

# The Northern Galilee – Same Same, But Different...



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*Presenting a different business case to the Central &  
Southern Galilee Basin*

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Galilee Basin Conference  
12 November 2012





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# Same same, but different...



***“Economy ideal for Galilee Basin”*** Suratbasin.com.au Daniel Burdon, 24 August 2012

***“Analyst casts doubt over Galilee Basin coal future”*** ABC News, C Arthur & A Phillips, Oct 30 2012

***“Two rail corridors defined for Galilee Basin”*** Media Announcement, Hon Jeff Seeney, 6 June 2012

***“Galilee Basin coal projects beset by problems”***, The Australian, Andrew Fraser, 8 Sept 2012

***“New coal boom a marginal proposition”*** Sydney Morning Herald, Michael Pascoe, 4 July 2012

Mixed messages that often **treat the Galilee Basin as a singular area**, whilst ignoring that the business case for **the Northern Galilee is different**.

## **Galilee Basin**

- Overview and Similarities

## **The Differences of the Northern Galilee**

- Road and Rail
- Ports
- Towns
- Start up and scalability

## **About Blackwood Corporation**

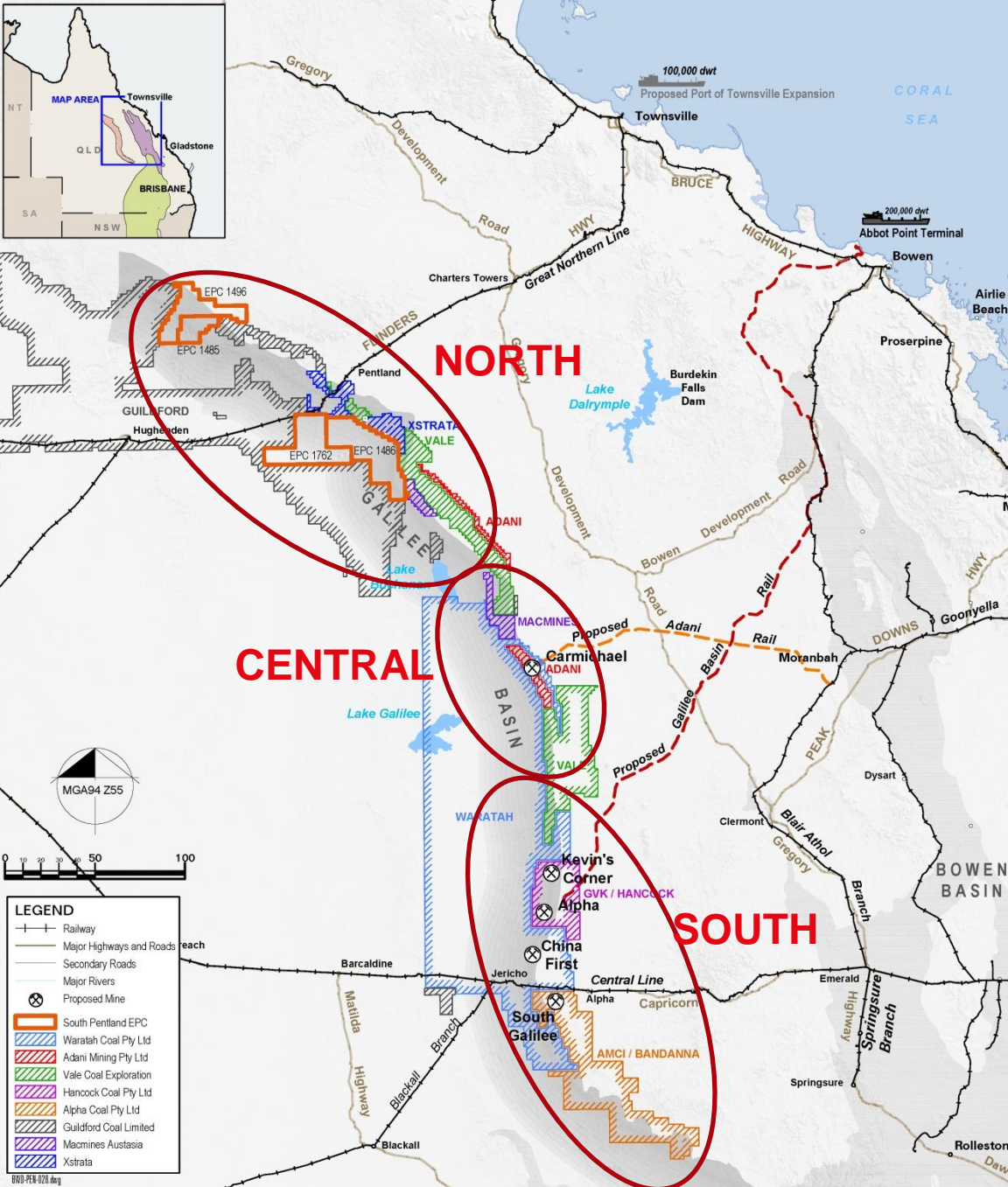
- Blackwood's two Northern Galilee Projects
- South Pentland
- North Hughenden





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# Galilee Basin Similarities



The Galilee Basin is a  
“World-Class”  
untapped coal basin

Three Distinct Regions

- North
- Central
- South

**Over 1,000km in basin length** from Rolleston to North of Hughenden

Coal measures are **Permian** in age (Rangal Coal Measures equivalent)

**Six (6) consistent coal seams** (A through F, noting C & D seams are the prime targets for most)

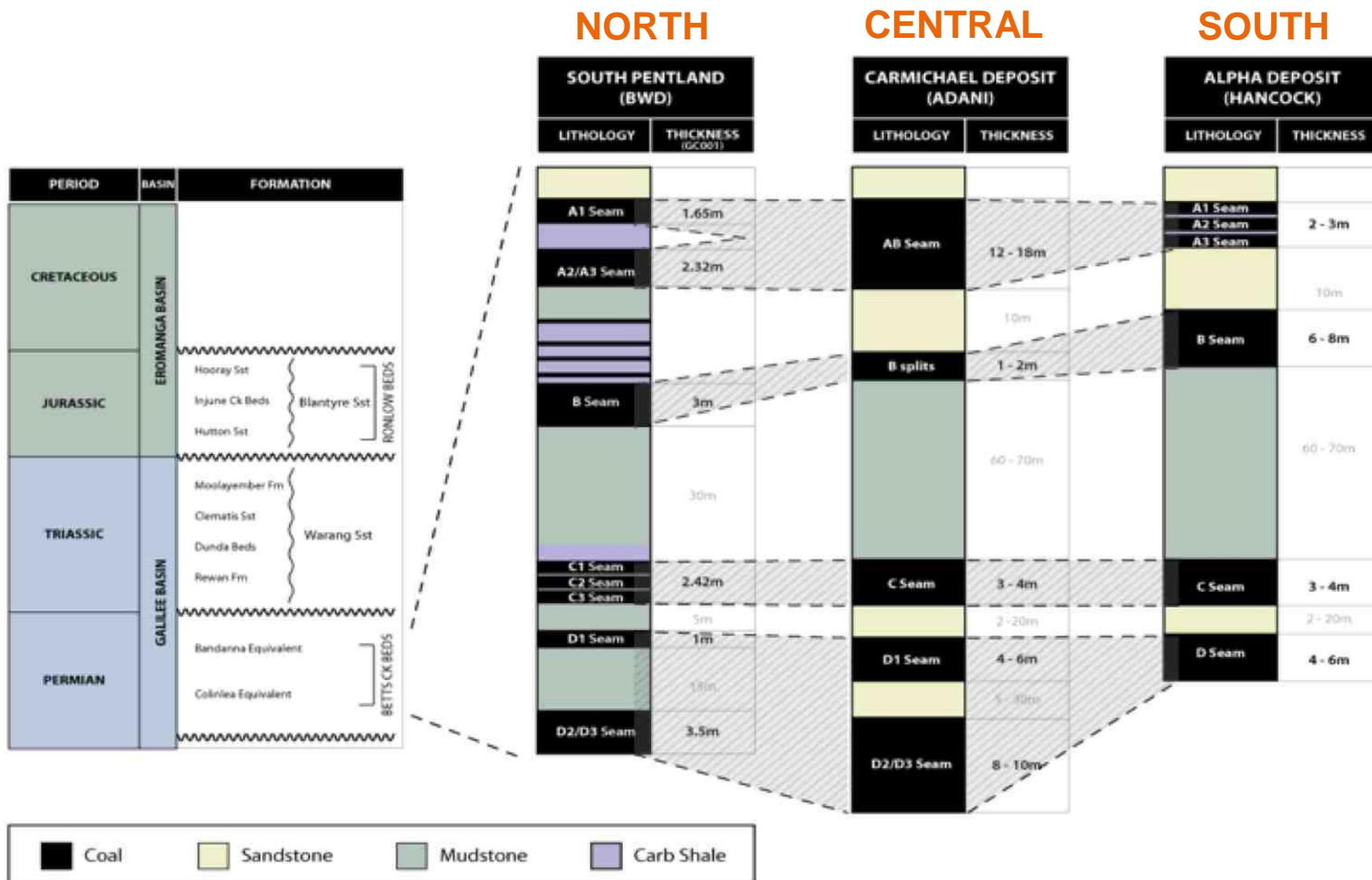
Limited open-cut areas, expansive underground areas available

