Rule 4.3A

Appendix 4E

Preliminary final report

Cockatoo Coal Limited

ABN 13 112 682 158

REPORTING PERIOD

The financial information contained in this report are for the year ended 30 June 2014. Comparative amounts, unless otherwise indicated, are for the year ended 30 June 2013.

RESULTS FOR ANNOUNCEMENT TO THE MARKET (UNAUDITED)

	Change	% Change		$'000
Revenues from ordinary activities and other income	up	23%	to	81,532
Profit (Loss) from ordinary activities after tax attributable to members	up	542%	to	(182,279)
Net Profit (Loss) attributable to members	up	542%	to	(182,279)
Dividends (distributions) (The Company does not propose to pay dividends)	N/A	N/A	to	Nil

COMMENTARY ON THE RESULTS FOR THE YEAR

The revenues from ordinary activities increased due to an increase in the tonnes of coal sold compared to the corresponding period. The loss from ordinary activities increased due to significant impairments of $152,041,746 being recorded against non-core assets held by the Group. A gross loss caused by unfavorable coal prices and foreign exchange rates also attributed to the net loss.

AUDIT

This report is based on accounts which are in the process of being audited. It is expected that the independent audit report for the 30 June 2014 Financial Report will include an emphasis of matter paragraph highlighting the going concern note disclosures contained therein.

NET TANGIBLE ASSET BACKING PER SHARE

	2014 $	2013 $
Net tangible asset backing per ordinary share	0.05	0.25

COCKATOO COAL LIMITED
and its controlled entities

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014	2013
		$	$
Coal sales revenue		81,532,272	66,109,877
Cost of sales		(92,175,069)	(63,498,121)
Gross profit/(loss)		(10,642,797)	2,611,756
Other income	2	5,876,996	9,403,485
Gain on sale of associate	24	1,043,475	-
Gain on sale of assets		4,672	10,167
Administration costs		(18,282,638)	(15,707,791)
Impairment losses	5	(152,041,746)	(12,820,724)
Share based remuneration	21	(392,624)	(341,709)
Travel expenses		(430,671)	(368,378)
Legal fees		(562,137)	(572,006)
Provision expense – infrastructure security	18	(3,699,543)	-
Marketing fee - termination	12	(3,072,404)	-
Other expenses	3	(1,078,115)	(1,178,263)
Results from operating activities		(183,277,532)	(18,963,463)
Finance income	4	1,521,937	4,231,518
Finance expense	4	(9,564,194)	(23,298,790)
Net finance income/(cost)		(8,042,257)	(19,067,272)
Share of profit/(loss) in equity accounted investees	12	-	19,959
Profit/(loss) before income tax		(191,319,789)	(38,010,776)
Income tax benefit/(expense)	6	(363,000)	5,486,000
Profit/(loss) for the year		(191,682,789)	(32,524,776)
Other comprehensive income for the year			
Total items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss:			
Net change in the fair value of available-for-sale financial assets	11	(104,000)	(5,200,000)
Net change in the fair value of available-for-sale financial assets transferred to the profit and loss		-	-
Total items that may be reclassified subsequently to profit or loss		(104,000)	(5,200,000)
Other comprehensive income for the period		(104,000)	(5,200,000)
Total comprehensive income/(loss) for the year		(191,786,789)	(37,724,776)

COCKATOO COAL LIMITED
and its controlled entities

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

Profit/(loss) for the period attributable to:			
Equity holders of the Company		(182,278,983)	(28,403,165)
Non-controlling interest		(9,403,806)	(4,121,611)
Profit/(loss) for the period		(191,682,789)	(32,524,776)
Total comprehensive profit/(loss) for the period attributable to:			
Equity holders of the Company		(182,382,983)	(33,603,165)
Non-controlling interest		(9,403,806)	(4,121,611)
Total comprehensive income/(loss) for the year		(191,786,789)	(37,724,776)
Basic earnings/(loss) per share attributable to ordinary equity holders	7	(6.48) cents	(2.79) cents
Diluted earnings/(loss) per share attributable to ordinary equity holders	7	(6.48) cents	(2.79) cents

