

This document is important and requires your immediate attention. If you are in any doubt as to how to deal with this document, you should consult your investment dealer, stockbroker, accountant, lawyer or other professional advisor. The Offer (as defined herein) has not been approved or disapproved by any securities commission or similar authority nor has any securities commission or similar authority passed upon the fairness or merits of the Offer or upon the accuracy or adequacy of the information contained in this document or the Offer Documents (as defined herein) and any representation to the contrary is an offence. The Offer does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful.

December 4, 2008



NOTICE OF EXTENSION AND VARIATION

by

MINERALOGY PTY LTD.

of its

OFFER TO PURCHASE FOR CASH

common shares of

WARATAH COAL INC.

at a revised price of \$1.60 per common share

Mineralogy Pty Ltd. (“**Mineralogy**”) hereby gives notice that it has amended and supplemented its offer dated October 3, 2008 (the “**Original Offer**”) and the accompanying circular dated October 3, 2008 (the “**Circular**”), as amended and supplemented by a notice of extension and variation dated October 24, 2008 (the “**First Notice of Extension and Variation**”) and as further amended and supplemented by a notice of extension and variation dated November 24, 2008 (the “**Second Notice of Extension and Variation**”), to purchase, for \$1.41 per common share in cash, all of the issued and outstanding common shares (the “**Shares**”) of Waratah Coal Inc. (“**Waratah**”), other than Shares beneficially owned by Mineralogy or any of its affiliates, as described in detail below. Pursuant to this notice of extension and variation (the “**Third Notice of Extension and Variation**”), Mineralogy hereby gives notice that it has, among other things: (i) elected to transfer the right to purchase Shares deposited pursuant to the Offer to Mineralogy Canada Acquisition Corp. (the “**Purchaser**”), a direct wholly-owned subsidiary of Mineralogy incorporated under the laws of British Columbia; (ii) increased the price offered per Share to \$1.60; (iii) extended the period during which the Offer is open for acceptance to 11:59 p.m. (Vancouver time) on December 15, 2008, unless further extended or withdrawn; (iv) revised the conditions of the Offer; and (v) amended other terms and provided other disclosure with respect to certain matters as provided for in this Third Notice of Extension and Variation. The term “**Offer**” means the Original Offer, as amended and supplemented by the First Notice of Extension and Variation, the Second Notice of Extension and Variation and this Third Notice of Extension and Variation.

THE OFFER HAS BEEN AMENDED TO INCREASE THE PRICE OFFERED TO \$1.60 PER SHARE.

THE OFFER HAS BEEN EXTENDED AND IS NOW OPEN FOR ACCEPTANCE UNTIL 11:59 P.M. (VANCOUVER TIME) ON DECEMBER 15, 2008, UNLESS FURTHER EXTENDED OR WITHDRAWN.

WARATAH’S BOARD OF DIRECTORS HAS DETERMINED THAT THE OFFER IS FAIR FROM A FINANCIAL POINT OF VIEW TO SHAREHOLDERS AND IS IN THE BEST INTERESTS OF WARATAH AND ITS SHAREHOLDERS. WARATAH’S BOARD OF DIRECTORS ALSO RECOMMENDS THAT SHAREHOLDERS ACCEPT THE OFFER AND THE MEMBERS OF THE BOARD OF DIRECTORS INTEND TO TENDER THEIR SHARES TO THE OFFER.

A LOCK-UP AGREEMENT HAS BEEN SIGNED WITH CERTAIN SHAREHOLDERS, REPRESENTING APPROXIMATELY 17.3% OF THE OUTSTANDING SHARES ON A FULLY DILUTED BASIS.

This Third Notice of Extension and Variation should be read in conjunction with the Original Offer and accompanying Circular, and the related Letter of Acceptance and Transmittal and Notice of Guaranteed Delivery that accompany the Original Offer and Circular, each as amended and supplemented by the First Notice of Extension and Variation and the Second Notice of Extension and Variation. Capitalised terms used but not defined herein shall have the meanings ascribed thereto in the Original Offer and Circular, as amended and supplemented by the First Notice of Extension and Variation and the Second Notice of Extension and Variation. Except as otherwise set forth in this Third Notice of Extension and Variation, the terms and conditions previously set forth in the Original Offer and Circular, as amended and supplemented by the First Notice of Extension and Variation and the Second Notice of Extension and Variation, continue to be applicable in all respects.

As at the date hereof, Mineralogy, the Purchaser and their affiliates beneficially own 10,754,500 Shares, which, as of the date hereof, represents approximately 18.1% of the issued and outstanding Shares (approximately 16.9% on a fully diluted basis (as such term is defined herein)). Neither Mineralogy or the Purchaser, nor any of their affiliates, own any securities convertible into, or exchangeable for, Shares.

The reasons why Waratah shareholders should accept the Offer include:

- The price offered per Share tendered to the Offer has been increased by approximately 13.5% from \$1.41 per Share to \$1.60 per Share;
- The increased price offered per Share of \$1.60 represents a premium of approximately 28% over Waratah's closing price on the TSX-V on November 28, 2008, the last trading day on the TSX-V prior to the announcement that Mineralogy and Waratah entered into a support agreement in support of the Offer;
- Waratah's board of directors has determined to support and approve the Offer and recommends that shareholders accept the Offer and has agreed to render its shareholder rights plan inoperative or ineffective as regards to the Offer immediately prior to the date on which the Purchaser first takes up any Shares deposited to the Offer;
- The members of Waratah's board of directors intend to tender their Shares to the Offer;
- Certain directors and senior officers of Waratah (including their associates) holding Shares and in-the-money options and warrants exercisable to acquire Shares that represent, in the aggregate, approximately 17.3% of the outstanding Shares on a fully diluted basis (as such term is defined herein) have entered into agreements with Mineralogy pursuant to which such directors and senior officers of Waratah (including their associates) have agreed to tender to the Offer the Shares held by them and the Shares to be received by them upon the exercise of such options and warrants; and
- The Offer is for all of the issued and outstanding Shares, other than Shares owned by Mineralogy or any of its affiliates.

Shareholders who have already validly deposited and not withdrawn their Shares need take no further action to accept the Offer. Shareholders who wish to accept the Offer must complete and execute the Letter of Acceptance and Transmittal (printed on green paper) that accompanied the Original Offer and Circular (or a facsimile thereof) in accordance with the instructions set forth therein and deposit the completed Letter of Acceptance and Transmittal, together with the certificates representing the Shares being deposited and all other documents required by the Letter of Acceptance and Transmittal, at one of the offices of Computershare Investor Services Inc. (the "**Depository**") specified in the Letter of Acceptance and Transmittal at or prior to the Expiry Time. Alternatively, Shareholders may: (a) accept the Offer by following the procedures for a book-entry transfer of Shares described under Section 3 of the Original Offer, "Manner of Acceptance — Acceptance by Book-Entry Transfer"; or (b) accept the Offer where the certificates representing Shares are not immediately available, or if the certificates and all of the required documents cannot be provided to the Depository at or prior to the Expiry Time, by following the procedures for guaranteed delivery described under Section 3 of the Original Offer, "Manner of Acceptance — Procedure for Guaranteed Delivery" using the Notice of Guaranteed Delivery (printed on yellow paper) that accompanied the Original Offer and Circular (or a facsimile thereof).

Questions regarding the Offer and requests for assistance in depositing Shares may be directed to the Depository or Georgeson Shareholder Communications Canada Inc. (the "**Information Agent**") at their respective addresses and telephone numbers set forth on the last page of this Third Notice of Extension and Variation. Additional copies of the Original Offer and Circular, the Letter of Acceptance and Transmittal, the Notice of Guaranteed Delivery, the First Notice of Extension and Variation and the Second Notice of Extension and Variation (collectively, the "**Offer Documents**") and this Third Notice of

Extension and Variation may be obtained without charge on request from the Information Agent or the Depositary. Copies of such documents may also be found free of charge at www.sedar.com.

You should contact your stockbroker, investment dealer, bank, trust company or other nominee for assistance in depositing your Shares.

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from, or on behalf of, Shareholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the Laws of such jurisdiction. However, the Purchaser or its agents may, in the sole discretion of the Purchaser, take such action as the Purchaser may deem necessary to extend the Offer to Shareholders in any such jurisdiction.

Shareholders should not construe the contents of the Offer Documents or this Third Notice of Extension and Variation as legal, tax or financial advice and should consult with their own professional advisors as to the relevant legal, tax, financial or other matters in connection therewith.

NOTICE TO SHAREHOLDERS IN AUSTRALIA AND THE UNITED STATES

The Offer is made for the securities of a Canadian issuer and is subject to the disclosure requirements of Canadian law. Shareholders should be aware that such disclosure requirements are different from those of Australia and the United States.

