toowoomba Mining Target**

Open cut and or underground coal opportunities. Also possible Underground Gasification prospect. Deposits along strike are shallow dipping, only mildly deformed and free of intrusives.

### **Geological Target**

The EPC is extensively covered by Tertiary basalt underlain by the Jurassic Walloon coal measures. The lower Walloon or Taroom coal measures are the main target as they host the disused Fernvale Colliery in the north of this tenement and also host a number of known resources where the basalt cover is absent to the south and west of EPC 1509. The Hodgson Vale resources immediately west and along strike from 1509 reported an intersection of greater than 20 metres of coal at a depth of 40 metres.

Tertiary basalt, may also have acted as a natural trap for methane in the underlying coal measures. This area has some attractive assets for a possible UCG operation with the likelihood of large high volatile coal resources within 200m of the surface.

**Depth**..... outcrop to 100 metres.

**Deposits On Strike**..... New Acland  
Jeedropilli -Bremer,-New Oakleigh deposits comprise more than one billion tonnes and are immediately along strike from EPC 1509.

**Coal Quality**..... steaming coal for local power production or export.

### **Previous Exploration...**

**Infrastructure**..... The tenement has good access to infrastructure. The nearest railway is located at Warwick (Southern Line Railway) which connects in Toowoomba to the Main Line Railway to Brisbane. However, coal from the Clarence Moreton Basin is currently transported and used in the nearby Swanbank, Millmerran and Tarong power stations.

A new rail link is planned which will allow for coal from the Surat and Clarence Moreton Basins to be exported north out of the Port of Gladstone and the future Wiggins Island Coal Terminal; fundamentally changing the Queensland coal industry

**Prospectivity Rating.** Excellent prospects for large thermal coals similar to Felton and New Acland.

There may be too much basalt cover to allow open cut mining but the mild deformation and lack of intrusives will benefit to underground mining.

**EPCs 1430, 1530, 1597, 1431, 1706, 1711, 1533 and 2067 Warwick East.**

**Mining Target.....** Open cut coal.

**Geological Target.....** This block of EPCs comprises a nearly contiguous series of EPCs east of Warwick and covers areas containing strata of both the Juandah Coal Measures and Taroom Coal Measures at depths suitable for open cut mining. There is significant outcrop of Walloon Coal Measures and minimal tertiary cover. There are a number of resources areas highlighted by previous drilling including the disused Maryvale, Swan Creek and Tannymorel No4 collieries. Drilling intersected shallow seams up to 4.2 metres thick at Swan Creek.

**Depth.....** outcrop to 50 metres.

**Deposits On Strike.....** Felton. 40 km north west.

**Coal Quality.....** steaming coal for local power production or export.

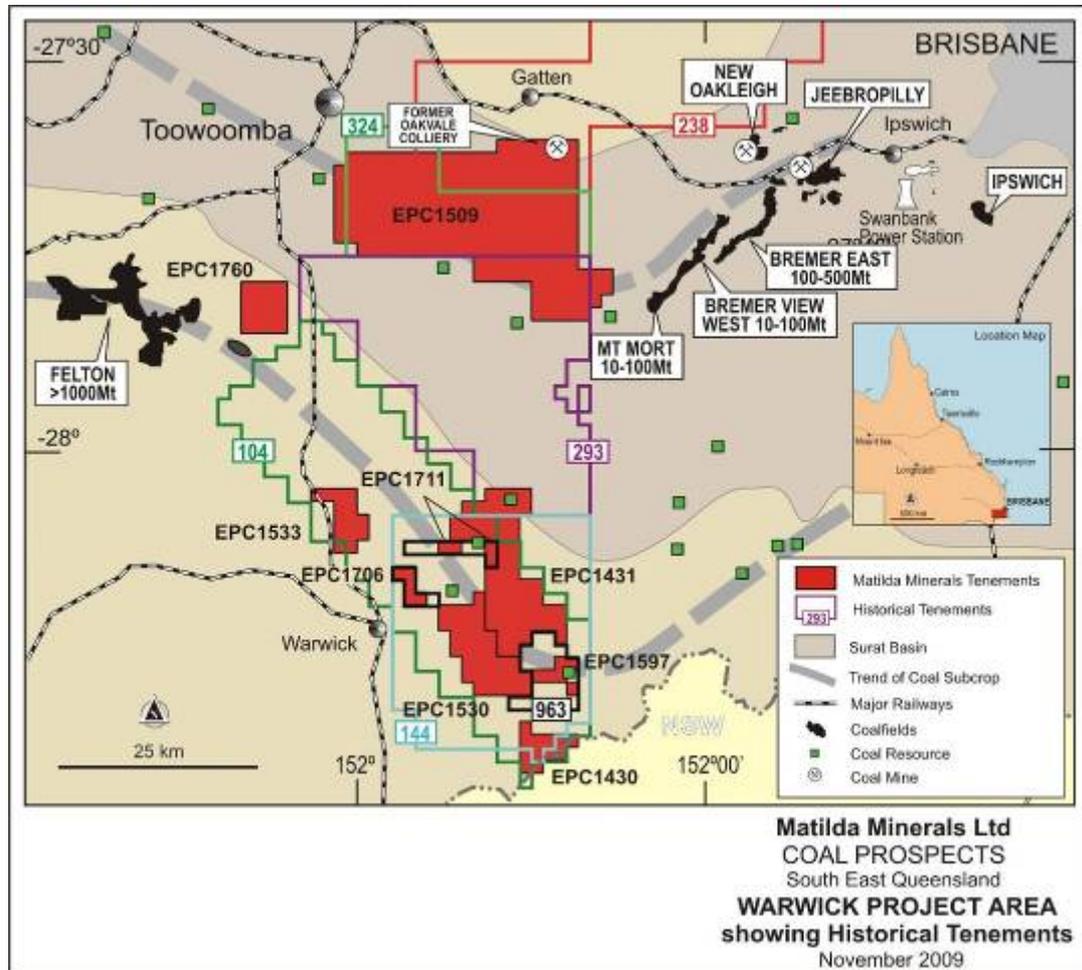
**Previous Exploration**

Most of the exploration was carried out in the 1970s and early 1980s and only investigated areas of outcrop around the fringe of the tertiary basalt despite the existence of disused Oakvale Colliery in the north-western part of 1509. A number of significant resource areas were highlighted immediately to the south and west of 1509 including the Heldian, Blackfellow Creek and Hodgson Vale deposits.