**Benign** geological setting

**Two (2) existing rail** systems traverse the Galilee Basin

**Two (2) additional rail** systems proposed

# Correlatable Coal Measures



**All projects contain coal suitable for export market**

- **As raw coal**
- **Raw coal approximately 5200 – 6200 kcal/kg (air dried basis)**
- **Low Sulphur**
- **Higher Hardgrove Grindability Index (HGI) than Surat Basin**

**Optionality to beneficiate (wash) for higher quality product**



# Mining Conditions



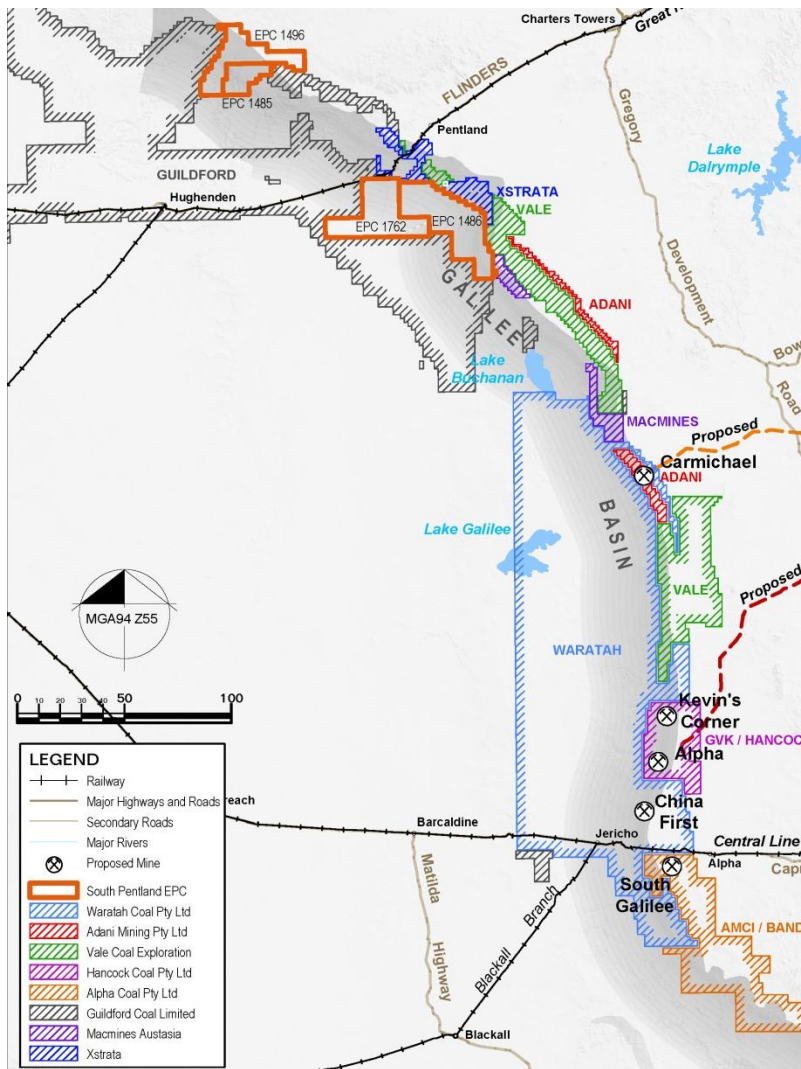
**Both open-cut and underground business cases targeted by most companies**



**Deep weathering/Tertiary basalts and clays can limit open-cut opportunities**

**Benign geology suitable for underground longwall operations**

# Large Tonnage Projects

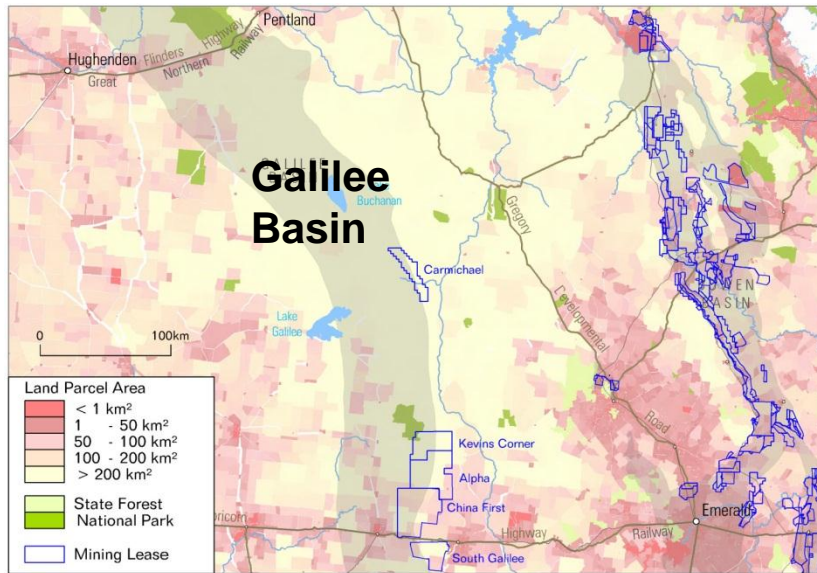


**10 companies with projects along Galilee Basin sub-crop**

**Mostly multi-billion tonne projects**

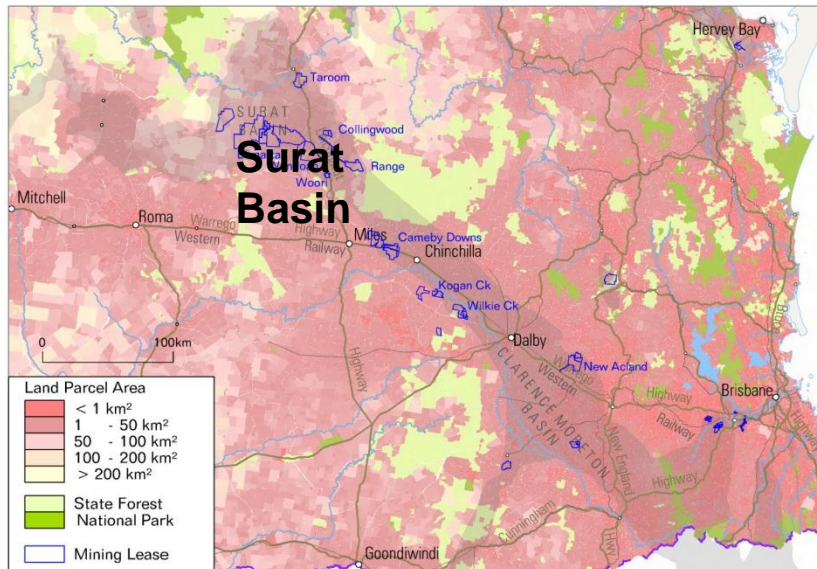
- Blackwood Corporation
- Guildford Coal
- Linc Energy
- Xstrata
- Vale
- Macmines AustAsia
- Adani
- GVK/Hancock
- Waratah Coal
- AMCI/Bandanna