The Offer Documents and this Third Notice of Extension and Variation do not address any Australian or United States federal or state income tax consequences of the Offer or any Second Step Transaction to Shareholders in Australia or the United States. Shareholders in Australia or the United States should also be aware that the disposition of Shares for cash may have tax consequences in Canada, Australia and the United States. Such consequences under Canadian, Australian or United States tax laws for investors who are resident in, or citizens of, Australia or the United States are not described in the Offer Documents or this Third Notice of Extension and Variation. Accordingly, Shareholders in Australia and the United States should consult their own tax advisors with respect to their particular circumstances and the tax considerations applicable to them. See Section 11 of the Second Notice of Extension and Variation, "Certain Canadian Federal Income Tax Considerations".

The enforcement by Shareholders of civil liabilities under Australian and the United States securities laws may be affected adversely by the fact that Mineralogy is formed under the laws of Australia; the Purchaser is a corporation formed under the laws of British Columbia, Canada; Waratah is a corporation existing under the laws of British Columbia, Canada; some or all of officers and directors of Mineralogy and the Purchaser and some or all of the officers and directors of Waratah may reside outside of Australia and the United States; and all or a substantial portion of the assets of Mineralogy, the Purchaser and Waratah and of said persons may be located outside Australia and the United States.

NOTICE TO SHAREHOLDERS IN AUSTRALIA

To facilitate the tendering of Shares held by Shareholders in Australia, Computershare Investor Services Pty Limited ("Computershare Australia") has been engaged to accept the delivery of certificates representing Shares, Letters of Acceptance and Transmittal and any other relevant documents required by the instructions in the Letter of Acceptance and Transmittal. Computershare Australia will forward deposited Share certificates, Letters of Acceptance and Transmittal and other documents delivered to it to the Depository's office in Toronto, Canada by means of a third party courier service.

Delivering Share certificates, Letters of Acceptance and Transmittal and other relevant documents to Computershare Australia will not constitute delivery of such documents for the purpose of tendering Shares to the Offer. The Offer will be deemed to be accepted only if the Depository has received these documents at or before the Expiry Time at one of the addresses for the Depository indicated on the Letter of Acceptance and Transmittal, which list of offices does not include the offices of Computershare Australia.

Mineralogy, the Purchaser, the Depository and Computershare Australia accept no responsibility to ensure the delivery, or delivery on a timely basis, to the Depository's office in Toronto, Canada of materials delivered to Computershare Australia, and Mineralogy, the Purchaser, the Depository and Computershare Australia shall not be liable for any failure to deliver such materials, or any failure to deliver such materials on a timely basis, to the Depository's office in Toronto, Canada for any reason whatsoever.

Shareholders wishing to deliver certificates representing Shares, Letters of Acceptance and Transmittal and any other relevant documents required by the instructions in the Letter of Acceptance and Transmittal to Computershare Australia may do so until 7:00 p.m. (Sydney time) on December 11, 2008. For more information regarding delivering Share certificates, Letters of Acceptance and Transmittal and other relevant documents to Computershare Australia, please see Section 10 of this Third Notice of Extension and Variation, "Delivery to Computershare Australia".

NOTICE TO HOLDERS OF CHESS DEPOSITARY INTERESTS

If you hold your Shares via CHESS Depository Interests (known as CDIs) that trade on the Australian Securities Exchange (the "ASX") and have any questions regarding how to tender your Shares to the Offer, please contact the Information Agent's Australia office by calling toll-free (within Australia) to 1300 254 802 or by calling collect (outside Australia) to +6 13 9938 4329.

NOTICE TO HOLDERS OF OPTIONS AND WARRANTS

The Offer is made only for Shares and is not made for any options, warrants or other rights to purchase Shares. Any holder of options who wishes to accept the Offer should, to the extent permitted by applicable Laws, (i) exercise their options on an accelerated vesting basis, conditional on the Purchaser taking up and paying for Shares validly deposited and not withdrawn under the Offer, or (ii) effect a cashless exercise of such holder's options, conditional on the Purchaser taking up and paying for Shares validly deposited and not withdrawn under the Offer. Alternatively, holders of options who wish to accept the Offer may exercise their options and deposit the Shares issued in connection therewith through their broker or other nominees under and in accordance with the Offer.

Any holder of warrants or other rights to purchase Shares who wishes to accept the Offer must exercise the warrants or other rights and deposit the Shares issued in connection therewith through their broker or other nominee under and in accordance with the Offer. Any such exercise must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such options, warrants or other rights to acquire Shares will have certificates representing the Shares received on such exercise available for deposit before the Expiry Time, or in sufficient time to comply with the procedures referred to in Section 3 of the Original Offer, "Manner of Acceptance — Procedure for Guaranteed Delivery".

The tax consequences to holders of options, warrants or other rights to purchase Shares of exercising or not exercising such options, warrants or other rights are not described in Section 15 of the Circular, "Certain Canadian Federal Income Tax Considerations", as amended and supplemented by Section 11 of the Second Notice of Extension and Variation, "Certain Canadian Federal Income Tax Considerations". Holders of options, warrants or other rights to purchase Shares are urged to consult their own tax advisors for advice with respect to potential income tax consequences to them in connection with the decision to exercise or not exercise such options, warrants or other rights.

CURRENCY

In this Third Notice of Extension and Variation, unless otherwise specified, all references to "dollars" or "\$" are to Canadian dollars.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Third Notice of Extension and Variation, including statements made under Section 7, "Recent Developments", are "forward-looking statements" and are prospective. Often, but not always, forward-looking statements may be identified by their use of forward-looking terminology such as the words "plans", "expects", "expected", "projects", "believes", "anticipates", "intends", "estimates", "scheduled" or other similar words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks, uncertainties and other factors that could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors which could cause actual results, performances or achievements of Mineralogy, the Purchaser or Waratah to differ materially from future results expressed or implied by such forward-looking statements.

Forward-looking statements in this Third Notice of Extension and Variation are based on the beliefs and opinions of Mineralogy and the Purchaser at the time the statements are made, and there should be no expectation that these forward-looking statements will be updated or supplemented as a result of changing circumstances or otherwise, and Mineralogy and the Purchaser disavow and disclaim any obligation to do so.

NOTICE REGARDING INFORMATION

The information concerning Waratah contained in this Third Notice of Extension and Variation has been taken from or based upon publicly available documents and records on file with the Securities Regulatory Authorities and other public sources at the time of the extension and variation, unless otherwise indicated, and has not been independently verified by Mineralogy or the Purchaser. Although Mineralogy and the Purchaser have no knowledge that would indicate that any of the statements contained in this Third Notice of Extension and Variation and taken from or based on such public documents, records and sources are untrue or incomplete, Mineralogy and the Purchaser assume no responsibility for the accuracy or completeness of such information, or for any failure by Waratah to disclose publicly facts, events or acts that may have occurred or come into

existence or that may affect the significance or accuracy of any such information and that are unknown to Mineralogy or the Purchaser. Unless otherwise indicated, information contained herein concerning Waratah is given as at December 1, 2008.

No stockbroker, investment dealer or other person (including the Depositary and the Information Agent) has been authorized to give any information or make any representations in connection with the Offer and related transactions described in this Third Notice of Extension and Variation or the Offer Documents other than those contained in this Third Notice of Extension and Variation or the Offer Documents, and if any such information is given or made it must not be relied upon as having been authorized by Mineralogy or the Purchaser.

NOTICE OF EXTENSION AND VARIATION

December 4, 2008

TO: THE HOLDERS OF SHARES OF WARATAH COAL INC.

By notice delivered to the Depositary, Mineralogy has extended and varied its Offer to purchase Shares of Waratah, pursuant to which Mineralogy is now offering to purchase, through its wholly-owned subsidiary Mineralogy Canada Acquisition Corp., all of the issued and outstanding Shares, other than Shares beneficially owned by Mineralogy or any of its affiliates, for the price of \$1.60 per Share, upon the terms and subject to the conditions set forth in the Original Offer, as amended and supplemented by the First Notice of Extension and Variation, the Second Notice of Extension and Variation and this Third Notice of Extension and Variation.

Except as otherwise set forth in this Third Notice of Extension and Variation, the terms and conditions previously set forth in the Original Offer and Circular, as amended and supplemented by the First Notice of Extension and Variation and the Second Notice of Extension and Variation, continue to be applicable in all respects and this Third Notice of Extension and Variation should be read in conjunction with the Original Offer and Circular, the First Notice of Extension and Variation and the Second Notice of Extension and Variation. The term “**Offer**” means the Original Offer, as amended by the First Notice of Extension and Variation, the Second Notice of Extension and Variation and this Third Notice of Extension and Variation.