<b>WARWICK 104</b>	Global Minerals Pty Ltd Final Report Authority to Prospect for Coal 104C “Killarney” August 1972.
<b>144</b>	Global Minerals Pty Ltd, Relinquishment Report Authority to Prospect 144C “Killarney” 7 October 1974.
	Cockatoo Coal Limited, EPC 144 Partial Relinquishment Report for period ending 21 June 2008 dated 19 October 2008.
<b>238</b>	New Hope Collieries Pty Ltd AP 238C South of Esk Final Report for the period 3 August 1978 until 9 April 1979.
<b>293</b>	Andrew Wright Holdings Pty Ltd, Authority to Prospect 293C “North Warwick” Final Report granted 26 April 1980.

324	Andrew Wright Holdings Pty Ltd, Authority to Prospect 324C "South East Toowoomba" Final Report April 1983.
963	Cockatoo Coal Limited, EPC 963 "Killarney" Partial Relinquishment Report for period ending 21 June 2008 dated 9 October 2008.

**Table 11: Warwick - Previous Exploration.**



**Figure 39: Warwick EPCs Location & Historical Tenements.**

**Infrastructure...** The project area has good access to infrastructure. The nearest railway is located at Warwick (Southern Line Railway) which connects in Toowoomba to the Main Line Railway to Brisbane. However, current coal from the Clarence Moreton Basin is currently transported and used in the nearby Swanbank, Millmerran and Tarong power stations.

A new rail link known as the 'Southern Missing Link' is planned and will connect the missing railway from Wandoan to Banana. This new rail would allow for coal from the Surat and Clarence Moreton Basin to be exported north out of the Port of Gladstone and the future Wiggins Island Coal Terminal; fundamentally changing the Queensland coal industry.

**Prospectivity Rating:** Considered very high prospectivity for open-cut thermal coal deposits similar to the known nearby deposits. The minor amount of volcanic or sediment cover will facilitate exploration.

### MILLMERRAN INGLEWOOD AREA

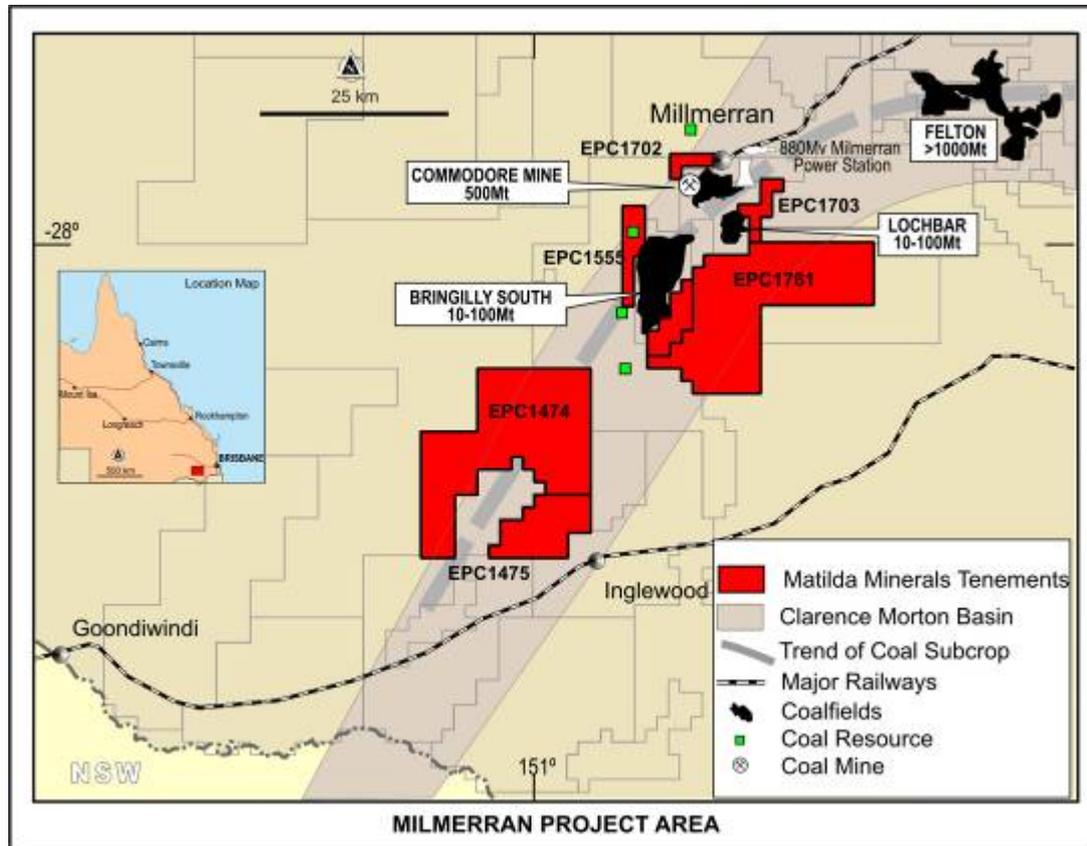
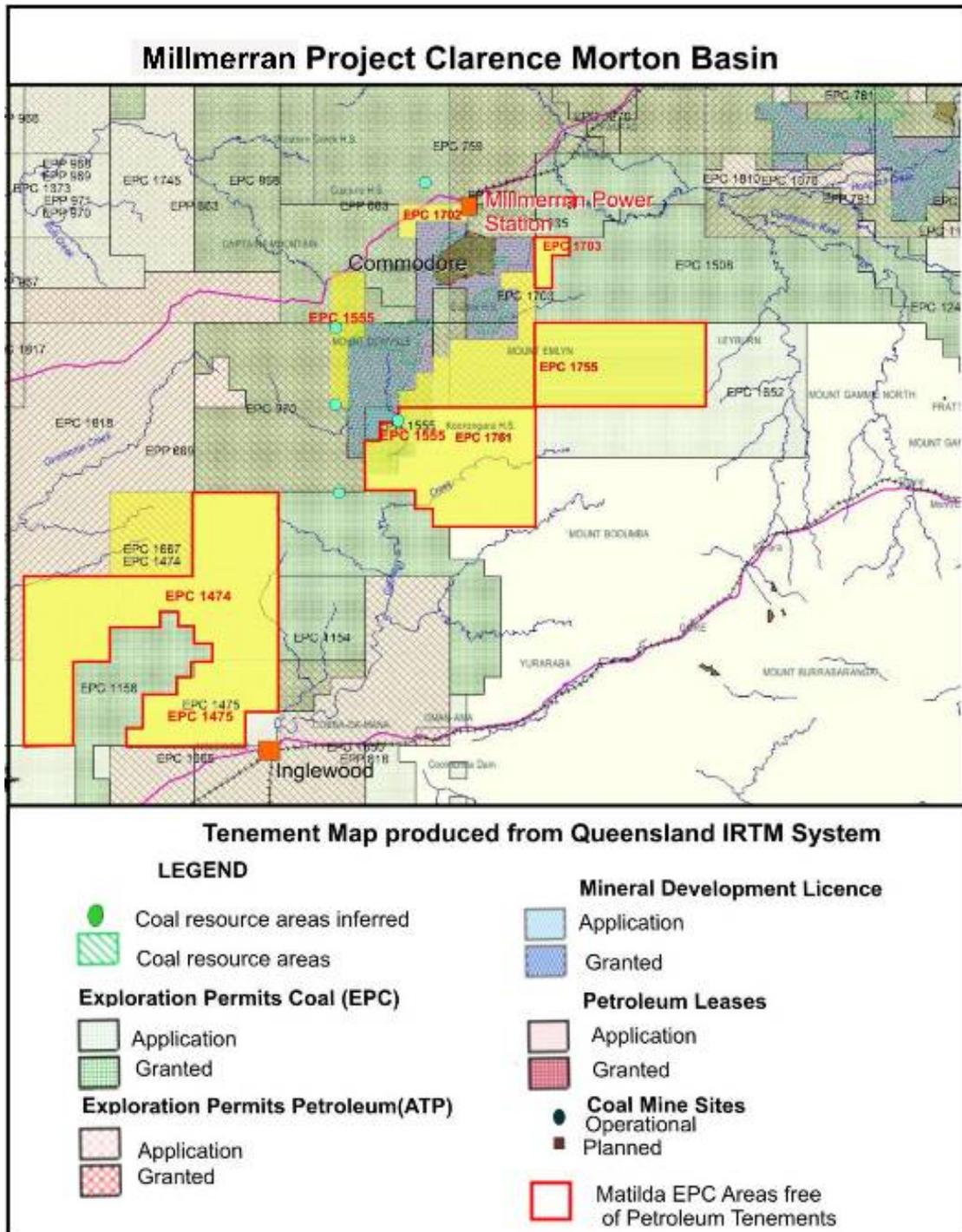