COCKATOO COAL LIMITED
and its controlled entities

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Attributable to equity holders of the Company						
		Share capital	Option premium reserve	Fair value reserve	Accumulated losses	Total	Non-controlling interest	Total equity
		$	$		$	$	$	$
For the year ended 30 June 2014								
Balance at 1 July 2013		339,007,453	9,603,242	104,000	(83,744,759)	264,969,936	(13,037,207)	251,932,729
Total comprehensive income for the period								
Loss		-	-	-	(182,278,983)	(182,278,983)	(9,403,806)	(191,682,789)
Net change in fair value of available-for-sale financial assets		-	-	(104,000)	-	(104,000)	-	(104,000)
Other comprehensive income		-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of shares	19	157,265,355	-	-	-	157,265,355	-	157,265,355
Costs of issue	19	(6,310,582)	-	-	-	(6,310,582)		(6,310,582)
Acquisition of controlled entity	20	14,717,127	-	-	280,344	14,997,471	-	14,997,471
Cancellation of shares	24	(8,762,475)	-	-	-	(8,762,475)	-	(8,762,475)
Issue of options		-	1,589,032	-	-	1,589,032	-	1,589,032
Expiry of options		-	(3,603,720)	-	3,603,720	-	-	-
Balance at 30 June 2014		495,916,878	7,588,554	-	(262,139,678)	241,365,754	(22,441,013)	218,924,741
For the year ended 30 June 2013								
Balance at 1 July 2012		338,889,880	4,460,342	5,304,000	(55,726,338)	292,927,884	(8,915,596)	284,012,288
Total comprehensive income for the period								
Loss		-	-	-	(28,403,165)	(28,403,165)	(4,121,611)	(32,524,776)
Net change in fair value of available-for-sale financial assets		-	-	(5,200,000)	-	(5,200,000)	-	(5,200,000)
Other comprehensive income		-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of shares	19	117,573	-	-	-	117,573	-	117,573
Issue of options		-	5,527,644	-	-	5,527,644	-	5,527,644
Expiry of options		-	(384,744)	-	384,744	-	-	-
Balance at 30 June 2013		339,007,453	9,603,242	104,000	(83,744,759)	264,969,936	(13,037,207)	251,932,729

COCKATOO COAL LIMITED
and its controlled entities

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	2014	2013
		$	$
Current assets			
Cash and cash equivalents	22	1,407,237	12,688,886
Trade and other receivables	8	10,732,875	5,333,874
Inventories	9	13,158,151	20,407,948
Assets held for sale	24	-	18,000,000
Other	10	1,100,410	1,948,920
Total current assets		26,398,673	58,379,628
Non-current assets			
Term deposits	22	45,740,642	35,000,000
Investments	11	-	5,600,002
Exploration and evaluation expenditure	13	71,066,144	233,153,212
Property, plant and equipment	14	195,686,106	63,387,729
Intangible assets	15	408,996	246,398
Other	12	10,396,537	16,669,218
Total non-current assets		323,298,425	354,056,559
Total assets		349,697,098	412,436,187
Current liabilities			
Trade and other payables	16	40,578,017	16,775,397
Revenue received in advance – coal sales		11,161,251	-
Borrowings	17	1,218,534	100,423,227
Employee benefits		1,290,828	653,364
Provisions	18	3,699,543	-
Total current liabilities		57,948,173	117,851,988
Non-current liabilities			
Borrowings	17	64,025,928	39,566,086
Employee benefits		86,863	96,192
Deferred tax liability	6	400,000	37,000
Provisions	18	7,221,181	2,952,192
Other		1,090,212	-
Total non-current liabilities		72,824,184	42,651,470
Total liabilities		130,772,357	160,503,458
Net assets		218,924,741	251,932,729
Equity			
Share capital	19	495,916,878	339,007,453
Option premium reserve		7,588,554	9,603,242
Fair value reserve		-	104,000
Accumulated losses		(262,139,678)	(83,744,759)
Total equity attributable to equity holders of the Company		241,365,754	264,969,936
Non-controlling interest		(22,441,013)	(13,037,207)
Total equity		218,924,741	251,932,729