Mineralogy believes that the price offered per Share represents full and fair value of the Shares and recommends that Shareholders accept the Offer for the following reasons:

- The price offered per Share tendered to the Offer has been increased by approximately 13.5% from \$1.41 per Share to \$1.60 per Share;
- The increased price offered per Share of \$1.60 represents a premium of approximately 28% over Waratah’s closing price on the TSX-V on November 28, 2008, the last trading day on the TSX-V prior to the announcement that Mineralogy and Waratah entered into a support agreement in support of the Offer;
- Waratah’s board of directors has determined to support and approve the Offer and recommends that shareholders accept the Offer and has agreed to render its shareholder rights plan inoperative or ineffective as regards to the Offer immediately prior to the date on which the Purchaser first takes up any Shares deposited to the Offer;
- The members of Waratah’s board of directors intend to tender their Shares to the Offer;
- Certain directors and senior officers of Waratah (including their associates) holding Shares and in-the-money options and warrants exercisable to acquire Shares that represent, in the aggregate, approximately 17.3% of the outstanding Shares on a fully diluted basis (as such term is defined herein) have entered into agreements with Mineralogy pursuant to which such directors and senior officers of Waratah (including their associates) have agreed to tender to the Offer the Shares held by them and the Shares to be received by them upon the exercise of such options and warrants; and
- The Offer is for all of the issued and outstanding Shares, other than Shares owned by Mineralogy or any of its affiliates.

1. Shares to be Purchased by Mineralogy Canada Acquisition Corp., a wholly-owned subsidiary of Mineralogy

Mineralogy has elected to transfer the right to purchase Shares deposited pursuant to the Offer to Mineralogy Canada Acquisition Corp. (the “**Purchaser**”), a direct wholly-owned subsidiary of Mineralogy. The Purchaser was incorporated under the laws of British Columbia on December 3, 2008 and was created solely for the purpose of making the Offer and has not carried on any material business or activities. As of the date hereof, the Purchaser does not own any Shares or securities of Waratah. The principal office of the Purchaser is located at 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, British Columbia, V7X 1L3.

2. Extension of the Offer

Mineralogy has varied the Offer by extending the period during which the Offer is open for acceptance from 11:59 p.m. (Toronto time) on December 5, 2008 to 11:59 p.m. (Vancouver time) on December 15, 2008, unless the Purchaser further extends the period during which the Offer is open for acceptance pursuant to Section 5 of the Original Offer, "Extension, Variation or Change in the Offer". Accordingly, the definitions of "Expiry Date" and "Expiry Time" in the Original Offer and Circular, as amended by the First Notice of Extension and Variation and the Second Notice of Extension and Variation, are further amended to read in full as follows:

"Expiry Date" means December 15, 2008, or any subsequent date set out in any notice of the Purchaser as provided in Section 5 of the Offer, "Extension, Variation or Change in the Offer"; provided that, if such day is not a business day, then the Expiry Date shall be the next business day.

"Expiry Time" means 11:59 p.m. (Vancouver time) on the Expiry Date or such other time as may be set out in any notice of the Purchaser as provided in Section 5 of the Original Offer, "Extension, Variation or Change in the Offer".

3. Increase in the Price Offered per Share Tendered to the Offer

The Offer has been amended and Mineralogy has increased the price offered per Share tendered to the Offer from \$1.41 per Share to \$1.60 per Share. Shareholders who tender their Shares to the Offer will receive the increased price, including those Shareholders who have already validly tendered their Shares to the Offer and not withdrawn such tender. Shareholders who have already tendered their Shares to the Offer do not need to do anything further to receive the increased price offered per Share.

4. Revised Conditions of the Offer

The contents in Section 4 of the Original Offer, "Conditions of the Offer", is deleted in its entirety and replaced with the following:

Mineralogy and the Purchaser will have the right to withdraw or terminate the Offer, and will not be required to accept for payment, take up, purchase or pay for, and/or may extend the period of time during which the Offer is open and/or may postpone the taking up and paying for, any Shares deposited under the Offer unless all of the following conditions are satisfied or waived by Mineralogy or the Purchaser at or prior to the Expiry Time:

- (a) there shall have been validly deposited or tendered under the Offer and not withdrawn at the Expiry Time that number of Shares that constitutes, when added to the Shares beneficially owned by Mineralogy, the Purchaser and any of their affiliates, 50.1% of the Shares outstanding (on a fully diluted basis) (the "**Minimum Tender Condition**");
- (b) no order, ruling or determination having the effect of ceasing the trading of the Shares shall have been issued or made by any Governmental Entity and be continuing in effect and no proceedings for that purpose shall have been instituted or shall be pending or, to the knowledge of Mineralogy, threatened in writing by any Governmental Entity;
- (c) no Material Adverse Effect shall have occurred since December 1, 2008 or prior thereto which was not disclosed in the Waratah Public Disclosure Record since December 31, 2007 and before December 1, 2008;
- (d) there shall not be any judgment, injunction, order, decree or stay enacted, enforced, promulgated, amended, issued or deemed applicable to the Offer or to Waratah or any of its subsidiaries, nor shall there have been passed any Law by any court or Governmental Entity in any jurisdiction, that would in any case prohibit, prevent, restrict or enjoin the consummation of the Offer or a Compulsory Acquisition or Subsequent Acquisition Transaction;
- (e) there shall not exist any prohibition at Law against Mineralogy or the Purchaser making the Offer, taking up and paying for Shares under the Offer or completing a Compulsory Acquisition or any Subsequent Acquisition Transaction;

- (f) the Support Agreement shall not have been terminated in accordance with its terms;
- (g) the Lock-Up Agreement shall not have been terminated prior to December 15, 2008, and the parties to the Lock-up Agreement shall have complied with the terms thereof in all material respects; and
- (h) Mineralogy shall not have become aware of any untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made and at the date it was made (after giving effect to all subsequent filings in relation to all matters covered in earlier filings) in the Waratah Public Disclosure Record since December 31, 2007 and before December 1, 2008, which would have a Material Adverse Effect or which, if the Offer, a Compulsory Acquisition or any Subsequent Acquisition Transaction were consummated would have a Material Adverse Effect.

Subject to certain limitations, these conditions are for the exclusive benefit of the Purchaser and may be asserted by the Purchaser regardless of the circumstances giving rise to any such assertion (including any action or inaction by Mineralogy, the Purchaser or any of their affiliates) or may be waived by the Purchaser in whole or in part at any time and from time to time without prejudice to any other rights which Mineralogy or the Purchaser may have. The failure by the Purchaser at any time to exercise any of these rights will not be deemed a waiver of any such rights and each such right will be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by Mineralogy or the Purchaser concerning the events described in the conditions will be final and binding on Mineralogy and the Purchaser and the Shareholders.

Any waiver of a condition or the withdrawal or termination of the Offer will be effective upon written notice (or other communication confirmed in writing) being given by Mineralogy and the Purchaser to that effect to the Depositary at its principal office in Toronto, Ontario. After giving any such notice or communication, Mineralogy and the Purchaser will make a public announcement of such waiver or withdrawal or termination and, to the extent required by Law, cause the Depositary as soon as possible afterwards to notify the Shareholders in the manner set forth in Section 11 of the Original Offer, "Notice and Delivery". If the Offer is withdrawn or terminated, neither Mineralogy nor the Purchaser will be obligated to take up, accept for payment or pay for any Shares deposited under the Offer.

As a consequence of the revised conditions of the Offer and the entering into of the Support Agreement and Lock-Up Agreement (each as defined below), the following definitions in the Original Offer and Circular, as amended by the First Notice of Extension and Variation and the Second Notice of Extension and Variation, are deleted in their entirety and replaced with the following:

"fully diluted basis" means, with respect to a number of outstanding Shares at any time, that number of Shares which would be outstanding assuming that all options, warrants and other rights to acquire Shares have been exercised in full, but excluding any Shares issued pursuant to the exercise of (i) rights issued under the shareholder rights plan agreement dated October 7, 2008 between Waratah and Computershare Trust Company of Canada, (ii) options to purchase Shares that are out-of-the-money as at the Expiry Time, and (iii) warrants to purchase Shares that are out-of-the-money as at the Expiry Time;

"Governmental Entity" means (a) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, ministry, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign, (b) any subdivision, agent or authority of any of the foregoing or (c) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

"Law" or **"Laws"** means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgments, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity or self-regulatory authority (including the TSX-V and ASX), and the term **"applicable"**, with respect to such Laws and in a context that refers to one or more persons, means such laws as are applicable to such person or its business, undertaking, property or securities and emanate from a person having jurisdiction over the person or persons or its or their business, undertaking, property or securities; and