# Large Landholdings



Galilee Basin typically has **very large land parcels**

Galilee Basin averages approximately **2 to 4 landholdings** per project



Surat Basin can average over **40 landholdings** per project (some with greater than 140)



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# SAME

- ✓ Coal Measures
- ✓ Coal Quality
- ✓ Large Tonnages
- ✓ Benign Geological Environment
- ✓ Mining Conditions
- ✓ Large Landholdings

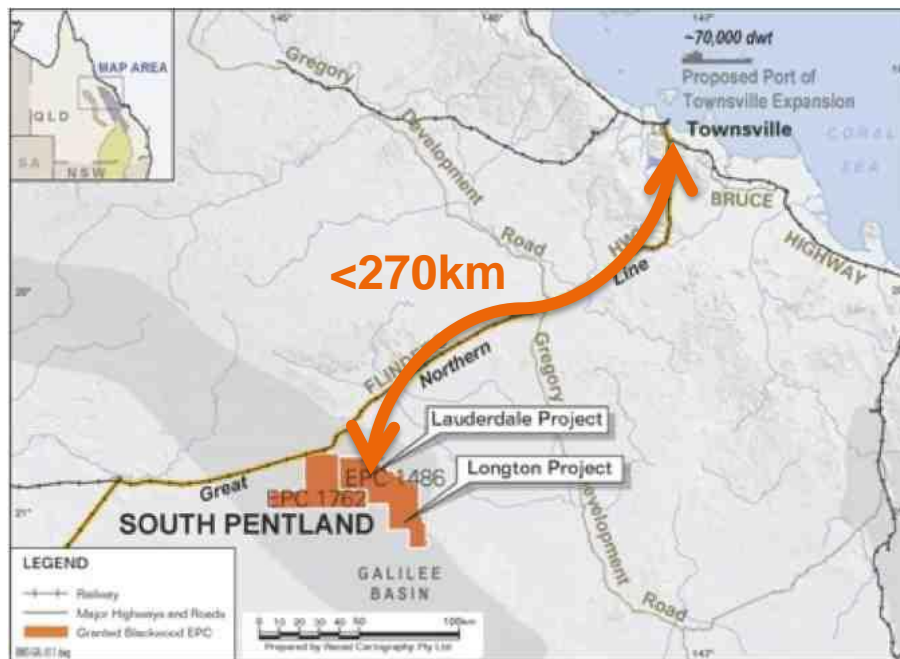


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# Northern Galilee Basin Differences

## Mt Isa to Townsville System (Great Northern Line)

- **MOU Executed between Blackwood and QR** to investigate opportunity (Nov 2011)
- Owned and operated by Queensland Rail (State Government Owned Corporation)



- Main rail route between Townsville and Mt Isa
- Excellent condition
- Handles heavy haul freight from established mining centre of Mt Isa to Port of Townsville
- Traverses South Pentland Project
- **Latent capacity available ~3.7mtpa<sup>1</sup>**

# Proposed Galilee Rail - Comparison

	Northern Galilee	Central Galilee <sup>4</sup>	Southern Galilee <sup>5</sup>
<b>Existing System</b>	Yes (QR Mt Isa System)	No (QR National/Adani Proposal <sup>4</sup> )	No (GVK/Hancock <sup>5</sup> )
<b>Distance to Port (Approximate)</b>	<270km	350km	495km <sup>5</sup>
<b>Current Tonnage</b>	5.8mtpa <sup>1</sup>	None (Greenfield Rail) <sup>4</sup>	None (Greenfield Rail) <sup>5</sup>
<b>Proposed Tonnage</b>	20.9mtpa <sup>1</sup> (Scalable upwards to fit operations)	60 to 80mtpa <sup>4</sup>	60 to 250 mtpa <sup>5</sup>
<b>Indicative cost to achieve proposed tonnage</b>	<b>\$631m<sup>1</sup></b> (including \$236m of maintenance costs)	-	-
<b>Train Lengths</b>	1,100 to 1,500m <sup>1</sup>	Unknown	3,866m <sup>5</sup>
<b>Payload Per Train</b>	5,000t <sup>1</sup>	Unknown	25,000t <sup>5</sup>
<b>Track Structure</b>	41, 47, 50, 53 & 60kg/m <sup>1</sup>	47, 53 & 60kg/m <sup>3</sup>	60kg/m <sup>5</sup>
<b>Axle Load</b>	20t <sup>1</sup>	26.5t <sup>3</sup>	32.5t <sup>5</sup>
<b>Approved Easement</b>	Yes (120m wide; owned by QR)	No	Yes (Conditional) <sup>6</sup>

## The Northern Galilee presents:

- **Significant capital savings versus greenfield rail/port**
- **Significant time savings in approvals**

<sup>1</sup> – Queensland Rail; Mt Isa System Master Plan, 2011

<sup>2</sup> – Goonyella Rail Expansion Project Fact Sheet – QR National

<sup>3</sup> – Goonyella Network Fact Sheet – QR National

<sup>4</sup> – Reuters; India's Adani, QR National to study \$6 billion coal rail, 2<sup>nd</sup> July 2012

<sup>5</sup> – GVK Presentation, 2011 Galilee Basin Coal & Energy Conference

<sup>6</sup> – Queensland Government Department of State Development, Planning & Infrastructure; Alpha Coal Project EIS Overview

## Flinders Highway

- Main road route between Townsville and Mt Isa
- **Part of National Land Transport Network** – joint funded by State and Federal Govt's



- Excellent condition
- Handles large Road Train style trucking operations
- **Adjacent to South Pentland Project**
- Excellent piece of infrastructure to transport heavy/oversize mining equipment, fuel etc to site

