



11 July 2014

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

Dear Madam

Acquisition of Baralaba Minority Interests

Cockatoo Coal Limited (**the Company**) is pleased to announce that it has reached agreement with JS Baralaba Wonbindi Pty Ltd (**JSBW**), a subsidiary of JFE Shoji Trade Corporation (**JFE**), to acquire its minority shareholdings in Baralaba Coal Pty Ltd and Wonbindi Coal Pty Limited (collectively **Baralaba JV**) for A\$1 with existing loans from JSBW of approximately A\$60m to remain in place following completion of the sale. Repayment of the JSBW shareholder loans will be subordinated to any new funding contributed by the Company up until completion of the Baralaba Expansion Project, and will then be repaid from Baralaba JV cashflows after debt service (including project finance) on an equal dollar per dollar basis with the existing shareholder loans that the Company has advanced to the Baralaba JV.

JSBW has a 37.5% interest in Baralaba Coal Pty Ltd and a 20% interest in Wonbindi Coal Pty Limited. The Baralaba JV holds, in addition to other assets, the Baralaba North mine which is progressing towards increasing ULV PCI coal production to 3.5 million tonnes per annum as part of the Baralaba Expansion Project.

As part of the transaction, the Baralaba JV will increase the current PCI coal offtake tonnage with JFE Steel Corporation (**JFE Steel**) from 300,000 to 500,000 tonnes per annum and extend the term of the offtake agreement to 31 March 2022.

JFE has advised that its decision to divest their equity interest in the Baralaba JV is not a direct reflection of its view of the future potential of the Baralaba project, but rather a result of current external market factors and the position adopted by the JFE Group to limit exposure to coal investments.

“While we respect JFE Group’s decision to restructure its exposure to coal investments, we welcome their continued involvement through the increased and extended offtake agreement and the longer term confidence in the project demonstrated by their decision to leave their existing loans in place and defer repayment”, said Cockatoo CEO Andrew Lawson.

Further to the announcement on 27 June 2014, resolution of the discussions with JFE was a key step towards finalising the ongoing discussions with the Company’s two major shareholders (Noble Group and SK Networks) and its principal bank (ANZ) regarding the release of up to A\$37.0 million of restricted cash that the Company has provided for infrastructure guarantees. The Company expects to finalise formal agreements for the release of restricted cash soon, which will then be subject to approval by the Company’s



shareholders in a general meeting. The arrangements with JSBW, JFE and JFE Steel are subject to ANZ's consent to the sale and to the Company completing the proposal to release the restricted cash with Noble Group and SK Networks.

For more information, please contact

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