“Material Adverse Effect” means a material adverse effect on the financial condition, business, or results of operations of Waratah and its subsidiaries, taken as a whole, except any such effect resulting from or arising in connection with: (i) any change in GAAP or changes in regulatory accounting requirements applicable to any industry in which Waratah or any of its subsidiaries operate; (ii) any adoption, proposal, implementation or change in applicable Law or interpretations thereof by any Governmental Entity; (iii) any change in global, national or regional political conditions (including the outbreak of war or acts of terrorism) or in general economic, business, regulatory, political or market conditions or in national or global financial or capital markets (including changes in interest rates, credit availability and liquidity, currency exchange rates and price levels or trading volumes in Canada, Australia, the United States or other securities markets); (iv) any change affecting any of the industries in which Waratah or any of its subsidiaries operate; (v) the execution, announcement or performance of the Support Agreement or consummation of the transactions contemplated thereby, including any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of Waratah or any of its subsidiaries with its customers, employees, officers, directors, shareholders, financing sources, distributors or suppliers; (vi) earthquakes, hurricanes, tornados or other natural disasters; (vii) any change in the market price or trading volume of the securities of Waratah, or any suspension of trading in securities generally on any securities exchange on which the securities of Waratah trade; (viii) the failure of Waratah in and of itself to meet any internal or public projections, forecasts or estimates of revenues or earnings; (ix) the outcome of any litigation publicly disclosed in the Waratah Public Disclosure Record since December 31, 2007 and before December 1, 2008, including proceedings with respect to Waratah’s proposed mine, port and rail project in the Galilee Basin under the Environmental Protection and Biodiversity Conservation Act 1999; (x) any suit, claim, action or proceedings brought, asserted or threatened by or on behalf of any holder or holders of securities of Waratah, arising out of or relating to the Support Agreement or the transactions contemplated thereby or the consummation of the transactions contemplated by the Support Agreement; (xi) changes in the credit markets, any downgrades in the credit markets, or adverse credit events resulting in deterioration in the credit markets generally; (xii) any change in any of the principal markets served by Waratah’s business generally or shortages or price changes with respect to raw materials or other products used or sold by Waratah; (xiii) any actions taken (or omitted to be taken) at the request of Mineralogy or the Purchaser; or (xiv) any action taken by Waratah or any of its subsidiaries which is required or permitted pursuant to the Support Agreement. References in certain sections of the Support Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether a Material Adverse Effect has occurred.

As a consequences of the revised conditions of the Offer and the entering into of the Support Agreement and Lock-Up Agreement, the following definitions are added to the “Definitions” section of the Original Offer and Circular:

“Acquisition Proposal” means any merger, amalgamation, take-over bid, tender offer, arrangement, recapitalization, reorganization, liquidation, dissolution or share exchange involving Waratah or any subsidiary, any sale of assets (including shares of subsidiaries or rights or interests therein or thereto) of Waratah or any of its subsidiaries representing 20% or more of the consolidated assets, any sale of more than 20% of the Shares, or similar transactions involving Waratah and/or its subsidiaries, or a proposal or offer or public announcement or other public disclosure of an intention to do any of the foregoing, directly or indirectly, or any modification or proposed modification thereof, excluding the Offer or any transaction to which Mineralogy, the Purchaser or an affiliate of Mineralogy or the Purchaser is a party, and shall include for greater certainty any increase or other improvement to an Acquisition Proposal (including an Acquisition Proposal or an increase or other improvement to an Acquisition Proposal made after the date hereof by a person who previously participated in the strategic alternative review process by the special committee of independent directors of Waratah’s board of directors);

“Lock-Up Agreement” means the lock-up agreement dated December 1, 2008 between Mineralogy and each of Peter Lynch, Peter and Laura Lynch (as trustee of the Sebal Superannuation Fund), Nicholas Mather, N and J Mather (as trustee of the Mather Superannuation Fund), Samuel Capital Pty Ltd., Duncan Cornish and Catherine Cornish;

“Superior Proposal” means any written Acquisition Proposal: (i) that is reasonably capable of being completed, taking into account to the extent considered appropriate by Waratah’s board of directors, all financial, legal, regulatory and other aspects of such proposal and the person making such proposal; and (ii) that Waratah’s board of directors determines, in its good faith judgment, after receiving the advice of its outside legal and financial advisors and after taking into account all the terms and conditions of the Acquisition Proposal, is on terms and conditions that are more favourable to Shareholders from a financial point of view; and

“**Support Agreement**” means the support agreement entered into between Mineralogy and Waratah dated December 1, 2008, as described in Section 7 of this Third Notice of Extension and Variation, “Recent Developments”.

5. **Variation of the Offer to Disclose the Current Intent to Undertake a Second Step Transaction**

The content of Section 2 of the Second Notice of Extension and Variation, “Variation of the Offer to Disclose the Current Intention to Undertake a Second Step Transaction”, is deleted in its entirety and replaced with the following:

Under the terms of the Support Agreement, if the Offer has been accepted by holders of not less than 90% of the outstanding Shares as at the Expiry Time and the Purchaser accepts the Shares deposited for purchase and pays for such Shares pursuant to the Offer, the Purchaser shall, as soon as possible and to the extent possible, undertake a Compulsory Acquisition to acquire the remainder of the Shares from those Shareholders who have not accepted the Offer. If the Compulsory Acquisition right is not available, the Purchaser will use its commercially reasonable efforts to pursue other means of acquiring the remaining Shares not tendered to the Offer as promptly as possible following the date on which the Purchaser first takes up Shares deposited to the Offer by way of Subsequent Acquisition Transaction, provided that the consideration per Share offered in connection with the Subsequent Acquisition Transaction is at least equivalent in value to the consideration per Share offered under the Offer. The form of any such Subsequent Acquisition Transaction may be determined by the Purchaser in its sole discretion.

6. **Certain Effects of the Offer**

The last paragraph of the content in Section 9 of the Second Notice of Extension and Variation, “Certain Effects of the Offer”, is deleted in its entirety and replaced with the following:

Provided that the Purchaser takes up and pays for 50.1% of the outstanding Shares (when added to the Shares beneficially owned by Mineralogy, the Purchaser or their affiliates), on a fully diluted basis, under the Offer, Waratah’s board of directors will declare, to the extent permitted by applicable Laws, that the expiry date of all options shall, conditional on the Purchaser taking up and paying for 50.1% of outstanding Shares (when added to the Shares beneficially owned by Mineralogy, the Purchaser or their affiliates), on a fully diluted basis, under the Offer, be accelerated so that all options not exercised and tendered or conditionally surrendered prior to the Expiry Time will expire immediately prior to the Expiry Time upon the Purchaser taking up and paying for Shares under the Offer. Holders of warrants should note that if a Subsequent Acquisition Transaction is completed pursuant to which the Purchaser acquires all of the Shares not tendered to the Offer, holders of warrants will cease to have a right to acquire Shares on exercise of their warrants but rather will be entitled to receive, and shall accept, for the same aggregate consideration, upon exercise of their warrants, in lieu of the number of Shares to which each holder of warrants was theretofor entitled upon the exercise of such warrants, the kind and aggregate number of Shares and other securities or property resulting from the Subsequent Acquisition Transaction which such holder of warrants would have been entitled to receive as a result of the Subsequent Acquisition Transaction if, on the effective date thereof, the holder of warrants had been the registered holder of Shares which the holder of warrants was theretofor entitled to purchase or receive upon exercise of such warrants. In addition, if sufficient Shares are tendered to the Offer, the Purchaser may effect a consolidation of the Shares, the effect of which will be that holders of warrants who thereafter exercise their warrants will receive a cash payment in lieu of Shares.

7. **Recent Developments**

The following is a description of recent developments with respect to the Offer since November 24, 2008, the date of the Second Notice of Extension and Variation:

On November 26, 2008, the British Columbia Securities Commission (the “**BCSC**”) issued a ruling with respect to Mineralogy’s application to have the shareholder rights plan (the “**Rights Plan**”) adopted by Waratah’s board of directors on October 7, 2008 rendered ineffective prior to the expiry of Offer. Reviewing the form of order submitted by Mineralogy and Waratah, the BCSC found that Waratah had indicated that it was prepared either to render the rights plan ineffective prior to the expiry of the Offer or, should it not do so, to accept an order that would have the same result. The BCSC stated that it needed to consider Mineralogy’s application only if Waratah was refusing to neutralize the shareholder rights plan. The BCSC held that, based on the consent order submitted to it, this was not the case.

On December 1, 2008, Mineralogy and Waratah entered into the Support Agreement, pursuant to which, among other things, (i) Mineralogy agreed to increase the price offered per Share from \$1.41 to \$1.60 and extend the expiry of the

Offer to 11:59 p.m. (Vancouver time) on December 15, 2008, and (ii) Waratah's board of directors agreed to approve the Offer and recommend that Shareholders accept the Offer. In connection with the execution of the Support Agreement, Mineralogy entered into a Lock-Up Agreement with each of Peter Lynch, Peter and Laura Lynch (as trustee of the Sebal Superannuation Fund), Nicholas Mather, N and J Mather (as trustee of the Mather Superannuation Fund), Samuel Capital Pty Ltd., Duncan Cornish and Catherine Cornish (collectively, the "**Locked-Up Shareholders**"). Following are summaries of the material provisions of the Support Agreement and the Lock-Up Agreement, which are qualified in their entirety by the full texts of such agreements, copies of which may be found free of charge at www.sedar.com.

Support Agreement

On December 1, 2008, Mineralogy and Waratah entered into the Support Agreement, pursuant to which, among other things, Mineralogy agreed to increase the price offered per Share from \$1.41 to \$1.60 and extend the expiry of the Offer to 11:59 p.m. (Vancouver time) on December 15, 2008. Effective December 3, 2008, the Purchaser entered into a joinder agreement with Mineralogy and Waratah pursuant to which it became a party to the Support Agreement. In the Support Agreement, Waratah represented, among other things, that: (i) it has received an opinion from Merrill Lynch Canada Inc. that provides that the consideration being offered pursuant to the Offer is fair from a financial point of view to all Shareholders (other than the Purchaser and its affiliates); (ii) its board of directors supports and approves the Offer and recommends that Shareholders accept the Offer; and (iii) each member of its board of directors intends to tender his Shares to the Offer.