Figure 40: Millmerran EPCs Location & Nearby Deposits.



**Figure 41: Millmerran EPCs & Other Tenements.**

Blackwood has 5 Granted EPCs surrounding the Commodore Mine totalling approximately 579km<sup>2</sup>.

Previous exploration indicates the likelihood of intersecting significant coal seams within EPC **1555**. They are expected to be within 50-200m of the surface. Matilda has since applied for EPC**1761** which is immediately east of the Bringilli, Logbar and Commodore deposits. EPCs **1474** and **1475** cover the southern strike of the Walloon Coal Measures from the Millmerran deposits.

There is potential for thick coal measures to exist in the south- eastern EPC **1761** and also in the western EPC**1474**, which surround the coal deposits identified by Millmerran coal. Matilda also has EPCs surrounding the Commodore Coal Mine.

The following table includes historical coal tenements which have covered in part or full Matilda’s current EPCs.

### Previous Exploration

<b>MILMERRIN 57</b>	Brigalow Mines Pty Ltd, AP 57C Rolleston, Evaluation Progress Report for the Six Month Period 31 October 1984 prepared by CSR Coal Division January 1985.
<b>112</b>	Millmerran, description of Topography Structure and Maps. 1972 Millmerran Maps
<b>203</b>	Millmerran-Amax-Mitsui Joint Venture, Rossvale, Authority to Prospect 203C Report Q-79-7, April 1979.
<b>203</b>	Millmerran-Amax-Mitsui Joint Venture, Rossvale, Authority to Prospect 203C Report Q-79-10, May 1979.
<b>291</b>	Inglewood AP291C Report of Exploration for period 9/11/1981 – 27/2/1982 and Final Report of Exploration.
<b>237</b>	New Hope Collieries Pty Ltd A-P 237C West Inglewood Final Report June 1982.
<b>349</b>	Final Report on Authority to Prospect 349C Goondiwindi Southeast Queensland, Meridian Oil NL & Energy Exploration Pty Ltd, April 1983.
<b>400</b>	Summary Report for Dept of Mines, Millmerran Coal Prospect, Authority to Prospect 400C, 31 March 1983.
<b>523</b>	Pacific Coal Pty Ltd Exploration Permit Coal 523 Arcturus, Final Report incorporating Report of Operations for the period 20 April – 19 October 1993 by J R Wilton, January 1994.
<b>737</b>	Xstrata Coal EPC 737 “Rolleston Extended” Relinquishment Report May 2008.
<b>761</b>	New Hope Coal Australia, Downs Project, EPC 761 Relinquishment Report, 17 December 2006.

**Table 12: Millmerran - Previous Exploration.**

## 4.4 GALILEE BASIN

The Galilee Basin has a total area of 247,000km<sup>2</sup> and remains largely unexplored. It is one of the largest remaining frontier basins in Australia with significant potential for coal bed methane (CBM). Occurring over 400km west of Rockhampton, the Galilee Basin’s distance from the coast and limited transport infrastructure has always posed a considerable handicap to its development as an export thermal coal district .The north-eastern portion of the basin is well served with a sealed road and rail to the coastal port of Townsville but the central and southern portions of the basin have little existing infrastructure. It will require a very large project or combination of projects to attract the necessary infrastructure to start producing from the Galilee Basin. Increasing demand for energy should assist in these projects coming to fruition in the near future.

The Galilee Basin is immediately west of the Bowen Basin in Central Queensland, and contains many of the same extensive, thick Permian coal measures. The seams are generally deeply buried, typically 900-1100m, except at the eastern margin of the basin. The Galilee Basin coal resources are typically high ash, lower rank, low energy and low sulphur-content coal of sub-bituminous 'A' (ASTM) classification. The coal is generally sub-hydrous.

Seismic surveys indicate the central region is relatively flat. This is in contrast to the Bowen Basin which has been deformed and metamorphosed and intruded creating higher ranked coking coals but more complex geology.

The Betts Creek Beds of the Eastern Galilee Basin host sub-bituminous, highly volatile, perhydrous coals suitable for use as thermal coal and potentially for liquefaction, gasification and other petrochemical applications. Infrastructure constraints have retarded exploration and development of these coals but there are a number of projects under consideration or development, which will greatly enhance the commercial potential of the eastern Galilee Basin.