# Northern Galilee – Multiple Port Options

## Port of Townsville

*Preferred Northern Galilee Export Destination*

- Mt Isa System terminus



## Abbot Point

*Long Term Capesize Vessel Option*

- No current capacity procured at Port

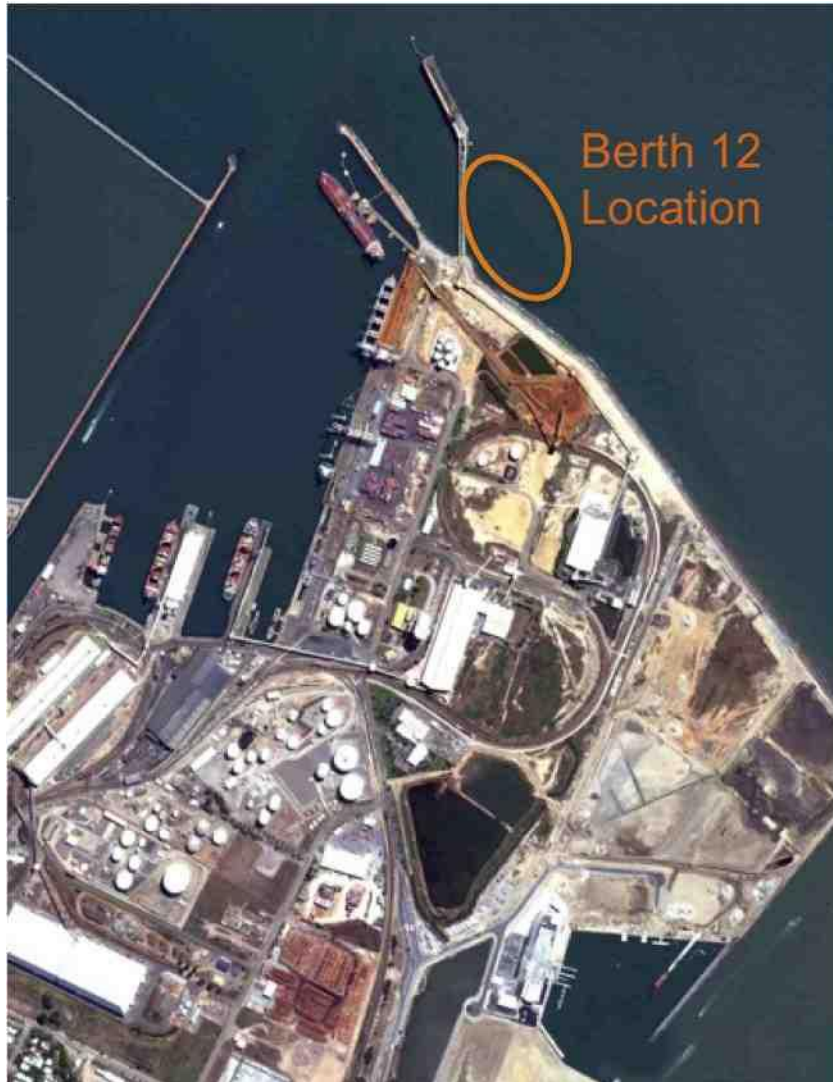


## Port of Lucinda

*Potential “Plan C” Port*

- 100km north of Townsville
- Historical data indicates draft of 15.2m





## Preferred Export Point for Northern Galilee

- **MOU executed with POTL** to jointly investigate opportunity (Nov 2011)
- Handles 25 different cargo types
- Trade in 2010/11 of 10.6 million tonnes
- **Berth 12 - Full Federal and State Level Approvals** for POTL construction in place
- **EOI submitted by Blackwood for 10+mtpa**
- Townsville State Development Area (TSDA) provides excellent coal handling and storage opportunity

**Project is located within Charters Towers Regional Council area**

- **Established Regional Centre** of Charter Towers – Population 8,235 (2011 census)
- Historical gold mining centre; **the region and towns understand mining**



- Supportive Council's & Communities with **skilled local workforce**
- Further supported by City of Townsville; Pop' 217,897 (2011 census)
- Distances comparable with Bowen Basin coal mines from Mackay & Rockhampton
- FIFO is an option **not a necessity**

## The South Pentland Project in the Northern Galilee

Project	Galilee Position	Owner	Proposed Tonnage
South Pentland	North	Blackwood	>5mtpa <sup>1</sup>
Carmichael	Central	Adani	60mtpa <sup>2</sup>
Alpha	South	GVK/Hancock	30mtpa <sup>3</sup>
China Stone	Central	Macmines	+45mtpa <sup>4</sup>
China First	South	Waratah	+40mtpa <sup>5</sup>

*1 Blackwood has a conceptual target of producing 1mtpa in 2017 and ramping up to greater than 5mtpa in 2019*

*2 Carmichael Coal Mine & Rail Project  
<http://www.dsdip.qld.gov.au/assessments-and-approvals/carmichael-coal-mine-and-rail-project.html>*

*3 The Alpha Coal Project  
<http://hancockcoal.com.au/go/current-projects/the-alpha-coal-project/the-alpha-coal-project>*

*4 Project China Stone  
<http://www.macmines.com/english/cumentproject/cumentproject.asp?ID=626>*

*5 China First Coal Project  
<http://www.waratahcoal.com/china-first-coal-project.htm>*

# Government Supply Chain Recognition



**Blackwood appointed to the North Queensland Resources Supply Chain Steering Committee**

**Chaired by Steve de Kruijff (Xstrata Copper, QRC President)**

**A\$1.66m of Federal funding supplied to QDSDIP**

**Involves**

- Existing supply chain producers
- Future supply chain producers
- Above rail operators
- Below rail operators
- Government representatives

**NQRSC**

**NORTH QUEENSLAND**  
Resources Supply Chain



***State and Federal Governments recognise the importance of the Mt Isa to Townsville Supply Chain; and potential for coal export on the system***



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# SUMMARY OF DIFFERENCES

- ✓ Existing Heavy Haul Rail adjacent to Project
- ✓ Existing Heavy Haul Road adjacent to project
- ✓ Existing Port, with Berth currently available
- ✓ Existing developed towns within project catchment
- ✓ Project can commence on smaller tonnages than South/Central



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# **Blackwood's Northern Galilee Projects**

**South Pentland**

**North Hughenden**



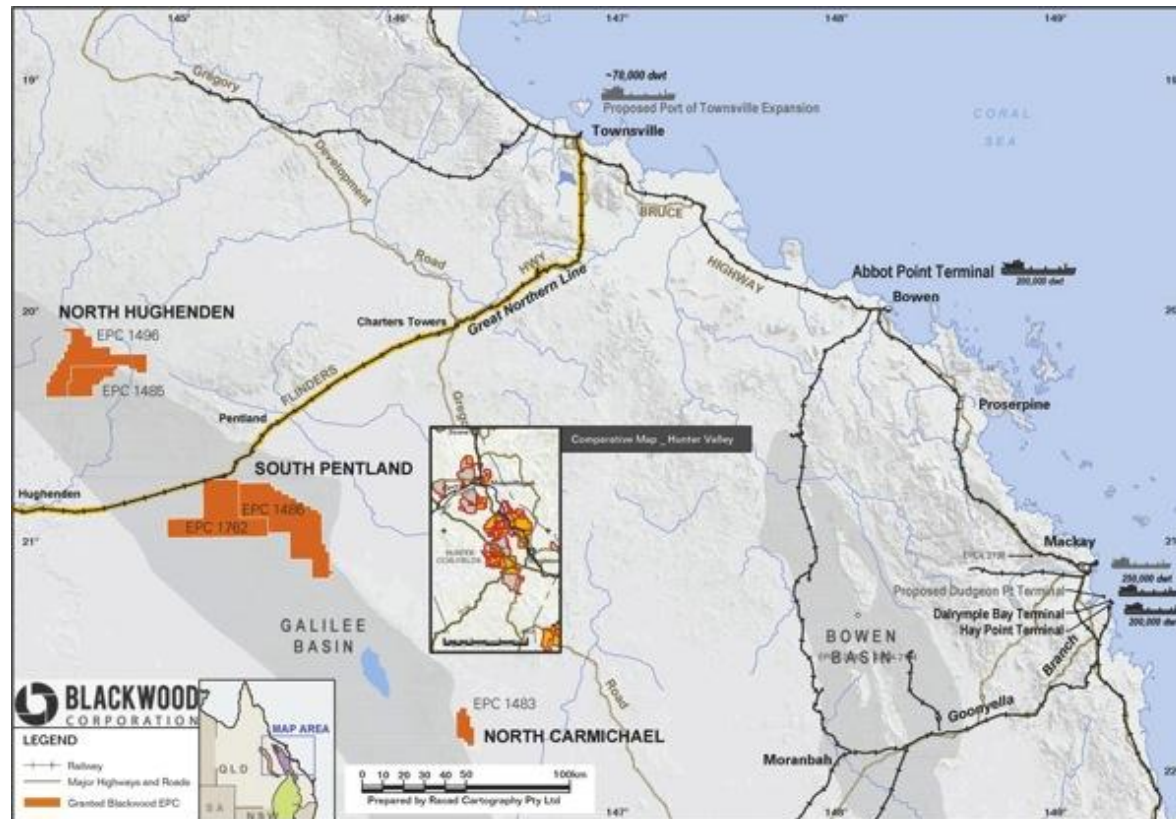
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# South Pentland Project