Non-Solicitation

Under the terms of the Support Agreement, Waratah has agreed not to, directly or indirectly, through any officer, director, employee, representative or agent of Waratah or any of its subsidiaries, (i) solicit or initiate any inquiries or proposals regarding an Acquisition Proposal, (ii) participate in any substantive discussions or negotiations regarding an Acquisition Proposal, (iii) withdraw or modify in a manner adverse to the Purchaser, the approval of Waratah's board of directors of the Offer, (iv) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal for a period not to exceed 10 business days shall not be considered to be a violation of the Support Agreement), or (v) accept or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal; provided that nothing contained in the Support Agreement shall prevent Waratah's board of directors from entering into an agreement or engaging in discussions or negotiations or furnishing information to with any person who has made a written Acquisition Proposal (x) that did not result from a breach of the non-solicitation provisions under the Support Agreement, and (y) in respect of which Waratah's board of directors determines in good faith after consulting with its financial advisors and outside legal counsel that the Acquisition Proposal is, or is reasonably likely to lead to, a Superior Proposal.

Waratah has agreed under the terms of the Support Agreement that it shall, and shall cause the officers, directors, employees, representatives and agents of Waratah and its subsidiaries to, promptly terminate any existing discussions or negotiations with any parties (other than Mineralogy and the Purchaser) with respect to any proposal that constitutes, or may reasonably be expected to constitute, an Acquisition Proposal. Waratah agrees not to release any third party from any existing confidentiality or standstill agreement, except that it may specifically release a third party from any existing standstill provisions contained in a confidentiality or other agreement to the extent necessary to permit such party to propose or make an Acquisition Proposal that is, or is reasonably likely to lead to, a Superior Proposal. Upon execution of the Support Agreement, Waratah agreed to promptly request the return or destruction of all information provided to any third party which, at any time since the date of the Original Offer, has entered into a confidentiality agreement with Waratah relating to a potential Acquisition Proposal to the extent that such information has not previously been returned or destroyed, and to use all commercially reasonable efforts to ensure that such requests are honoured in accordance with the terms of such confidentiality agreement.

Notice of Acquisition Proposal

Under the terms of the Support Agreement, Waratah has agreed to promptly notify the Purchaser of any *bona fide* Acquisition Proposal or inquiry that could reasonably be expected to lead to an Acquisition Proposal, in each case received after the date of the Support Agreement, of which any of its directors or officers are or become aware, or any amendments to the foregoing, or any request for non-public information relating to Waratah or any of its subsidiaries in connection with an Acquisition Proposal or inquiry that could reasonably be expected to lead to an Acquisition Proposal or for access to the properties, books or records of Waratah or any of its subsidiaries by any person that informs Waratah or such subsidiary that it is considering making, or has made, an Acquisition Proposal and any amendment thereto and a description of the material

terms and conditions of any such Acquisition Proposal or inquiry. Waratah shall keep the Purchaser informed of any change to the material terms of any such Acquisition Proposal or inquiry.

If Waratah receives a request for material non-public information from a person who proposes an Acquisition Proposal and Waratah's board of directors determines in good faith after consultation with its financial advisors and its outside counsel that such proposal is, or is reasonably likely to lead to a Superior Proposal, then, and only in such case, Waratah's board of directors may provide such person with access to information regarding Waratah, subject to the execution or existence by such person of a confidentiality agreement, provided that such person shall not be precluded from making an Acquisition Proposal and provided further that the Purchaser is promptly provided with a list and copies of all information provided to such person not previously provided to Mineralogy and the Purchaser and is promptly provided with access to information similar to that which was provided to such person.

Acceptance of a Superior Proposal; Right to Match

Waratah has covenanted that it will not accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal (other than a confidentiality agreement permitted by the terms of the Support Agreement) unless: (a) Waratah has complied with its obligations under the Support Agreement in respect of, among other things, non-solicitation, notice of Acquisition Proposals, the Purchaser's right to match, the agreement as to damages described below and has provided the Purchaser with a copy of the Superior Proposal; and (b) a period of five days (the "**Response Period**") shall have elapsed from the date on which the Purchaser received written notice from Waratah's board of directors that Waratah's board of directors has (subject to compliance with the terms of the Support Agreement) determined to accept, approve, recommend or enter into a binding agreement to proceed with the Superior Proposal.

During the Response Period, the Purchaser has the right, but not the obligation, to offer to amend the terms of the Offer. Waratah's board of directors will review any such proposal by the Purchaser to amend the terms of the Offer, including an increase in, or modification of, the consideration to be received by Shareholders, to determine whether the Acquisition Proposal to which the Purchaser is responding would be a Superior Proposal when assessed against the Offer as it is proposed by the Purchaser to be amended. If Waratah's board of directors does not so determine, it will promptly reaffirm its recommendation of the Offer in the same manner by forwarding an amended directors' circular to Shareholders. If Waratah's board of directors does so determine, Waratah may approve, recommend, accept or enter into an agreement, understanding or arrangement to proceed with the Superior Proposal.

Agreement as to Damages

Waratah has agreed to pay, or cause to be paid, to the Purchaser a fee in the amount of \$2.7 million (the "**Termination Fee**") as liquidated damages if the Offer is not consummated because any of the following events occur:

- (a) the Purchaser terminates the Support Agreement because Waratah's board of directors has: (i) withdrawn or modified, in a manner adverse to the Purchaser, its approval or recommendation of the Offer unless Mineralogy or the Purchaser has breached a covenant under the Support Agreement in such a manner that Waratah would be entitled to terminate the Support Agreement in accordance with its terms (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal for a period not exceeding 10 business days shall not be considered an adverse modification); (ii) approved or recommended an Acquisition Proposal or entered into a binding written agreement in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by the terms of the Support Agreement); or (iii) failed to reaffirm its recommendation of the Offer by press release within 10 business days of any Acquisition Proposal (which is determined not to be a Superior Proposal) being publicly announced or made;
- (b) Waratah terminates the Support Agreement in order to enter into a binding written agreement with respect to a Superior Proposal (other than a confidentiality agreement permitted by the terms of the Support Agreement), subject to compliance with the terms of the Support Agreement; or
- (c) prior to December 16, 2008, a *bona fide* Acquisition Proposal in respect of Waratah is publicly announced and has not expired, been withdrawn or publicly abandoned and (i) the Offer is not completed as a result of the Minimum Tender Condition not having been satisfied or waived and (ii) such Acquisition Proposal is completed within six months from the date of termination of the Support Agreement. (For the purposes of

this item (c), the term “Acquisition Proposal” shall have the meaning ascribed in this Third Notice of Extension and Variation, except that references to “20%” shall be deemed to be references to “50%”.)

Shareholder Rights Plan

Under the terms of the Support Agreement, Waratah covenants that it will on or immediately prior to the date on which the Purchaser first takes up any Shares deposited to the Offer, waive, suspend the operation of, redeem all rights issued under, or otherwise render the Rights Plan inoperative or ineffective as regards to the Offer.

Conditions; Extension and Amendment of the Offer

The Support Agreement provides that the Offer is subject to the conditions described in Section 4 of this Third Notice of Extension and Variation, “Revised Conditions of the Offer”. The Purchaser may, under the terms of the Support Agreement, waive in writing at any time, in whole or in part, any condition of the Offer. Under the terms of the Support Agreement, Mineralogy and the Purchaser agree not to amend, modify or change the terms and conditions of the Offer in any manner that is adverse to Shareholders without the prior written consent of Waratah.

In addition, notwithstanding anything to the contrary, neither Mineralogy nor the Purchaser shall, without the prior written consent of Waratah: (a) increase or decrease the Minimum Tender Condition; (b) reduce the number of Shares subject to the Offer; (c) amend the Offer so that it is at a price less than \$1.60 per Share in cash; (d) modify or add to the conditions set forth in Section 4 of this Third Notice of Extension and Variation, “Revised Conditions of the Offer”; (e) extend the Offer (subject to certain limited exceptions described below); or (f) change the form of consideration payable in the Offer.

Under the terms of the Support Agreement, the Purchaser must extend the Offer for a period of at least 10 days beyond the Expiry Date or any date on which the Expiry Date has been extended, if: (a) on such date there has not been tendered at least 66²/₃% of the Shares outstanding on such date, the Minimum Tender Condition has been satisfied, all other conditions to the Offer have been satisfied or waived, and the Purchaser has taken up and paid for all Shares tendered to the Offer; or (b) the Minimum Tender Condition has been waived. In addition, the Purchaser shall, subject to an “outside date” of January 31, 2009, extend the Expiry Date in increments of no less than 10 days if, on the Expiry Date on which the Offer is scheduled to expire, any of the conditions to the Offer (other than as a result of breach by Waratah) shall not be satisfied or waived by the Purchaser, until such time as such conditions are satisfied or waived by the Purchaser. If any of such conditions have not been satisfied or waived by the Purchaser on or before the date required for their performance then, subject to the above, the Purchaser may terminate the Support Agreement by written notice to Waratah.