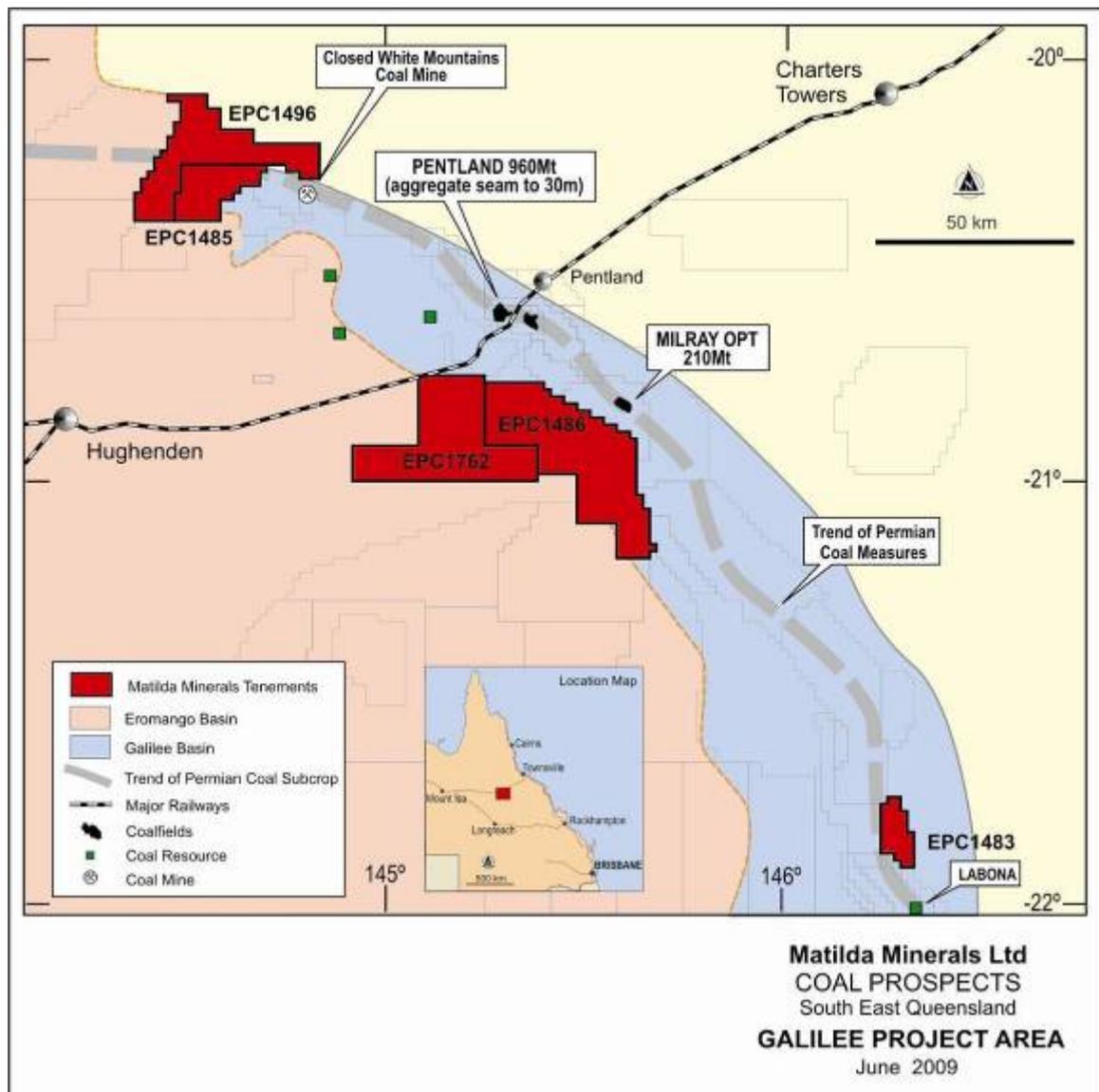


Figure 42: Galilee EPCs.

Matilda has five EPCs totalling approximately 2493km<sup>2</sup>. These EPCs are along the north-eastern margin of the basin, where the prospective Galilee Basin is not covered by the overlying Eromanaga Basin. EPC **1496** and **1485** are well positioned immediately west and along strike of the abandoned White Mountain Coal Mine. There is a strong likelihood of the prospective Betts Creek Beds and the Aramac coal measures occurring within these EPCs as they saddle the basin margin and the projected sub-crop of the Permian coal measures.

## **SOUTH PENTLAND**

EPCs **1486** and **1762** are immediately down-dip of the Pentland and Milray deposits and are prospective for UCG. Significantly EPC 1486 is only partly covered by a petroleum tenement while EPC 1762 is entirely free of petroleum tenements. The Pentland deposit contains over 1Bt of thermal coal contained in the Betts Creek Beds as thick multiple seams totalling in excess of 18m. These coals are of lower rank than the Bowen Basin equivalents but are perhydrous with a much higher volatile content and suitable for UCG and or CTL production. This area has good infrastructure being adjacent to the Flinders Highway and Townsville railway.

## **NORTH CARMICHAEL**

EPC**1483** is situated north of Adani's (previously Linc energy's) Carmichael deposit and straddles the basin margin and possibly the sub-crop trend of the Permian coal measures. The shallow dip of the Galilee Basin strata and poor outcrop has left the coal measure potential for basin margin poorly defined in this region.

### **Previous Exploration**

<b>GALILEE 228</b>	First Half Yearly Report on Authority to Prospect 228C covering the period 6 June – 6 December 1978.
	Geological Review & Photo Interpretation of the White Mountains Area report for six month period ending 25 April 1982 dated February 1982.
<b>249</b>	Shell Company Australia, Geological Evaluation, Authority to Prospect 249C Pentland by G W Codd July 1982.
	EPC 58, 249 Historical Report.
<b>289</b>	Final report 289C to Carpentaria Exploration Co, Sample Despatch Advice 21 September 1981.
<b>373</b>	Exploration and Relinquishment report 373C for Authority to Prospect – White Mountains Queensland, October 1982.
<b>378</b>	Annual and Final Report, Authority to Prospect 378C Blantyre; Eastern Copper Mines NL and Gulf and Western Exploration Pty Ltd by D Barraclough, April 1982.
<b>526</b>	Elliott Exploration Co Pty Ltd; EPC 526 Pentland Report for the Area Relinquished on 27 April 1995 for Highen Resources Pty Limited by Dr M Elliott of Elliott Exploration Co, May 1995.
<b>528</b>	New Hope Collieries Pty Ltd, Exploration Permit for Coal EPC 528 Hyde Park, Final Report 20 April – 20 May 1993 dated July 1993.
<b>771</b>	EPC 771 Maps
	Green Exploration & Mining Services Pty Ltd, EPC 771 Milray

	Queensland, Relinquishment Report for period ending 5 January 2007 for Xstrata Coal Queensland Pty Ltd, 16 February 2007.
<b>854</b>	Linc Energy Pty Ltd, EPC 854 Galilee, Partial Relinquishment Report for the period ending 22 August 2006 by M Minotti, 27 November 2006.
<b>907</b>	Swanbank Coal Resources Pty Ltd (a subsidiary company of Vale), EPC 907 Pentland South, Report on Partial Relinquishment August 2008 prepared by Ray Slater & Associates October 2008.
<b>512</b>	White Mining EPC 512 drilled holes but did not test 1993. EPC 800 Spring Hill (Barakee) Final Report for Camel Resources Pty Ltd 28 November 2003.