# South Pentland - Project Overview

## Large Galilee Basin asset with potential infrastructure solution

- Northern Galilee Basin opportunity
- South Pentland has massive tenure size (>1,200km<sup>2</sup>)
- 2 Large project areas; “Lauderdale” & “Longton”
- Same coal measures as Adani and GVK/Hancock projects
- Adjacent to existing rail and road linking Projects to Port(s)
- <270km to hub of Townsville
- Well supported by regional towns



# South Pentland – Project Highlights

## 3.6 to 5.0Bt<sup>A</sup> JORC Exploration Target across two project areas

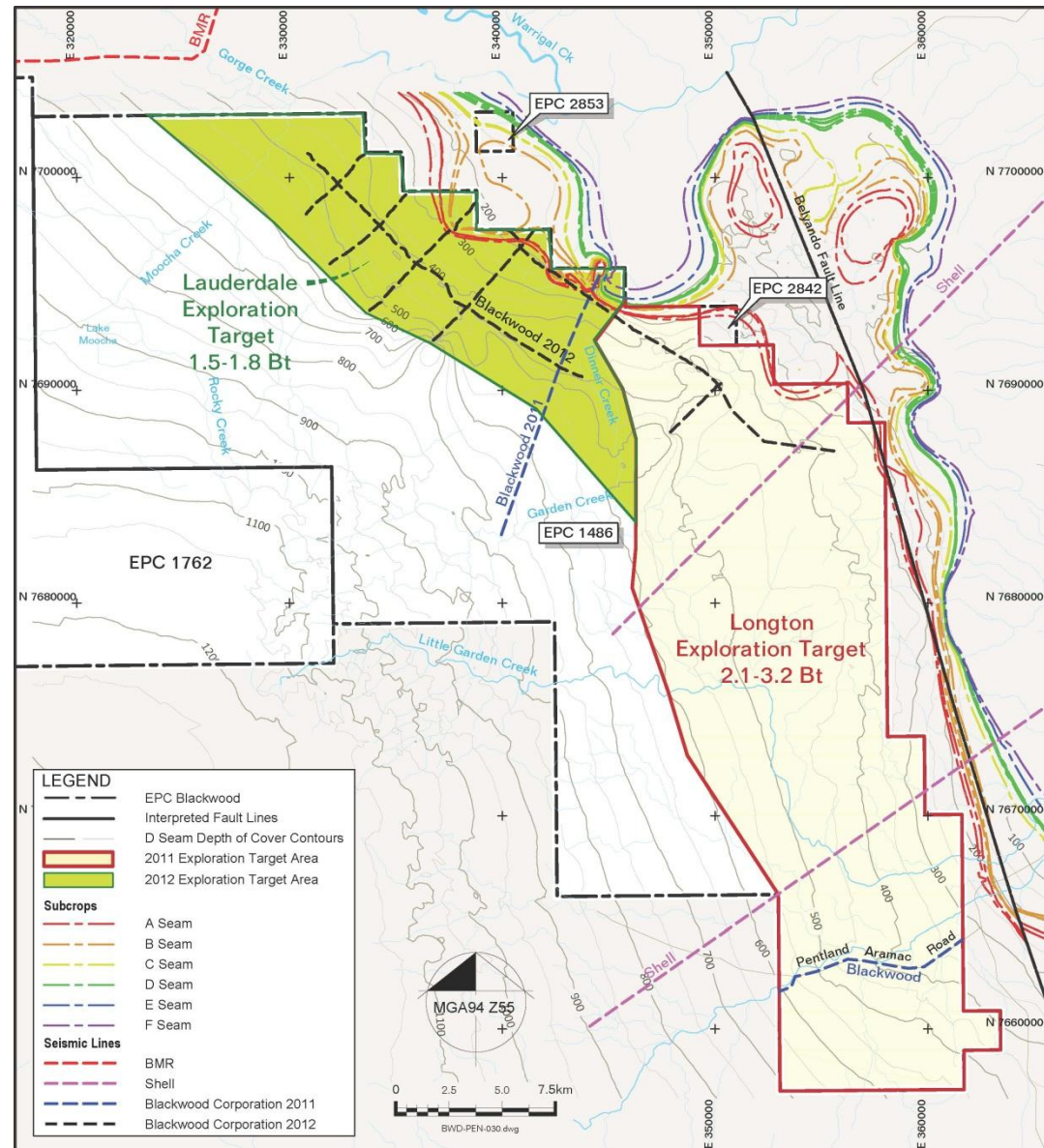
### “Lauderdale” Project Highlights

- 1.5 to 1.8Bt<sup>A</sup> JORC Exploration Target
- 63 Km of 2D seismic; 5 x 2D lines
- Program aimed for JORC inferred tonne delineation and coal quality tests underway

### “Longton” Project Highlights

- 2.1 to 3.2Bt<sup>A</sup> JORC Exploration Target
- Three underground targets identified
  - Working sections >2m for longwall mining options
- Supporting data set of 78 historic and 10 new drill holes + 4 seismic lines (30km)

**Note:** All references to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2004). As such it is conceptual in nature and there has been insufficient exploration drilling to define a coal resource on the tenement and it is uncertain if further exploration will result in discovery of a coal resource on the tenement.



## Historic Coal Quality From The Adjacent “Milray” Deposit

- Data from historical drill holes - **D seam**
- Typical Galilee Basin coal
- Similar Moisture and Rank to Surat Basin coals
- Ash Fusion Temperatures for all parameters (oxidising and reducing) are all **>1,600°C** Temperature
- Hardgrove Grindability Index approximately **63**