Outstanding Options and Certain other Purchase Rights

Under the terms of the Support Agreement, Waratah has agreed to notify all persons holding options to purchase Shares under Waratah’s stock option plans of full particulars of the Offer and take all such steps as may be necessary or desirable to permit, encourage and cause all persons holding options who may do so under applicable Laws to exercise their options in connection with the Offer, including by causing the vesting of all options to be accelerated, conditional on the Purchaser taking up and paying for Shares under the Offer. Waratah may enter into arrangements in order to facilitate the conditional surrender of options to Waratah for cash consideration equal to the amount per option by which \$1.60 exceeds the exercise price of the option. Provided that the Purchaser takes up and pays for 50.1% of the outstanding Shares (when added to the Shares beneficially owned by Mineralogy, the Purchaser or their affiliates), on a fully diluted basis, under the Offer, Waratah’s board of directors will declare, to the extent permitted by applicable Laws, that the expiry date of all options shall, conditional on the Purchaser taking up and paying for 50.1% of outstanding Shares (when added to the Shares beneficially owned by Mineralogy, the Purchaser or their affiliates), on a fully diluted basis, under the Offer, be accelerated so that all options not exercised and tendered or conditionally surrendered prior to the Expiry Time will expire immediately prior to the Expiry Time upon the Purchaser taking up and paying for Shares under the Offer. The Purchaser has agreed to implement tendering arrangements in respect of the Offer in order to facilitate the conditional exercise of the options and tender of the Shares to be issued as a result of such conditional exercise.

Reconstitution of the Board of Directors

Under the Support Agreement, Waratah has agreed to, forthwith at the request of the Purchaser upon confirmation that the Purchaser beneficially owns more than 50% of the outstanding Shares, on a fully diluted basis, but subject to obtaining an irrevocable and complete release and discharge in favour of each member of Waratah’s board of directors and confirmation that director and officer insurance policies will be maintained as contemplated in the Support Agreement, use

commercially reasonable efforts to assist in effecting the resignations of Waratah's directors corresponding to the percentage of the Shares taken up, and causing them to be replaced by persons nominated by the Purchaser; provided, however, that from and after the time that the Purchaser's designees constitute a majority of Waratah's board of directors and prior to the completion of a Compulsory Acquisition or Subsequent Acquisition Transaction, (a) Waratah's board of directors shall include at least three independent directors (as determined to be independent in accordance with the applicable rules of the TSX-V and ASX and National Instrument 52-110 of the Canadian Securities Administrators) (the "**Independent Directors**"), and (b) any amendment of the Support Agreement, any termination of the Support Agreement by Waratah, any extension of time for performance of any of the obligations of Mineralogy or the Purchaser under the Support Agreement, any waiver of any condition or any of Waratah's rights under the Support Agreement or other action by Waratah under the Support Agreement that adversely affects Shareholders, may be effected only with the approval of a majority of such Independent Directors.

Employment Agreements/Benefit Plans

Under the terms of the Support Agreement, Mineralogy and the Purchaser each acknowledge that the purchase of Shares pursuant to the Offer will constitute a change-of-control transaction under certain change of control agreements and employment agreements, as disclosed in the Waratah Public Disclosure Record since December 31, 2007 and before December 1, 2008, and that following the acceptance of Shares pursuant to the Offer, the Purchaser will cause Waratah to honour its obligations thereunder, including by paying to the individuals party to such agreements such amounts as result from the calculation in respect thereof. Mineralogy and the Purchaser will ensure that Waratah satisfies such obligations.

Subsequent Acquisition Transaction

Under the terms of the Support Agreement, if the Offer has been accepted by holders of not less than 90% of the outstanding Shares as at the Expiry Time and the Purchaser accepts the Shares deposited for purchase and pays for such Shares pursuant to the Offer, the Purchaser shall, as soon as possible and to the extent possible, undertake a Compulsory Acquisition to acquire the remainder of the Shares from those Shareholders who have not accepted the Offer. If the Compulsory Acquisition right is not available, the Purchaser will use its commercially reasonable efforts to pursue other means of acquiring the remaining Shares not tendered to the Offer as promptly as possible following the date on which the Purchaser first takes up Shares deposited to the Offer (the "**Effective Date**") by way of Subsequent Acquisition Transaction, provided that the consideration per Share offered in connection with the Subsequent Acquisition Transaction is at least equivalent in value to the consideration per Share offered under the Offer. The form of any such Subsequent Acquisition Transaction may be determined by the Purchaser in its sole discretion.

Representations, Warranties and Covenants

The Support Agreement contains certain customary representations and warranties of each of Mineralogy, the Purchaser and Waratah. These representations and warranties will not survive the completion of the Offer and will terminate upon the earlier of the Effective Date and the date on which the Support Agreement is terminated in accordance with its terms.

The Support Agreement also contains negative and positive covenants by Waratah. Among other things, Waratah has covenanted and agreed that, during the period from the date of the Support Agreement until the earlier of the Effective Date and the time that the Support Agreement is terminated in accordance with its terms, unless the Purchaser otherwise agrees in writing, such agreement not to be unreasonably withheld or delayed, or is otherwise expressly permitted or specifically contemplated by the Support Agreement or the Offer or is otherwise required by applicable Law: (a) the business of Waratah and its subsidiaries will be conducted only in, and Waratah and its subsidiaries will not take any action except in, the usual and ordinary course of business, and Waratah will use all commercially reasonable efforts to maintain and preserve its and its subsidiaries' business organization, assets, employees, goodwill and business relationships; and (b) it will promptly notify the Purchaser in writing of any circumstance or development that, to the knowledge of Waratah, is or would, individually or in the aggregate, reasonably be expected to constitute a Material Adverse Effect. Waratah has also agreed to provide Mineralogy and the Purchaser with reasonable access to its officers, employees, agents, properties, books, records and material contracts as may reasonably be required for the purpose of facilitating due diligence reviews and integration business planning.

In addition, under the terms of the Support Agreement, Waratah has agreed to prepare, as promptly as practical and no later than five days after the mailing of this Third Notice of Extension and Variation, a notice of change to its directors' circular in connection with the Offer. Waratah has also agreed that it will perform, and will cause its subsidiaries to perform,

all obligations required or desirable to be performed by Waratah or any of its subsidiaries under the Support Agreement, cooperate with Mineralogy and the Purchaser in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in the Support Agreement and, without limiting the generality of the foregoing, Waratah will and, where appropriate, will cause its subsidiaries to defend all lawsuits or other legal, regulatory or other proceedings Waratah challenging or affecting the Support Agreement or the consummation of the transactions contemplated thereby.

Termination

The Support Agreement includes the following termination rights which must be exercised prior to the Effective Date, each subject to its specific terms:

- (a) either the Purchaser or Waratah may terminate the Support Agreement if any applicable Law makes the making or completion of the Offer or the transactions contemplated by the Support Agreement illegal or otherwise prohibited;
- (b) subject to the notice and cure provisions under the Support Agreement, Waratah may terminate the Support Agreement if Mineralogy or the Purchaser has not performed in all material respects any covenant to be performed by it under the Support Agreement or if any representation or warranty of Mineralogy or the Purchaser has been or becomes untrue to the extent that the failure to perform such covenant, or failure of such representation or warranty to be true and correct, will materially impair or delay the ability of Mineralogy or the Purchaser to consummate the transactions contemplated by the Support Agreement;
- (c) subject to the notice and cure provisions under the Support Agreement, the Purchaser may terminate the Support Agreement if Waratah has not performed in all material respects any covenant to be performed by it under the Support Agreement or if any representation or warranty of Waratah (without giving effect to any materiality qualifiers contained therein) has been or becomes untrue to the extent that the failure of such representation or warranty to be true and correct shall have a Material Adverse Effect;
- (d) the Purchaser may terminate the Support Agreement if Waratah's board of directors has: (i) withdrawn or modified, in a manner adverse to the Purchaser, its approval or recommendation of the Offer unless Mineralogy or the Purchaser has breached a covenant under the Support Agreement in such a manner that Waratah would be entitled to terminate the Support Agreement in accordance with its terms (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal for a period not exceeding 10 business days shall not be considered an adverse modification); (ii) approved or recommended an Acquisition Proposal or entered into a binding written agreement in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by the terms of the Support Agreement); or (iii) failed to reaffirm its recommendation of the Offer by press release within 10 business days of any Acquisition Proposal (which is determined not to be a Superior Proposal) being publicly announced or made;
- (e) Waratah may terminate the Support Agreement if: (i) the Offer has not been made by December 5, 2008 or such other date as may be agreed to by Mineralogy and Waratah; (ii) the Offer (or any amendment thereto other than as permitted by the Support Agreement or any amendment thereof that has been mutually agreed to by Mineralogy and Waratah) does not conform in all material respects with the terms of the Support Agreement, any amendment thereof or any condition of the Offer described in Section 4 of this Third Notice of Extension and Variation, "Revised Conditions of the Offer", that has been mutually agreed to by Mineralogy and Waratah; or (iii) the Offer has been terminated, withdrawn or expires without the Shares being taken up thereunder;
- (f) Waratah may terminate the Support Agreement in order to enter into a binding written agreement with respect to a Superior Proposal (other than a confidentiality agreement permitted by the terms of the Support Agreement), subject to compliance with the terms of the Support Agreement; or
- (g) either the Purchaser or Waratah may terminate the Support Agreement if the Expiry Date does not occur on or prior to January 31, 2009, provided that the failure of the Expiry Date to so occur is not the result of the breach of a representation, warranty or covenant by the party terminating the Support Agreement.