**Table 13: Galilee - Previous Exploration.**

## **NORTH HUGHENDEN**

This project is located in the north-east margin of the Galilee Basin along strike from the abandoned White Mountain coal mine. The infrastructure in the area is comparatively good for the remote Galilee Basin, with the EPCs located approximately 80km north-west of Pentland which is on the Townville rail-line and Flinders Highway.

EPCs **1496** and **1485** are located on the basin margin immediately west and along strike of the abandoned White Mountain Coal Mine. Most of the area is free of overlying Eromanaga sediments leaving only thin Jurassic and Quaternary cover on the prospective Permian sediments. Carpentaria Exploration reported significant coal intersections in the Permian Betts Creek Beds at relatively shallow depths.

### White Mountain Project Galilee Basin

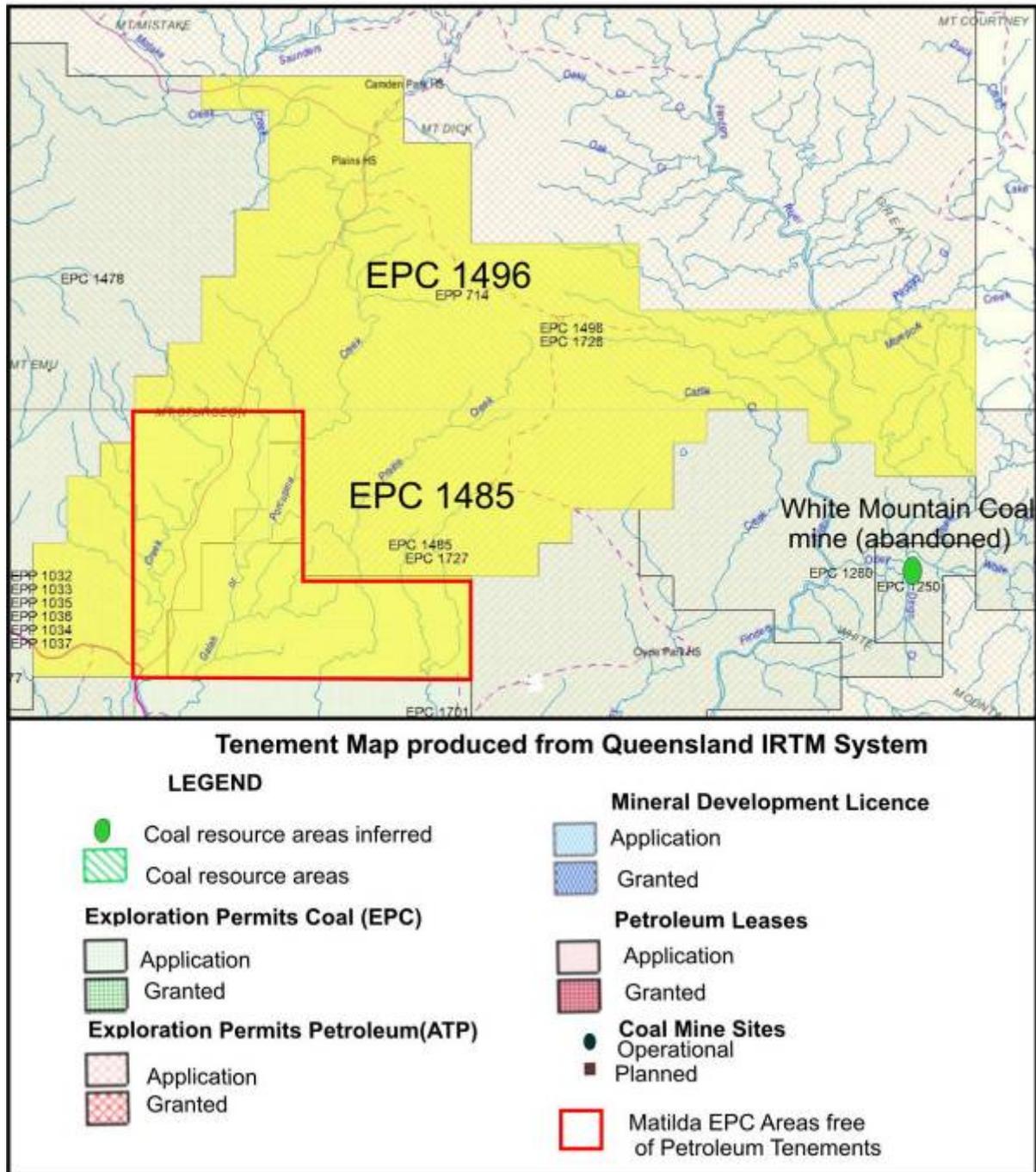
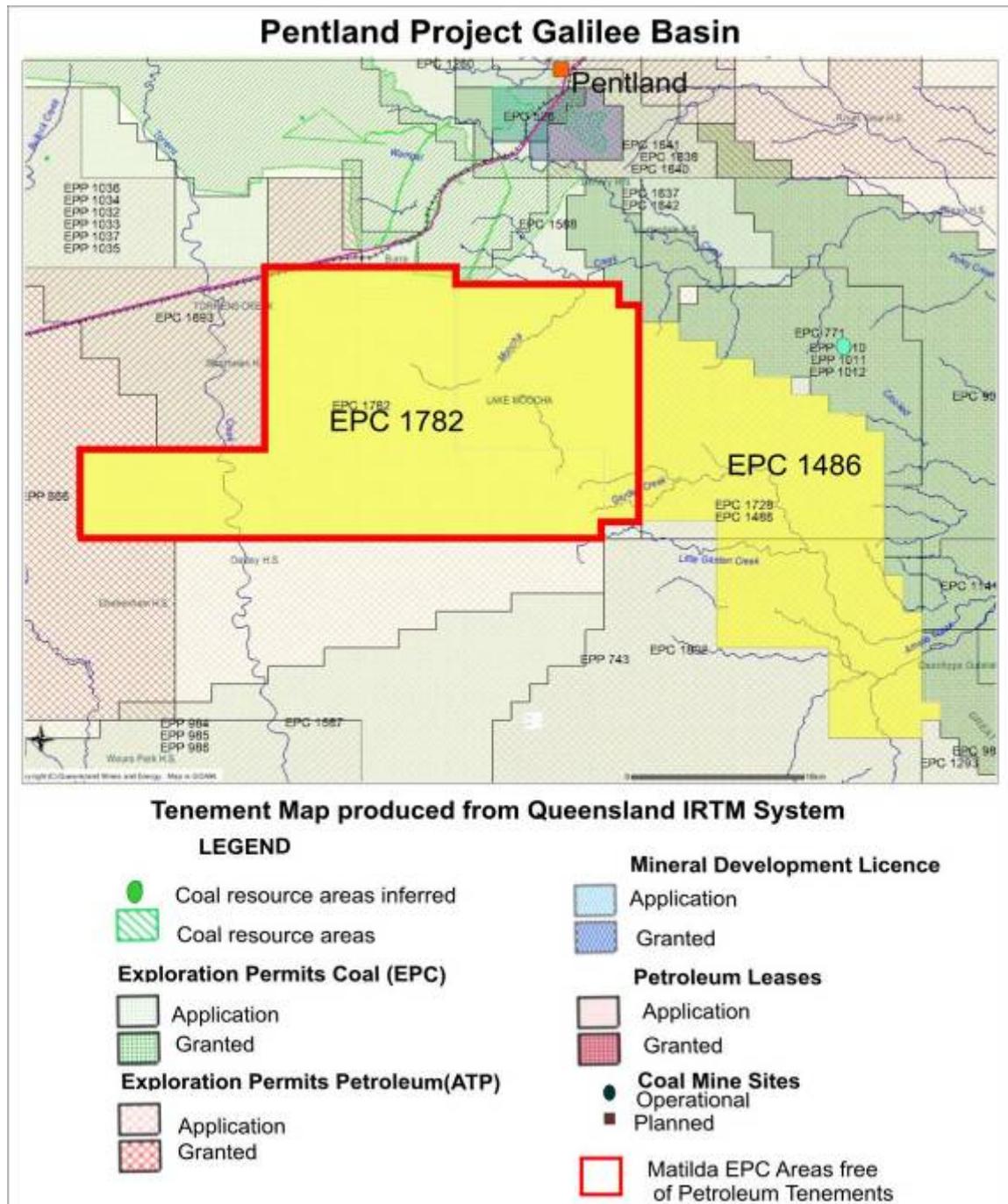


Figure 43: White Mountain EPCs.

There is a strong likelihood of intersecting the Betts Creek Beds and the Aramac coal measures within these EPCs as they straddle the basin margin and the projected sub-crop of the Permian coal measures. Some previous explorers have drilled for coal in the overlying thin Jurassic sequence but Matilda does not consider these units a prospective target.

## PENTLAND PROJECT



**Figure 44: Pentland EPCs & Other Tenements.**

This project is located in the northeast margin of the Galilee Basin and covers the down-dip extensions of the Pentland and Miray deposits. It comprises two EPCs totalling 1,617km<sup>2</sup>. EPC **1762** is adjacent to the Townsville railway and Flinders Highway. EPC **1486** is immediately south and down-dip of the Miray deposit. All tenements are significantly largely free of overlying petroleum tenements.

***Under a recent ruling by the Queensland government Matilda was able to register an interest in UCG on the large portions of the tenements which are not covered by Petroleum tenements.*** Such opportunities are rare in the Queensland coal basins.

Both EPCs are largely free of Eromanga Basin overburden and are considered likely to host the same sequence of Permo-Jurassic sediments which host the target coal measures of the Pentland and Milray deposits to the east. Drilling of these existing deposits and of the basin margin immediately east of Matilda's EPCs has identified numerous intersections of more than 20m cumulative thickness of coal. Given the shallow dip to the south-west, these coal measures are likely to occur from 100-400m below surface; which is considered suitable for UCG. The highly volatile coal would be an ideal feedstock for UCG.

### **4.3 Exploration Potential**

#### **4.3.1 Target Tonnage Estimates.**

The basic geometry (strike length, width & thickness) of the various prospects as determined from surface mapping, trenching, geophysical surveys and drilling is used to estimate the potential for coal to be delineated.

Quality estimates are based on averages from the nearest known deposits.

The target estimates are summarised in the spreadsheet attached as Appendix 1. The aggregate Exploration Target tonnage range is 25 billion tonnes (+/- 10%) at an anticipated coal quality range of medium to high rank and low to medium ash content.

**Note that these exploration target tonnage ranges and grade ranges are conceptual in nature, do not represent JORC Code guidelines compliant mineral resources and future exploration may or may not define mineral resources in whole or in part.**

## **5.0 Valuation of the Project**

To determine a fair market value, several aspects need to be considered. As no JORC Code mineral resources or ore reserves are available, the DCF method is not applicable. The writer considers that a form of the 'Empirical' method is the most applicable with some weighting given to comparable transactions where Australian examples from the Bowen Basin, Australia's premier coal producer, have ranged from \$0.06 to \$5.37 per tonne of insitu coal.

Transaction values from February, 2007 until September, 2011 (Appendix Two) have been considered. The weighted average of 42 transactions comes out at A\$0.93/tonne of coal in the ground. This is for Resources in all categories (Categories not defined in the Appendix).

The range of values per tonne of insitu coal is from as low as \$0.02 to as high as \$5.61. The lower value is for ‘Potential Tonnage’ – NOT a Resource.

## 5.1 Empirical Method

Using a weighted average figure of the transaction value per tonne of insitu coal of \$0.93 for the recorded previous transactions it is considered appropriate to apply a discount factor of 97% (= \$0.0028/t) to that figure to derive a current cash valuation for the estimated potential tonnage (Target tonnage range) of the Blackwood tenements. *NOTE: The Target Tonnage is NOT a Resource and future exploration may or may not delineate a Resource of part or whole of the target.*

The aggregate exploration target estimate is for 25 billion tonnes (+/- 10%) at nominal coal quality. A discount factor of 40% of the ‘Coal Target Potential’ has been applied for conservatism. This brings the target range back to 14.9 billion tonnes (+/- 10%). To this discounted tonnage we have applied a value range from \$0.0025 to \$0.003 to provide our preferred current cash value of \$41.1 million within the range of \$37.3M to \$44.8M to this EPC package.

## 5.2 Valuation Conclusions

The current cash valuation is derived from within the ranges provided by the empirical methods as shown in Table 2 below.

Queensland Coal Projects	Value as at November, 2011		
Method	Low	High	Preferred
Empirical	A\$000	A\$000	A\$000
<b>Totals</b>	<b>37,300</b>	<b>44,800</b>	<b>41,000</b>

**Table 14: Range of Values.**

Thus, it is the writer’s opinion that the preferred value of Blackwood’s Queensland Coal Projects is \$41 million from within the ranges of \$37.3 million to A\$44.8 million (rounded).

Yours faithfully,



Allen J. Maynard

BAppSc (Geol), MAIG, MAusIMM.

## 6.0 References

AusIMM, (2004): "Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code), prepared by the Joint Ore Reserves Committee (JORC) of the AusIMM, the Australian Institute of Geoscientists (AIG) and the Minerals Council of Australia (MCA), effective December 2004.

AusIMM. (2005): "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code)" 2005 Edition.

AusIMM, (1998): "Valmin 94 - Mineral Valuation Methodologies".  
Conference Proceedings.

Blackwood Corporation Ltd, 2011: Various ASX Releases and Annual Report

Kilburn, LC, 1990: "Valuation of Mineral Properties which do not contain Exploitable Reserves" CIM Bulletin, August 1990.

Numerous References as Listed Above in the Exploration Summaries.

## Appendix 1: Exploration Target Details.

BASIN	Ten ID	Area	Strike (m)	Width	Thick	SG	Volume	Tonnes	80% Tonnes
BOWEN	1522	Rolleston	25000	3000	10	1.4	7.5E+08	1,050,000,000	840,000,000
BOWEN	1531	Rolleston	25000	3000	10	1.4	7.5E+08	1,050,000,000	840,000,000
BOWEN	1468 WEST	Rolleston	25000	3000	10	1.4	7.5E+08	1,050,000,000	840,000,000
BOWEN	1468 EAST	Rolleston	25000	3000	10	1.4	7.5E+08	1,050,000,000	840,000,000
BOWEN	1467	Rolleston	25000	3000	10	1.4	7.5E+08	1,050,000,000	840,000,000
BOWEN	1535	DINGO	500000	500	8	1.4	2E+09	100,000,000	80,000,000
BOWEN	1562	DINGO	500000	500	8	1.4	2E+09	100,000,000	80,000,000
BOWEN	1725	Capella	2000	500	6	1.4	6000000	100,000,000	80,000,000
BOWEN	1599	Capella	2000	500	6	1.4	6000000	100,000,000	80,000,000
BOWEN	1466	Capella	2000	500	6	1.4	6000000	100,000,000	80,000,000
BOWEN	2106	Rolleston	15000	1000	6	1.4	90000000	126,000,000	100,800,000
BOWEN	2130	Rolleston	1600	1600	4	1.4	10240000	14,336,000	11,468,800
BOWEN	2138	Rolleston	10000	2000	5	1.4	1E+08	140,000,000	112,000,000
BOWEN	2191	Rolleston	3200	1600	5	1.4	25600000	35,840,000	28,672,000
BOWEN	2205	Rolleston	5000	1000	5	1.4	25000000	35,000,000	28,000,000
GALILEE	1496	Nth Hughenden	20000	3000	8.0	1.4	4.8E+08	672,000,000	537,600,000
GALILEE	1485	Nth Hughenden	15000	3000	8.0	1.4	3.6E+08	504,000,000	403,200,000
GALILEE	1486	Pentland	50000	3000	15.0	1.4	2.25E+09	3,150,000,000	2,520,000,000
GALILEE	1762	Pentland	25000	3000	15.0	1.4	1.13E+09	1,575,000,000	1,260,000,000
GALILEE	1483	Nth Carmichael	15000	3000	15.0	1.4	6.75E+08	945,000,000	756,000,000
CALLIDE	1495	Biloela	20000	2000	3	1.4	1.2E+08	168,000,000	134,400,000
SURAT	1461	Dalby	1000	500	10	1.4	5000000	7,000,000	5,600,000
SURAT	1600	Dalby	5500	1000	10	1.4	55000000	77,000,000	61,600,000

SURAT	1601	Dalby	50000	2000	10	1.4	1E+09	1,400,000,000	1,120,000,000
SURAT	1462	Dalby	3000	2000	10	1.4	60000000	84,000,000	67,200,000
SURAT	1734	Dalby	4000	1000	10	1.4	40000000	56,000,000	44,800,000
SURAT	1459	Dalby	2000	500	10	1.4	10000000	14,000,000	11,200,000
SURAT	1691	Dalby	2000	500	10	1.4	10000000	14,000,000	11,200,000
SURAT	1464	Chinchilla	12000	2000	8	1.4	1.92E+08	268,800,000	215,040,000
SURAT	1565	Chinchilla	10000	2000	8	1.4	1.6E+08	224,000,000	179,200,000
SURAT	1597	Chinchilla	1000	500	8	1.4	4000000	5,600,000	4,480,000
SURAT	1465	Taroom	20000	4000	15	1.4	1.2E+09	1,680,000,000	1,344,000,000
SURAT	1436	Taroom	20000	4000	15	1.4	1.2E+09	1,680,000,000	1,344,000,000
SURAT	1557	Taroom	10000	500	15	1.4	75000000	105,000,000	84,000,000
SURAT	1556	Taroom	15000	500	15	1.4	1.13E+08	157,500,000	126,000,000
SURAT	1558	Taroom	10000	500	15	1.4	75000000	105,000,000	84,000,000
SURAT	1603	Taroom	2000	500	15	1.4	15000000	21,000,000	16,800,000
SURAT	1724	Chinchilla	5000	1000	8	1.4	40000000	56,000,000	44,800,000
SURAT	1733	Chinchilla	6500	2000	8	1.4	1.04E+08	145,600,000	116,480,000
SURAT	2064	Chinchilla	4000	1000	8	1.4	32000000	44,800,000	35,840,000
SURAT	2199	Chinchilla	5000	1600	8	1.4	64000000	89,600,000	71,680,000
SURAT	2200	Chinchilla	1600	1600	4	1.4	10240000	14,336,000	11,468,800
SURAT	2212	Chinchilla	11000	1500	10	1.4	1.65E+08	231,000,000	184,800,000
CLAR/MRT	1474	Millmerrin	10000	4000	10	1.4	4E+08	560,000,000	504,000,000
CLAR/MRTN	1475	Millmerrin	8000	4000	10	1.4	3.2E+08	448,000,000	403,200,000
CLAR/MRTN	1530	Warwick	12000	1500	10	1.4	1.8E+08	252,000,000	226,800,000
CLAR/MRTN	1555	Millmerrin	5000	500	10	1.4	25000000	35,000,000	28,000,000
CLAR/MRTN	1702	Millmerrin	5000	500	10	1.4	25000000	35,000,000	28,000,000
CLAR/MRTN	1760	Warwick	5000	2000	10	1.4	1E+08	140,000,000	112,000,000
CLAR/MRTN	2045	Warwick	5000	2000	10	1.4	1E+08	140,000,000	112,000,000
CLAR/MRTN	2067	Warwick	5000	2000	10	1.4	1E+08	140,000,000	112,000,000
CLAR/MRTN	1761	Millmerrin	20000	4000	10	1.4	8E+08	1,120,000,000	896,000,000
CLAR/MRTN	1703	Millmerrin	5000	500	10	1.4	25000000	35,000,000	28,000,000

CLAR/MRTN	1509	Warwick	30000	3000	10	1.4	9E+08	1,260,000,000	1,008,000,000
CLAR/MRTN	1533	Warwick	6000	3000	10	1.4	1.8E+08	252,000,000	201,600,000
CLAR/MRTN	1706	Warwick	3000	500	10	1.4	15000000	21,000,000	16,800,000
CLAR/MRTN	1711	Warwick	2000	500	10	1.4	10000000	14,000,000	11,200,000
CLAR/MRTN	1431	Warwick	10000	3000	10	1.4	3E+08	420,000,000	336,000,000
CLAR/MRTN	1597	Warwick	5000	500	10	1.4	25000000	35,000,000	28,000,000
CLAR/MRTN	1430	Warwick	4000	2000	10	1.4	80000000	112,000,000	89,600,000
Totals								24,614,412,000	<b>14,936,588,800</b>
Rounded									
Empirical	<b>High</b>	44,809,766	<b>A\$44.8M</b>				80%t x \$0.003	80% t x \$0.0025	
Method	<b>Low</b>	37,341,472	<b>\$37.3M</b>	Tonnes			\$0.003	\$0.0025	
	<b>Preferred</b>	41,075,619	<b>\$41.1M</b>	14,936,588,800			\$44,809,766	\$37,341,472	

## Appendix 2: List of Recent Transactions.

Bidder	Target	Date	Deal Status	Mt (100%)	EV US\$/t	Value (\$m)
Vale	AMCI Holdings Australia	Feb-07	Completed	286	2.76	789.36
Xstrata	Gloucester Coal	Apr-07	Rejected	81	3.67	297.27
SK Corp/KORES	Angus Place	Jun-07	Completed	243	0.55	133.65
Sojitz	Moorlaben	Jul-07	Completed	533	1.45	772.85
CITIC	Macarthur Coal	Jul-07	Completed	1130	1.02	1152.6
CRC	Yarabee	Jul-07	Cancelled	25	4.73	118.25
Vale	Belvedere	Jul-07	Completed	2700	0.07	189
Xstrata	Tahmoor	Sep-07	Completed	193	2.82	544.26
Xstrata	Anvill Hill	Sep-07	Completed	500	0.71	355
Tata Steel	Riversdale Mining	Nov-07	Completed	1226	0.21	257.46
Xstrata	Resources Pacific	Dec-07	Completed	225	3.81	857.25
Macarthur	Custom Mining Limited	Dec-07	Completed	70	3.48	243.6
Anglo	Foxleigh	Dec-07	Completed	290	3.05	884.5
ArcelorMittal	Macarthur Coal	May-08	Completed	1200	3.42	4104
Posco	Macarthur Coal	Jun-08	Completed	1200	3.42	4104
CITIC	Macarthur Coal	Jul-08	On Market	1200	3.01	3612
BMA	New Saraji	Jul-08	Completed	690	3.48	2401.2
Teck	Fording Canadian	Jul-08	Completed	4706	2.94	13835.64
Jpower/EDF	Narrabri JV	Aug-08	Completed	436	3.59	1565.24
Mineralogy	Waratah Coal	Oct-08	Completed	4300	0.02	86
Noble	Gloucester Coal	May-09	Completed	209	1.53	319.77
Yanzhou	Felix Resources	Aug-09	Completed	1375	1.96	2695
Macarthur	Gloucester Coal	Dec-09	Cancelled	164	3.56	583.84
Peabody	Macarthur Coal	May-10	Rejected	1226	2.7	3310.2
WISCO	Zambeze Project	Jun-10	Completed	9045	0.22	1989.9
WISCO	Riversdale Mining	Jun-10	Completed	8067	0.19	1532.73
Banpu	Centennial Coal	Jul-10	Completed	2072	1.15	2382.8
Cockatoo	Surat Basin Assets	Jul-10	Completed	605	0.29	175.45
Cockatoo	Sutton Forest	Jul-10	Completed	115	0.54	62.1
Cockatoo	Bylong	Jul-10	Call Option	423	1.07	452.61

Gloucester Coal	Middlemound JV	Aug-10	Completed	123	3.61	444.03
Adani	Carmichael	Aug-10	Completed	7800	0.06	468
Itochu	Maules Creek	Dec-10	Completed	610	3.69	2250.9
New Hope	Northern Energy	Feb-11	Completed	665	0.38	252.7
Rio Tinto	Riversdale Mining	Feb-11	Completed	11705	0.31	3628.55
New Hope	Northern Energy	Aug-11	Pending	565	0.48	271.2
Peabody/ArcelorMittal	Macarthur Coal	Aug-11	Pending	1717	2.8	4807.6
Rio Tinto	Coal and Allied	Aug-11	Pending	1989	5.61	11158.29
Glencore	Optimum Coal	Aug-11	Pending	876	1.33	1165.08
DADI Engineering Group	Metrocoal	Sep-11	Completed	1016	0.06	60.96
GVK	Hancock Coal	Sep-11	Pending	7130	0.18	1283.4
Banpu	Hunnu Coal Ltd	Sep-11	Pending	844	0.71	599.24
				79575	0.96	76197.48
				<b>Weighted average = US\$0.96/t</b>		
				<b>A\$1.00 -US\$1.03</b>		<b>A\$0.93</b>

