



26 August 2014

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Madam,

Agreement to release A\$37.0 million of restricted cash

The Directors of Cockatoo Coal Limited ('the Company' or 'Cockatoo') are pleased to advise that the Company has finalised agreement with two of its major shareholders, Noble Group Limited ('Noble'), SK Networks Co., Ltd ('SKN') and its principal bank, Australia and New Zealand Banking Group Limited ('ANZ'), to release A\$37.0 million of restricted cash. Under the arrangements, Noble and SKN will each procure a bank guarantee in favour of ANZ, as replacement security (currently cash backed) for guarantees supporting infrastructure entitlements, including the 3.0 million tonne per annum 'take or pay' agreement with the new Wiggins Island Coal Export Terminal.

The arrangements have a term of 3 years and guarantee fees charged at 12.5% per annum plus expenses (capped at 1% per annum) will be capitalised and repaid on termination of the facility.

In addition to the provision of guarantees, both Noble and SK Networks have agreed to each offtake 5.85Mt tonnes of ULV PCI coal from the Baralaba Complex (approximately 390,000 tonnes each per annum for 15 years). Securing these offtake tonnages contributes towards satisfying a key condition precedent of the A\$255 million ANZ project finance facility.

As part of the arrangements Noble and SK Networks will each be granted second ranking security over the Baralaba Complex assets. ANZ has also granted an option to both SK Networks and Noble Group to replace the existing guarantee facility provided by ANZ which has first ranking security.

The arrangements are subject to the approval of the Company's shareholders in a General Meeting. Details of the meeting will soon be provided to shareholders. An initial restricted cash release of \$18.5 million will occur by 31 August 2014. However, if the arrangements are not subsequently approved by shareholders, the Company is required to repay the \$18.5 million within 3 months of the General Meeting.

Managing Director of Cockatoo, Mr Andrew Lawson, said: "Cockatoo has successfully finalised the first stage of its funding strategy post the equity raise in Q4 2013 by negotiating with its two major shareholders a release of \$37 million of Cockatoo's cash that has until now been held as security against various guarantees. Further, the offtake agreements with both shareholders take Cockatoo closer to meeting one of the key conditions precedent under our ANZ project finance facility. These are tough times for everyone in the coal industry, but with the ongoing support from our major shareholders, and from ANZ, Cockatoo management is confident that it can emerge with a robust and competitive 3.5Mtpa expansion to take advantage of the expected upswing in the ULV PCI coal demand and price."

The release of the restricted cash is a critical element of the Company's funding plans. The Company will continue to implement its funding plans, including pursuing mezzanine finance, to further the development of the Baralaba Expansion project.



For more information, please contact

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