Guarantee

Under the terms of the Support Agreement, Mineralogy has agreed to unconditionally and irrevocably guarantee, and be jointly and severally liable with, the Purchaser for the due and punctual performance of the obligations of the Purchaser under the Support Agreement and the Offer.

Fees and Expenses

Under the terms of the Support Agreement, Mineralogy and Waratah will each pay all fees, costs and expenses incurred by it in connection with the Support Agreement and the Offer.

Lock-Up Agreement

Pursuant to the Lock-Up Agreement, each Locked-Up Shareholder has severally and not jointly agreed to (i) accept the Offer and validly deposit and cause to be deposited all Shares currently owned or controlled by such Locked-Up Shareholder and (ii) if applicable, validly deposit and cause to be deposited any Shares such Locked-Up Shareholder subsequently acquires upon the exercise of any Waratah options or warrants (collectively, the “**Locked-Up Shares**”). The Locked-Up Shareholders have agreed to tender to the Offer an aggregate of 8,433,506 Shares and an additional 2,583,191 Shares resulting from the exercise, if any, of in-the-money options and warrants, for a total of 11,016,697 Shares representing approximately 17.3% of the Shares, on a fully diluted basis, and not to withdraw such Shares from the Offer except in certain limited circumstances. Effective December 3, 2008, the Purchaser entered into a joinder agreement with Mineralogy and the Locked-Up Shareholders pursuant to which it became a party to the Lock-Up Agreement.

The Locked-Up Shareholders have also provided certain covenants in favour of the Purchaser and Mineralogy. Each Locked-Up Shareholder has agreed that until the earlier of: (i) the termination of the Lock-Up Agreement; (ii) the Effective Date; and (iii) December 15, 2008, the Locked-Up Shareholders will not, except in accordance with the terms of the Lock-Up Agreement: (a) acquire direct or indirect beneficial ownership of or control or direction over any additional Shares or obtain or enter into any right to do so, with the exception of any Shares acquired pursuant to an exercise of any Waratah options or warrants; (b) grant or agree to grant any proxy or other right to the Locked-Up Shares, or enter into any voting trust or pooling agreement or arrangement or enter into or subject any of such Locked-Up Shares to any other agreement, arrangement, understanding or commitment, formal or informal, with respect to or relating to the voting thereof; (c) solicit or arrange or provide assistance to any other person to arrange for the solicitation of, purchases of or offers to sell Shares or act in concert or jointly with any other person for the purpose of acquiring Shares or the purpose of affecting the control of Waratah; (d) option, sell, assign, dispose of, pledge, encumber, grant a security interest in or otherwise convey any Locked-Up Shares or any right or interest therein, or agree to do any of the foregoing except pursuant to the Offer and the Lock-Up Agreement; provided however that a Locked-Up Shareholder may sell, assign, donate or otherwise convey some or all of its Locked-Up Shares to a person who shall have executed in favour of Mineralogy and the Purchaser a letter agreement substantially in the form of the Lock-Up Agreement; and (e) not take any action to encourage or assist any other person to do any of the prohibited acts referred to in the foregoing. Notwithstanding these covenants, each Locked-Up Shareholder who is a member of the Board of Directors or a senior officer of Waratah is entitled to exercise his fiduciary duties to Waratah in his capacity as a director or senior officer of Waratah and not be in breach of the Lock-Up Agreement.

Each Locked-Up Shareholder has agreed that any out-of-the-money Waratah warrants, to the extent not exercised prior to the Effective Date, shall be surrendered to Waratah following the take up and payment of such Locked-Up Shareholder's Locked-Up Shares and cancelled without any consideration and the Locked-Up Shareholder shall take all steps required by it to give effect to such cancellation.

The Lock-Up Agreement may be terminated with respect to one or more Locked-Up Shareholders by mutual consent of the Purchaser and such Locked-Up Shareholder(s). Alternatively, a Locked-Up Shareholder can terminate its obligations under the Lock-Up Agreement if: (i) Mineralogy or the Purchaser has not complied in any material respect with their respective covenants contained in the Lock-Up Agreement (following written notice to the Purchaser by the Locked-Up Shareholders of such non-compliance and provided such default is not rectified within 5 business days of that notice) or if any representation or warranty of Mineralogy or the Purchaser under the Lock-Up Agreement is untrue or incorrect in any material respect; (ii) the Purchaser has not mailed the Third Notice of Extension and Variation by December 5, 2008; (iii) the terms of the amended Offer do not conform in all material respects with the description of the amended Offer contained in the Lock-Up Agreement and the Support Agreement; (iv) the Purchaser has not (for any reason other than the failure of any Locked-Up Shareholder to deposit their Shares for purchase), pursuant to the terms of the Lock-Up Agreement, taken up and paid for all Shares deposited under the Offer as required by the Support Agreement; or (v) the Effective Date has not

occurred on or prior to December 15, 2008, provided that at the time of such termination such Locked-Up Shareholder is not in material default in the performance of its obligations under the Lock-Up Agreement.

Mineralogy is entitled to terminate the Lock-Up Agreement if: (i) any of the Locked-Up Shareholders has not complied in any material respect with all of its covenants contained in the Lock-Up Agreement (following written notice to the Locked-Up Shareholder by the Purchaser of such non-compliance and provided such default is not rectified within five business days of that notice) or if any representation or warranty of any of the Locked-Up Shareholders under the Lock-Up Agreement is untrue or incorrect in any material respect; (ii) any of the conditions of the Offer is not satisfied or waived at the Expiry Time and the Purchaser elects not to waive such condition; or (iii) the Support Agreement is terminated in accordance with the provisions thereof; provided that at the time of such termination by Mineralogy, neither the Purchaser nor Mineralogy is in material default in the performance of its obligations under the Lock-Up Agreement.

No termination shall prejudice the rights of a party as a result of any breach by any other party of its obligations under the Lock-Up Agreement. Upon termination of the Lock-Up Agreement, each Locked-Up Shareholder shall be entitled to withdraw any of such Locked-Up Shareholder's Shares deposited under the Offer.

8. Time for Acceptance

The Offer is open for acceptance until 11:59 p.m. (Vancouver time) on December 15, 2008, unless further extended or withdrawn. See Section 5 of the Original Offer, "Extension, Variation or Change in the Offer".

9. Manner of Acceptance

Shares may be deposited under the Offer in accordance with the provisions of Section 3 of the Original Offer, "Manner of Acceptance".

10. Delivery to Computershare Australia

The content of Section 3 of the Original Offer, "Manner of Acceptance" is amended so as to added the following additional subheading and content immediately below the disclosure under the subheading "Method of Delivery" in Section 3 of the Original Offer, "Manner of Acceptance":

Delivery to Computershare Australia

To facilitate the tendering of Shares held by Shareholders in Australia, Computershare Investor Services Pty Limited ("**Computershare Australia**") has been engaged to accept the delivery of certificates representing Shares, Letters of Acceptance and Transmittal and any other relevant documents required by the instructions in the Letter of Acceptance and Transmittal. Computershare Australia will forward deposited Share certificates, Letters of Acceptance and Transmittal and other documents delivered to it to the Depository's office in Toronto, Canada by means of a third party courier service.

Delivering Share certificates, Letters of Acceptance and Transmittal and other relevant documents to Computershare Australia will not constitute delivery of such documents for the purpose of tendering Shares to the Offer. A valid deposit of Shares delivered to Computershare Australia will occur only if the following documents are received by the Depository at its office in Toronto, Canada prior to the Expiry Time:

- (a) the certificate or certificates representing the Shares in respect of which the Offer is being accepted;
- (b) a properly completed and duly signed copy of the Letter of Acceptance and Transmittal, or a manually signed facsimile copy, with the signature or signatures guaranteed in accordance with the instructions set out in the Letter of Acceptance and Transmittal; and
- (c) any other relevant document required by the instructions set forth in the Letter of Acceptance and Transmittal.