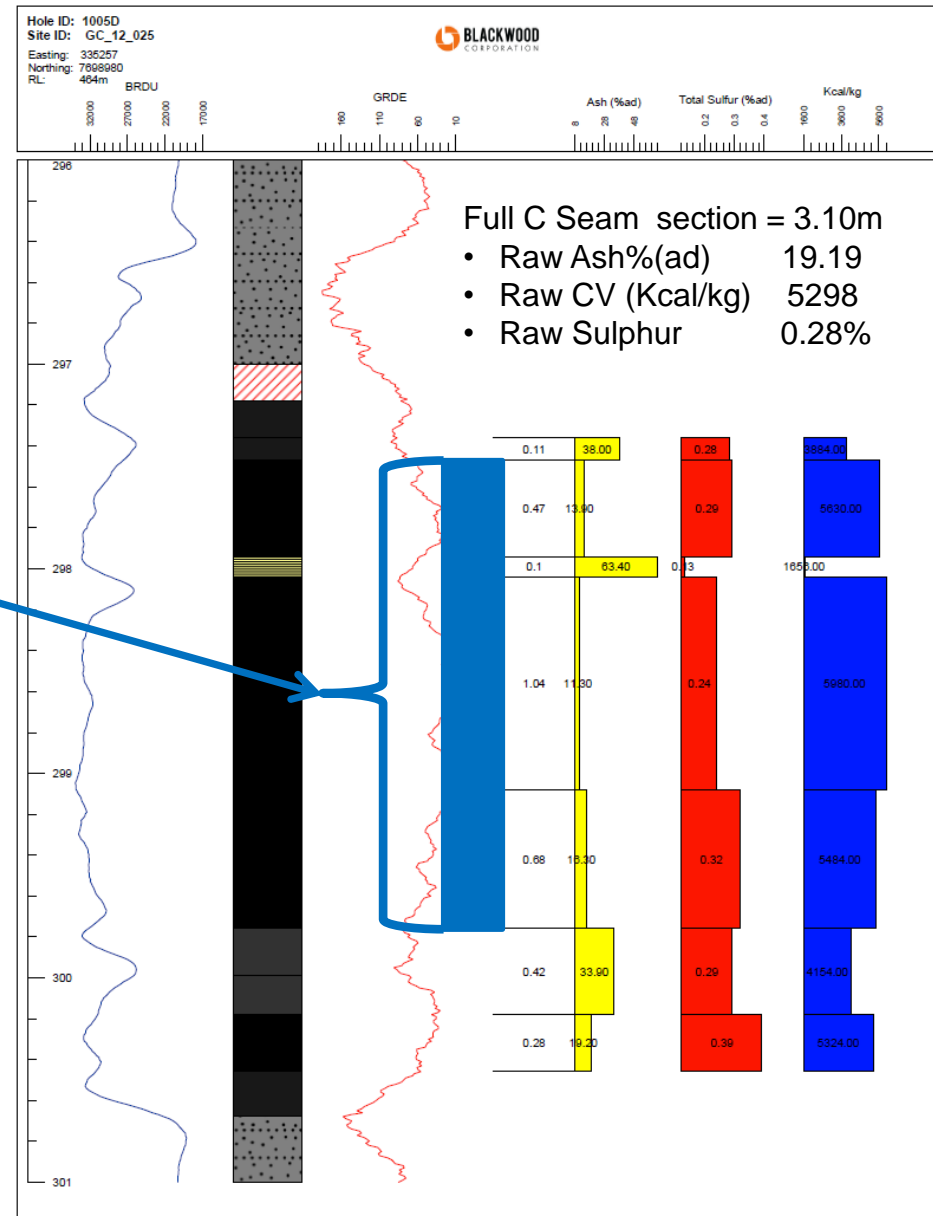


Raw Coal Analysis (air dried)	D-seam Average	Range
Moisture %	9.7	7.6 - 11.6
Ash %	17.3	9.5 - 43.3
Volatile Matter %	24.2	18.4 - 32.6
Fixed Carbon %	50.3	20.6 - 55.3
Sulphur %	0.30	0.25 - 0.31
Specific Energy MJ/kg	22.8	14.6 - 25.4
Specific Energy kcal/kg	5445	3486 - 6065
HGI	65	63 - 67

# South Pentland – New Coal Quality

## Raw Coal Quality from new drilling is focusing on working sections

- Testing of new coal core samples is ongoing, data currently being received
- Encouraging working sections identified across the project, **3.1, 4.3 & 5.3 m thick**
- **3.10m C seam example shown:**
  - Working section thickness 2.29m
  - Raw Ash (%ad) 15.6
  - Raw CV (Kcal/kg) 5572
  - Raw Very low sulphur 0.27%
- Washed / product coal quality specifications to be defined in upcoming testing & modeling - currently underway
- **Similar Coal Quality** to Central/Southern Galilee Basin

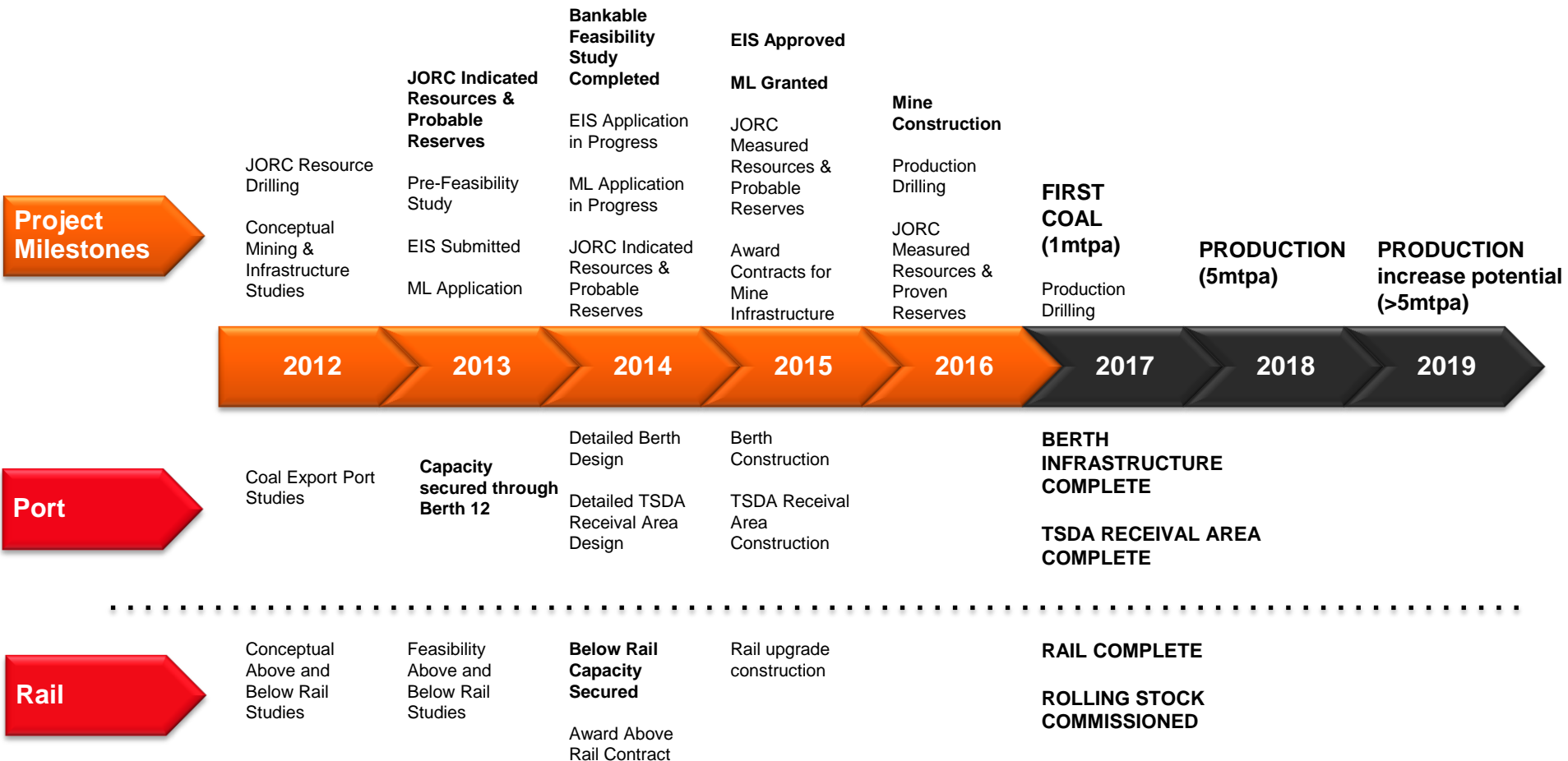


# South Pentland - On the Ground

- Flat, sparse cattle country
- **Supportive landholders** across key areas of project
- No homesteads across project
- **No strategic cropping** or urban area restrictions
- **Active engagement** by Blackwood with supportive communities
- 40 man camp at project during drilling campaigns