COCKATOO COAL LIMITED
and its controlled entities

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Cash receipts from customers		96,497,178	83,434,977
Payments for production		(100,328,368)	(70,777,398)
Cash payments in the course of operations		(14,631,139)	(16,095,309)
Receipts/(payments) from project management		(452,674)	2,030,775
Cash used in operations		(18,915,003)	(1,406,955)
Borrowing costs paid		(5,130,731)	(17,054,075)
Interest received		1,493,478	4,342,124
Net cash used in operating activities	22	(22,552,256)	(14,118,906)
Cash flows from investing activities			
Payments for exploration and evaluation		(8,798,486)	(36,316,598)
Payments for mining development		(47,597,717)	(13,897,537)
Payments for investment in associate		-	(1,732,478)
Payments for infrastructure investments		-	-
Payments for property, plant and equipment		(7,792,812)	(7,433,347)
Proceeds from the sale of property, plant and equipment		33,047	32,000
Proceeds from the sale of the Woori project		-	294,000
Cash acquired from the acquisition of subsidiary		6,385,713	-
Proceeds from the sale of investments		9,715,263	3,159,500
Government contribution to bridge upgrade		-	4,000,000
Payments for security deposits		(7,231,682)	(7,914,196)
Refund of security deposits		2,649,368	17,870,814
Loans (to)/from other entities		1,745,045	(44,789)
Net cash used in investing activities		(50,892,261)	(41,982,631)
Cash flows from financing activities			
Proceeds from issue of shares	19	156,922,722	-
Cost of issuing shares	19	(6,310,584)	-
Proceeds from borrowings		20,763,544	12,096,682
Repayment of borrowings		(108,951,815)	(52,311,621)
Net cash from/(used in) financing activities		62,423,867	(40,214,939)
Net decrease in cash and cash equivalents and term deposits		(11,020,650)	(96,316,476)
Cash and cash equivalents at the beginning of the financial year		12,688,886	109,366,922
Effect of exchange rate adjustments on cash held		(260,999)	(361,560)
Cash and cash equivalents at the end of the financial year	22	1,407,237	12,688,886

NOTE 1 - BASIS OF PREPARATION

Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year the Group completed a recapitalisation of the Company and raised $156.9 million from new and existing shareholders, repaid a $100 million loan outstanding to KEB Australia Limited, acquired 100% of previously ASX Listed Blackwood Corporation Limited through an off-market takeover bid, and entered into a commitment letter with Australia and New Zealand Banking Group Limited ('ANZ') for a $255 million project finance loan and guarantee facility ('ANZ facility'). Drawdown on the ANZ facility is subject to certain conditions precedent including the granting of regulatory approvals to increase production to 3.5 million tonnes per annum at Baralaba, the securing of coal offtake agreements with a term of at least 3 years for at least 75% of the scheduled production at Baralaba, and the raising of significant additional funding required to finance the further development of the Baralaba Expansion project. These transactions allowed the Group to begin development of the Baralaba Expansion project to the north of its existing coal mining operations at Baralaba.

The Company has announced subsequent to the end of the year that it has entered into agreements with its major shareholders and ANZ to release up to $37 million in restricted term deposits. The arrangements are subject to an independent expert's opinion which will be used to obtain the approval of the Company's shareholders in a General Meeting which is scheduled to be held in October 2014. An initial cash release of $18.5 million will be received prior to the shareholders meeting. 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. The release of the restricted cash is a critical element of the Company's funding plan.

The Group recorded a loss for the year of $191,682,789 including impairment of $152,041,746 relating to exploration and evaluation assets in the Surat basin and other non-core assets, used $22,552,256 of cash in operating activities, $50,892,261 in investing activities and has accumulated losses of $262,139,678 as at 30 June 2014. The Group has cash on hand of $1,407,237, net assets of $218,924,741 and net current liabilities of $31,549,500 at 30 June 2014.

The conditions outlined above give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. The directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections include significant mine development payments and assume the Group obtains sufficient additional funding through the release of restricted term deposits, raising of additional equity or mezzanine funding and the utilisation of the ANZ project finance and guarantee facility.

The ongoing operation of the Group is dependent upon:

- the Group finalising arrangements with its major shareholders to release $37 million in restricted term deposits including obtaining shareholder approval at a General Meeting in October 2014; and
- the Group raising additional equity or mezzanine funding from shareholders or other parties; and
- the Group entering into definitive documentation and satisfying conditions precedent to enable draw down of the ANZ project finance loan and guarantee facility; and
- the Group successfully completing the Baralaba Expansion project to enable the production of 3.5 million tonnes of coal per annum in accordance with the requirements of the WICET Stage 1 take or pay agreement.

In the event that the Group does not finalise arrangements to release restricted term deposits, obtain additional equity or mezzanine funding, satisfy conditions precedent to enable drawdown of the ANZ facility, and successfully complete the Baralaba Expansion project as required, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial report.