The Offer will be deemed to be accepted only if the Depository has received these documents at or before the Expiry Time at one of the addresses for the Depository indicated on the Letter of Acceptance and Transmittal, which list of offices does not include the offices of Computershare Australia. As described above under the subheading "Procedure for Guaranteed Deliver" in Section 3 of the Original Offer, "Manner of Acceptance", deposits using the procedures contemplated

by the Notice of Guaranteed Delivery may be made only at the principal office of the Depository in Toronto, Canada by or through an Eligible Institution.

Mineralogy, the Purchaser, the Depository and Computershare Australia accept no responsibility to ensure the delivery, or delivery on a timely basis, to the Depository's office in Toronto, Canada of materials delivered to Computershare Australia, and by delivering such materials to Computershare Australia, Shareholders acknowledge that Computershare Australia will forward such materials to the Depository's office in Toronto, Canada by means of a third party courier and that Mineralogy, the Purchaser, the Depository and Computershare Australia shall not be liable for any failure to deliver such materials, or any failure to deliver such materials on a timely basis, to the Depository's office in Toronto, Canada for any reason whatsoever.

Shareholders wishing to deliver certificates representing Shares, Letters of Acceptance and Transmittal and any other relevant documents required by the instructions in the Letter of Acceptance and Transmittal with Computershare Australia may do so until 7:00 p.m. (Sydney time) on December 11, 2008.

To deliver such materials to Computershare Australia for the purposes, and subject to the conditions, described above, such materials should be delivered to Computershare Investor Services Pty Limited by mail to GPO Box, 7043, Sydney NSW, 2001, or by hand delivery to Level 2, 60 Carrington Street, Sydney, NSW 2001.

11. Take-Up of and Payment for Deposited Shares

Upon the terms and subject to the conditions of the Offer, the Purchaser will take up and pay for Shares validly deposited to the Offer and not withdrawn as set out in Section 6 of the Original Offer, "Take-Up of and Payment for Deposited Shares", but (a) disregarding any reference to Mineralogy taking up Shares on a *pro rata* basis, and (b) subject to the deletion of the first paragraph under Section 6 of the Original Offer, "Take-Up of and Payment for Deposited Shares", and the replacement thereof with the following:

Upon and subject to the terms and conditions of the Offer, the Purchaser will be obligated to take up and pay for Shares duly and validly deposited pursuant to the Offer and not validly withdrawn in accordance with the terms of the Offer within the period required under applicable Securities laws and, in any event, not later than two business days following the time at which the Purchaser becomes entitled to take up such Shares under the Offer pursuant to applicable Laws. Any Shares taken up will be required to be paid for as soon as possible and, in any event, not later than two business days after they are taken up. Any Shares deposited pursuant to the Offer after the first date on which Shares have been taken up and paid for by the Purchaser must be taken up and paid for within the period required under applicable Securities Laws and, in any event, not later than two business days following the time at which the Purchaser becomes entitled to take up such Shares under the Offer pursuant to applicable Laws.

12. Right to Withdraw Deposited Shares

Shareholders have a right to withdraw Shares deposited under the Offer in the circumstances and in the manner set out in Section 7 of the Original Offer, "Right to Withdraw Deposited Shares".

13. Source of Funds

The content of Section 6 of the Circular, "Source of Funds", as amended by Section 9 of the First Notice of Extension and Variation, "Source of Funds", is deleted in its entirety and replaced with the following:

Mineralogy estimates that if the Purchaser acquires all of the issued and outstanding Shares (on a fully diluted basis, but excluding the Shares beneficially owned by Mineralogy, the Purchaser or any of their affiliates) pursuant to the Offer, the total amount of cash required for the purchase of such Shares will be approximately \$84,735,045. Mineralogy and the Purchasers have sufficient funds on hand or available through existing credit facilities to fund the Offer. The Purchaser's obligation to take up and pay for Shares deposited under the Offer is not subject to any financing condition.

14. Agreements, Commitments or Understandings

The content of Section 10 of the Circular, "Agreements, Commitments or Understandings", is deleted in its entirety and replaced with the following:

Other than the Support Agreement and the Lock-Up Agreement and the matters provided for therein, there are no arrangements or agreements made or proposed to be made among Mineralogy or the Purchaser and any of the directors or senior officers of Waratah and no payments or other benefits are proposed to be made or given by Mineralogy or the Purchaser by way of compensation for loss of office or as to such directors or senior officers remaining in or retiring from office following the completion of the Offer. Other than the Lock-Up Agreement, there are no agreements, arrangements or understandings, formal or informal, among Mineralogy or the Purchaser and any securityholder of Waratah with respect to the Offer.

15. Acceptance of the Offer

The content of Section 16 of the Circular, "Acceptance of the Offer", is deleted in its entirety and replaced with the following:

Other than as contemplated by the Support Agreement and the Lock-Up Agreement, Mineralogy and the Purchaser have no knowledge regarding whether any Shareholder will accept the Offer.

16. Benefits from the Offer

The content of Section 17 of the Circular, "Benefits of the Offer", is deleted in its entirety and replaced with the following:

Other than as contemplated by the Support Agreement and the Lock-Up Agreement, to the knowledge of Mineralogy and the Purchaser, there are no direct or indirect benefits of accepting or refusing to accept the Offer that will accrue to (a) any director, senior officer or other insider of Waratah or any associate or affiliate of any such director, senior officer or other insider, (b) any associate or affiliate of Waratah, (c) any insider of Mineralogy, or (d) any person or company acting jointly or in concert with Mineralogy and the Purchaser, other than those that will accrue to Shareholders generally.

17. Consequential Amendments

The Original Offer and Circular, the Letter of Acceptance and Transmittal, the Notice of Guaranteed Delivery, the First Notice of Extension and Variation and the Second Notice of Extension and Variation are amended to the extent necessary to reflect the information contained in this Third Notice of Extension and Variation.

18. Offerees' Statutory Rights

Securities legislation of the provinces and territories of Canada provides Shareholders with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages if there is a misrepresentation in a circular or notice that is required to be delivered to those Shareholders. However, such rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer. Such rights may in certain cases need to be exercised through CDS on behalf of a Shareholder. Accordingly, Shareholders should also contact their broker or other nominee for assistance as required.

19. Directors' Approval

The contents of this Third Notice of Extension and Variation have been approved and the sending, communication or delivery thereof to the Shareholders has been authorized by the board of directors of Mineralogy and the board of directors of the Purchaser.

APPROVAL AND CERTIFICATE OF THE PURCHASER

The contents of this Third Notice of Extension and Variation have been approved and the sending, communication or delivery thereof to the Shareholders has been authorized by the board of directors of Mineralogy Canada Acquisition Corp. The foregoing, together with the Original Offer and Circular, as amended and supplemented by the First Notice of Extension and Variation and the Second Notice of Extension and Variation, contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

DATED: December 4, 2008

MINERALOGY CANADA ACQUISITION CORP.

By: (Signed) "Clive Palmer"
Chief Executive Officer

By: (Signed) "Derek Payne"
Chief Financial Officer

On behalf of the Board of Directors of Mineralogy Canada Acquisition Corp.

By: (Signed) "Clive Palmer"

APPROVAL AND CERTIFICATE OF MINERALOGY

The contents of this Third Notice of Extension and Variation have been approved and the sending, communication or delivery thereof to the Shareholders has been authorized by the board of directors of Mineralogy Pty Ltd. The foregoing, together with the Original Offer and Circular, as amended and supplemented by the First Notice of Extension and Variation and the Second Notice of Extension and Variation, contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

DATED: December 4, 2008

MINERALOGY PTY LTD.

By: (Signed) "Vimal Sharma"
Chief Executive Officer

By: (Signed) "Derek Payne"
Chief Financial Officer

On behalf of the Board of Directors of Mineralogy Pty Ltd.

By: (Signed) "Clive Palmer"

By: (Signed) "Clive Mensink"

The Depository for the Offer is:



COMPUTERSHARE INVESTOR SERVICES INC.

By Mail

P.O. Box 7021
31 Adelaide Street East
Toronto, Ontario
M5C 3H2
Attention: Corporate Actions

By Registered Mail, Hand or Courier

100 University Avenue
9th Floor
Toronto, Ontario
M5J 2Y1
Attention: Corporate Actions
Toll-Free (North America): 1-800-564-6253
Overseas: 1-514-982-7555
Facsimile: 1-905-771-4082
E-mail: corporateactions@computershare.com

The Information Agent for the Offer is:



GEORGESON SHAREHOLDER COMMUNICATIONS CANADA INC.

Toll-Free (North America): 1-866-676-3031
Banks, Brokers and Shareholders (Outside North America) Call Collect: 1-212-440-9800

Toll-Free (Australia): 1300 254 802
Call Collect (Outside Australia): +6 13 9938 4329

Any questions regarding the Offer and requests for assistance in depositing Shares or for additional copies of the Original Offer and Circular, Letter of Acceptance and Transmittal, Notice of Guaranteed Delivery, the First Notice of Extension and Variation, the Second Notice of Extension and Variation and/or this Third Notice of Extension and Variation may be directed by the Shareholders to the Depository or the Information Agent at their respective telephone numbers and addresses set out above. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance.