



27 June 2014

The Manager Companies
ASX Limited
20 Bridge Street
Sydney, NSW, 2000

Dear Madam,

Baralaba Expansion Project and Funding Update

Expansion Progress

As announced on 12 May 2014, the Company has completed the first phase of the Baralaba Expansion project with ULV PCI coal production now increasing to 1 million tonnes per annum at Baralaba North. The Environmental Impact Statement (EIS) to further increase production to 3.5 million tonnes per annum was submitted to DEHP Queensland in April 2014. The EIS was prepared by Cockatoo and was extensively peer reviewed before submission to allow DEHP Queensland to conduct its own reviews more efficiently. The EIS was also prepared under the Greentape Reduction measures implemented by the Queensland Government, raising the possibility of additional statutory timeframe reductions.

The increase in production at Baralaba North is an important milestone for the Company and is critical in ensuring Cockatoo can meet its infrastructure take-or-pay obligations. This includes the delivery of coal to the new Wiggins Island Coal Export Terminal, which is now over 80% complete.

The development of the Baralaba Expansion project is currently on schedule and under budget. The Company has been diligent in optimising and deferring capital expenditure to preserve cash reserves where possible and has been taking advantage of a competitive contracting market. This has been evidenced both by the recently completed flood levee construction, which was delivered under budget and the fact that newly submitted tenders are showing significant cost savings against the feasibility study estimates.

Funding

Cockatoo and its major shareholders are currently in advanced stage discussions with JFE Shoji Trade Corporation (“**JFE**”) regarding the future direction and funding of the Baralaba joint venture (JFE has a 37.5% shareholding in the Baralaba Mine and a 20% interest in Baralaba North).

In addition, the Company, its two major shareholders (Noble Group and SK Networks) and its principal bank (ANZ) are currently in advanced negotiations in respect of the release of up to A\$37.0 million of restricted cash, that the Company has provided for infrastructure guarantees. The release of the restricted cash is a critical element of the Company’s funding plan, as previously announced in October 2013. The finalisation of the proposal is subject to entry into formal agreements and a resolution of the JFE discussions (per above)



to the satisfaction of Noble Group, SK Networks and ANZ. The agreements with Noble Group and SK Networks will then be subject to approval by the Company's shareholders in a general meeting.

The Company is closely managing its cashflow while finalising the above arrangements, including the elements described in the progress report above, deferring works which are not on the expansion project critical path and pre-sales of coal through facilities provided by its major shareholders.

Following release of the restricted cash, Cockatoo intends to progress with a potential mezzanine financing as previously announced in its funding plans.

Outlook

Despite current market challenges, the outlook for the coal sector in the medium to long term remains positive. The expansion of ULV PCI coal mining to 3.5 million tonnes per annum at Baralaba should place the Company in a strong position to take advantage of this.

For more information, please contact

Andrew Lawson
Managing Director
Cockatoo Coal Limited

P +61 7 3640 4700
F +61 7 3640 4799
E info@cockatoocoal.com.au