

QUARTERLY REPORT

March 2015 Quarterly Report

HIGHLIGHTS

- **\$125 million equity raising completed**
- **Restructure of Board of Directors**
- **Appointment of new Chief Executive Officer**
- **28.5Mt offtake agreement reached with major shareholder Noble Group**
- **Approvals for Baralaba Expansion continuing to progress**

Operations

Safety

Cockatoo recorded zero Lost Time Injuries or Medical Treatment Injuries during the March quarter of 2015. Cockatoo's 12 month rolling TRIFR is 2.09, compared to the 2014 financial year Queensland Open Cut Mines average of 13.3.

Baralaba Mine

Mining operations at Baralaba resumed in January following the planned holiday period shut down. Weather events adversely impacted operations during the quarter. This included the crossing of Tropical Cyclone Marcia ("Marcia") which delivered heavy rainfall to the region. Production activities at site were halted intermittently during this event however the impacts at Baralaba were minimal. The Moura rail system was damaged in parts as a result of Marcia and raiing operations were suspended for 25 days. Railings subsequently resumed on 18 March.

Total Baralaba Complex	March 2015 Qtr	Previous Qtr
ROM coal production (tonnes)	131,487	177,922
Overburden Removed (bcm)	2,679,373	3,095,133
Coal stocks at Quarter end (tonnes)	164,542	172,093
Total coal sales (tonnes)	139,038	255,826

Table 1 – Baralaba Production Statistics

Coal Market Outlook

Coal prices for metallurgical coal remained low during the March 2015 quarter and have further weakened in the current quarter. This appears to be due to current oversupply in the market and uncertainty following new quality restrictions imposed on certain coal imports into China. The weakening of the Australian dollar has provided some relief to the low coal prices which are denominated in United States dollars.

Development Update

The Company continued development of Stage 2 works for the Baralaba Expansion project during the quarter. Earthworks for the new train load out facility and balloon loop are 95% complete and construction of the facility has now commenced. A total of \$14.1 million was spent on development during the March 2015 quarter.



Figure 1 – Train Load Out Development In Progress

Approvals Update

The approvals timeline for the Baralaba Expansion project remains on target for the scheduled increase in production from 1Mtpa to 3.5Mtpa. During the quarter, three objections were received to the Environmental Authority amendment to allow the granting of a 3.5Mtpa mining lease for the Baralaba Expansion project. Two of these objections were subsequently withdrawn. The remaining objection will be heard in the Queensland Land Court.



Corporate

Funding

During the quarter the Company completed a \$125 million equity raising via a fully underwritten pro-rata entitlement offer of fully paid ordinary shares to provide funding for Cockatoo's flagship Baralaba Expansion project. The equity raising was supported by existing Cockatoo shareholders Noble Group Limited ("Noble Group") and PT Harum Energy Tbk, as well as new investor Liberty Metals & Mining Holdings LLC, a subsidiary of Boston based Liberty Mutual Insurance.

A revised and re-optimised mine plan has been developed for Baralaba, reducing overburden removed in advance and focusing the next 3 years of production within more efficient mining areas. The significant deferral of capital expenditure spread across 5 years, combined with the realisation of revenue from recent non-core asset sales had materially reduced Cockatoo's expected funding requirements for Baralaba to approximately \$125m, with the forecast mine cashflows covering deferred expansion costs. The revised business plan had also created a current reduction in required employees by approximately 25%, assisting with Cockatoo's ongoing management of costs.

The new funding was planned to be sufficient to execute the revised mine development plan, cover all associated transaction costs and sustain the business during a period of forecast depressed coal prices prior to a period of expected substantial demand growth in the ULV PCI market¹. Contract and spot coal prices have recently declined further, such that despite falls in the broker consensus price forecasts, these are now higher than the currently achievable prices in the market. As a consequence Cockatoo is further reviewing mine plans and costs.

Restructure of Board and appointment of new Chief Executive Officer

As part of the recapitalisation of Cockatoo, a restructure of the Company's Board was undertaken during the quarter. The Company welcomes the appointments of Mr Damon G. Barber, Mr Mark Tomek and Mr Stephen Motteram as Non-Executive Directors. In addition, Mr Neil Dhar was appointed as an alternate Director for Mr Tim Gazzard and Mr Stephen Motteram. Full Director profiles can be found within the ASX announcement released on 12 March 2015 as well as on the Cockatoo Coal website.

Mr Hyeondong (Henry) Cho and Mr Rod Ruston resigned as Directors of the Company during the quarter, and Mr William Randall resigned as an alternate Director. The Board of Cockatoo thank these Directors for their valued contributions to the Company.

Further to these changes and following completion of the recapitalisation transactions, the position of Managing Director was made redundant. The Board noted Mr Andrew Lawson's contribution to the development of Cockatoo and thanked him for his service.

Cockatoo also announced the appointment of Mr Peter Kane as Chief Executive Officer of the Company. Mr Kane is a mining engineer with over 25 years experience in the mining industry throughout Australia, New Zealand and Mongolia, possessing significant Queensland coal sector experience. Mr Kane has held various executive positions during his career, including Managing Director and Chief Executive Officer roles with Guildford Coal, Aston Resources and Boardwalk Resources. He has also served as Chief Operating Officer of both Macarthur Coal and Whitehaven Coal, as well as various senior roles within Leighton Holdings and BHP.

(1) Fully financed business plan for period 1 January 2015 – 31 December 2016 assumes coal price based on equity research consensus, FX forecasts based on the forward curve and cost and capital assumptions as per current business plan. Refer to risk factors from the Investor Presentation dated 5 February 2015.



28.5Mt offtake agreement with Noble Group

In addition to the aforementioned recapitalisation of Cockatoo, the Company entered into a new 28.5Mt offtake agreement with major shareholder Noble Group, to support marketing initiatives utilising Noble Group's global reach and network of customers. This agreement was approved by a General Meeting of Cockatoo shareholders on 9 April 2015.

Exploration

Cockatoo continued to minimise expenditure on exploration as it focused on the development of its core asset at Baralaba. A total of \$0.5 million was spent on exploration and evaluation activities not relating to Baralaba during the March 2015 quarter.

The Company continued managing the JOGMEC farm-in of the Dingo West project during the quarter. As previously reported, the farm-in exploration program is 100% funded by JOGMEC.

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