# South Pentland - Conceptual Timeline





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# North Hughenden Project

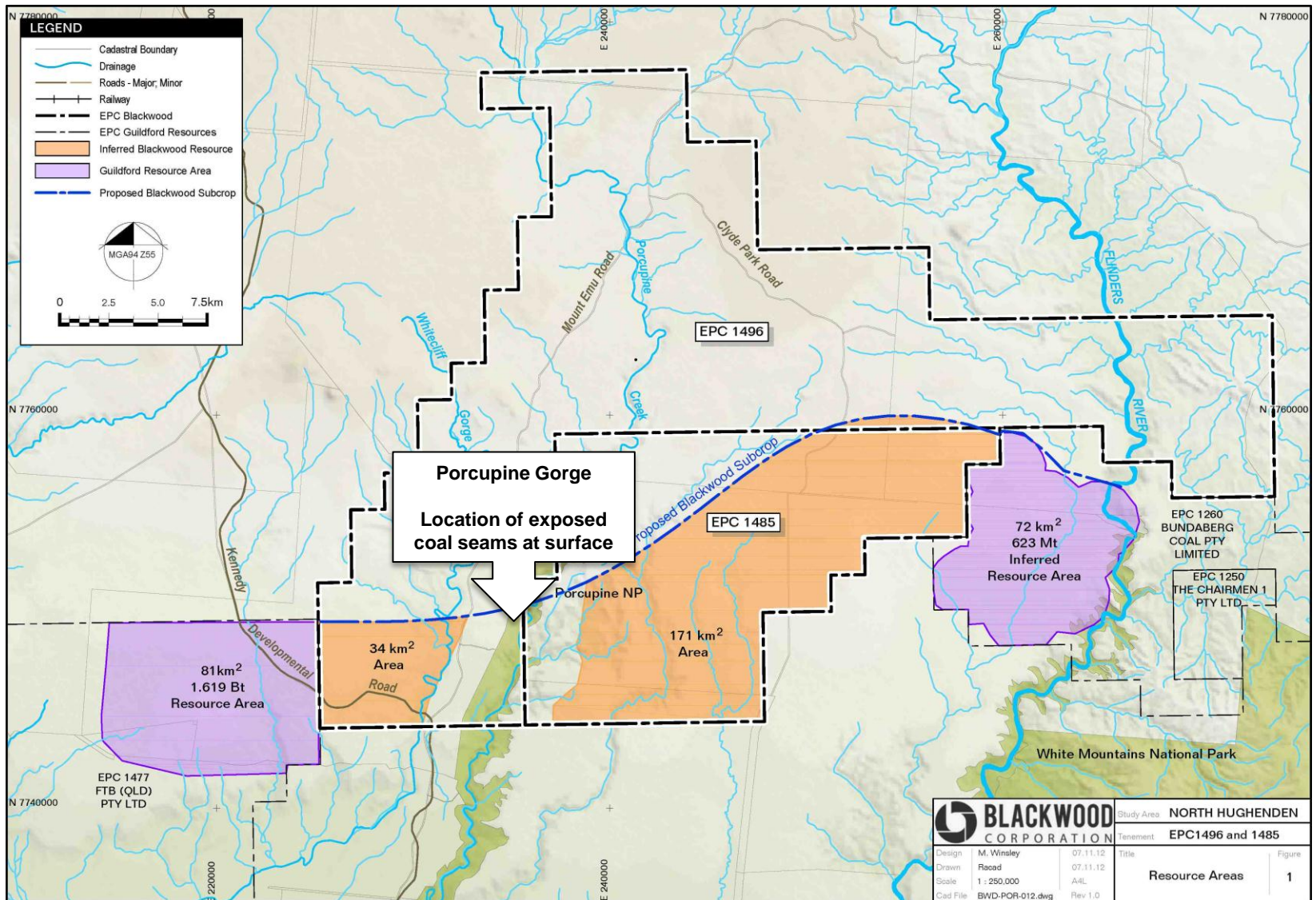
- Targeted **open-cut** Galilee Basin Project for Blackwood
- **Adjacent to Guildford Coal's** JORC Resources at Hughenden & White Mountain
- Field mapping identifying coal outcrops has occurred
- Initial drilling complete
- Geological model complete
- Follow-up drilling planned for 2013



# North Hughenden



# North Hughenden





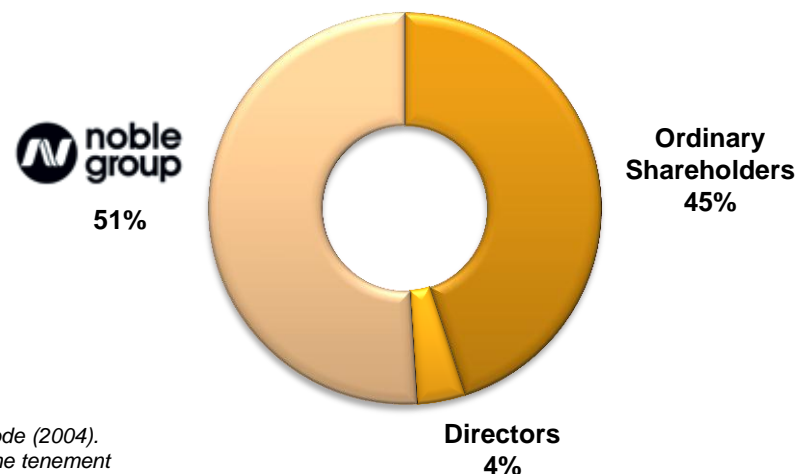
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# Blackwood Corporation Overview

# Corporate Overview

- Portfolio of export **thermal, coking & PCI** coal targets in proven coal areas
- A globally recognised major shareholder  
– Noble Group
- **All projects 100% owned**
- JORC Exploration Targets of **5.0 – 6.9 billion tonnes<sup>^</sup>** thermal coal across 4 project areas
- Access to transport infrastructure at lead project via upgrade to existing rail and port.

Key Metrics	
ASX Code	BWD
Shares on Issue	185m
Share Price	A\$0.185*
Market Capitalisation	A\$34.28m*



**Note:** All references to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2004). As such it is conceptual in nature and there has been insufficient exploration drilling to define a coal resource on the tenement and it is uncertain if further exploration will result in discovery of a coal resource on the tenement.

Notes:

\* As at November 6, 2012

<sup>^</sup> Refer to Exploration Target Notes page 38

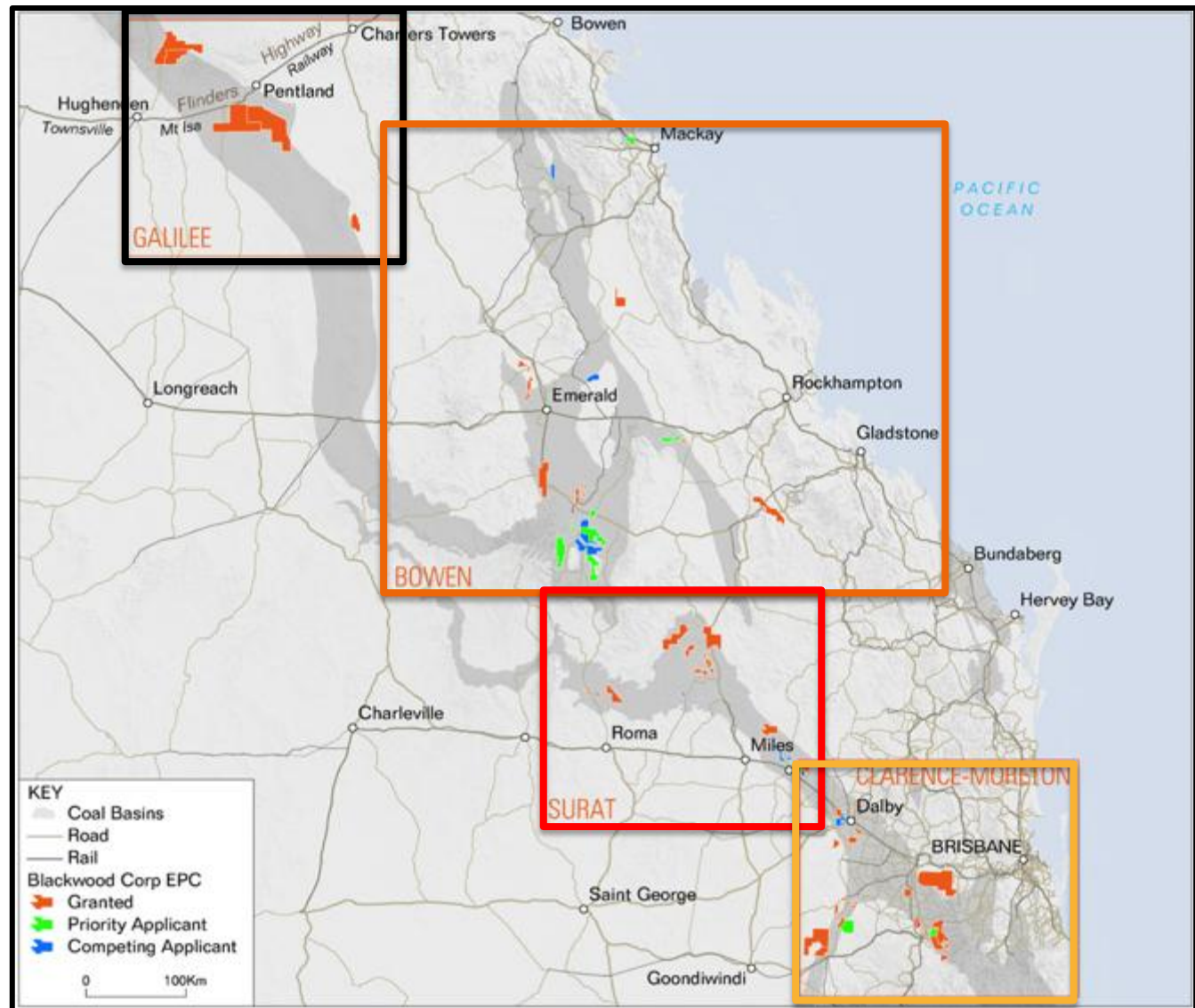
# Tenure Portfolio

**Galilee  
Basin**

**Bowen  
Basin**

**Surat  
Basin**

**Clarence  
Moreton  
Basin**





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# Summary

## Similar Project Characteristics to the Central and Southern Galilee

- Same coal measures
- Similar coal quality
- Similar coal resource tonnages

## Different Supporting Infrastructure Solutions

- Existing adjacent heavy haulage rail
- Existing adjacent heavy haulage road
- Existing Port with approved Berth
- Existing developed towns within project catchment

## Business Case Supported by Smaller Tonnage Story

- Conceptually mining can commence on tonnages approx 5mtpa
- Scalable as business grows

***The Northern Galilee – evolution, not revolution – upgrading existing infrastructure instead of greenfield development***

# Footnotes and Competent Persons Statement

**Note:** All statements as to exploration targets of Blackwood Corporation and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement contained in this document as to exploration results or exploration targets has been made consistent with the requirements of the Australasian code for reporting of exploration results, mineral resources and ore reserves ("JORC Code").

**Exploration Target Note <sup>A</sup>** Please refer to the ASX South Pentland Exploration Target announcements 21 November 2011 & 8 October 2012 for full report, and the note below. *Coal Quality Ranges for the South Pentland Project are as follows (all on an air dried basis): Moisture 8.4-11.6, Raw Ash 9.5-34.2, Volatile Matter 21.5-32.6, Fixed Carbon 46.4 - 55.3, Total Sulphur 0.26 - 0.34, Ave SE 5445 kcal/kg*

**Exploration Target Note <sup>B</sup>** Please refer to the ASX Taroom Exploration Target announcement 19 March 2012 for full report, and the note below. *Coal Quality Ranges for the Taroom Project are as follows (all on an air dried basis): Moisture 5.9-9.9, Raw Ash 9.8-31.3, Volatile Matter 28.7-43.9, Fixed Carbon 27.0-40.0, Total Sulphur 0.22-0.51, SE 5162 – 6709 kcal/kg.*

**Exploration Target Note <sup>C</sup>** Please refer to the ASX Bymount Exploration Target announcement 20 August 2012 for full report, and the note below. *Coal Quality Ranges for the Bymount Project are as follows (all on an air dried basis): Moisture 5.7-9.9, Raw Ash 9.8-31.3, Volatile Matter 28.7 – 43.9, Fixed Carbon 27 - 40, Total Sulphur 0.22 - 0.51, SE 5162 - 6709 kcal/kg.*

**Exploration Target Note <sup>D</sup>** Please refer to the ASX Chinchilla Exploration Target announcement 20 February 2012 for full report, and the note below. *Coal Quality Ranges for the Chinchilla Project are as follows (all on an air dried basis): Moisture 8.0-10.4, Raw Ash 13.8-28.8, Volatile Matter 34.1-40.1, Fixed Carbon 32.0-35.7, Total Sulphur 0.31-0.43, SE 4814 – 5817 kcal/kg.*

**Exploration Target Note <sup>A</sup>** The total of 5.0 to 6.9 Bt<sup>A</sup> of JORC Exploration Target tonnes is derived from the South Pentland (3.6 – 5.0 Billion tonnes <sup>A</sup>), Taroom (1 to 1.3 Billion Tonnes <sup>B</sup>), Bymount (300-450 million tonnes<sup>C</sup> and Chinchilla (190-240 million tonnes<sup>D</sup>) projects. Please refer to the ASX Taroom Exploration Target announcement 19 March 2012 and ASX Bymount Exploration Target announcement 20 August 2012 for full report, and the note below

**Competent Persons Statement:** The information in this report that relates to Exploration Results, Exploration Targets and Mineral Resources is based on information compiled by Mr Mark Winsley, Mrs Merryl Peterson, Mr Lyon Barrett and Mr Lyndon Pass, and all are members of The Australasian Institute of Mining and Metallurgy.

Mr Winsley is engaged as the General Manager – QLD Exploration of Blackwood Corporation Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results'. Mr Winsley consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Mrs Peterson was engaged as Principal Geologist at Runge Limited at the time of announcement and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mrs Peterson consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

Mr Barrett is engaged as the Principal Geologist at Measured Resources Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results'. Mr Barrett consents to the inclusion in the report of the matters based on the information in the form and context in which it appears

Mr Pass is engaged as the Principal Geologist at Encompass Mining Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results'. Mr Pass consents to the inclusion in the report of the matters based on the information in the form and context in which it appears

Mrs Peterson and Messrs Winsley, Barrett and Pass as Competent Persons are responsible only for information relating to the resources of Blackwood Corporation, and that the information provided in Slide 36 is based on information taken Guildford Coal Limited (ASX: GUF) announcements made on 9 July 2012, 26 July 2012 and 17 October 2012, and is subject to the respective Competent Persons' Statements contained in each document.

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