	2014 $	2013 $
NOTE 2 - OTHER INCOME		
Marketing income	212,260	291,744
Management and consulting income	5,422,395	8,754,210
Other	242,341	357,531
	5,876,996	9,403,485
NOTE 3 - OTHER EXPENSES		
Audit fees – KPMG audit and review of financial reports	322,750	226,700
Depreciation – non-mining costs	466,723	566,648
Net foreign exchange loss	288,642	384,915
	1,078,115	1,178,263
NOTE 4 - FINANCE INCOME AND FINANCE EXPENSE		
Interest income	1,521,937	4,231,518
Interest expense	(4,511,029)	(8,466,705)
Interest expense on unwind of discount	(292,479)	(87,114)
Finance facility costs	(4,760,686)	(14,744,971)
	(8,042,257)	(19,067,272)

NOTE 5 – IMPAIRMENT LOSSES	2014 $	2013 $
Impairment loss on other assets – refer Note 12	8,692,122	90,500
Impairment loss on exploration and evaluation assets – refer Note 15	134,188,046	-
Impairment loss on investments – refer Note 13	5,496,002	-
Impairment on equity accounted investees – refer Note 14 and Note 31	-	12,730,224
Impairment loss on land - refer Note 16	3,665,576	-
	152,041,746	12,820,724

In conjunction with the recapitalisation transactions and acquisition of Blackwood Corporation Limited, an independent valuation of the Group and its assets was completed during the year by Grant Thornton Corporate Finance (“Independent Expert”) for the benefit of shareholders voting on the transaction.

Following a review of the valuations and expected development plans for those assets, the directors of Cockatoo have decided it is appropriate to write down the book value of those assets to fair value less cost of disposal based on the valuations determined by the Independent Expert. As a result of these write-downs the Group recorded impairment in relation to its land and exploration and evaluation assets. Due to uncertainty in the timing of development of infrastructure relating to the impaired projects, the Group also recorded impairment in relation to refundable infrastructure costs which are included in other assets.

Impairment was also recorded on the Group’s investment interests in Ambre Energy Limited and ATEC Rail Group Pty Ltd. Certain assumptions are required to be made in order to assess the recoverability of investments. A key assumption is the ability to generate future cash flows. Due to the nature of these assets and the uncertainty in relation to the recoverability of these investments the Company has determined to fully impair the carrying value of its investments.

During the year ended 30 June 2013, the Company agreed to sell its 30% interest in Hume Coal Pty Limited ('Hume Coal'). A valuation of the Company’s interest in Hume Coal was performed by Lonergan Edwards & Associates Limited on 21 June 2013. At 30 June 2013 the Company impaired its interest in Hume Coal to $18,000,000 in line with this valuation. The Company’s investment in Hume Coal was transferred to ‘Assets held for sale’ at 30 June 2013 (refer Note 31).

	2014 $	2013 $
NOTE 6 - INCOME TAX EXPENSE		
Current tax expense		
Current year	(5,674,391)	(17,835,281)
De-recognition of losses	5,674,391	17,835,281
Total income tax expense in statement of comprehensive income	-	-
Deferred tax expense		
Current year	(39,659,664)	(10,370,839)
De-recognition of temporary differences	39,659,664	15,856,839
Deferred tax benefit/(expense)	-	5,486,000
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before tax – continuing operations	(191,319,789)	(38,010,776)
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (2013 – 30%)	(57,395,936)	(11,403,233)
Increase in income tax expense due to:		
- Non-deductible expenses	8,259,011	3,938,790
- Effect of net deferred tax assets not brought to account	48,773,925	1,978,443
Income tax benefit/(expense) – current and deferred	(363,000)	5,486,000
Recognised deferred tax liabilities		
Taxable temporary differences	(400,000)	(37,000)
	(400,000)	(37,000)
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Taxable temporary differences (net)	(20,701,316)	(60,844,430)
Tax losses	110,015,443	100,112,260
Net	89,314,127	39,267,830

The recognised deferred tax liability is in relation to expected tax liabilities which will arise in the future when the Cockatoo Coal Limited tax consolidated group recovers the carrying amount of certain exploration assets. While any actual tax payable is not expected to arise until a number of years in the future (i.e. after the Cockatoo Coal Limited tax consolidated group utilises its available tax losses), the accounting standards require the recognition of the deferred tax liability in the current period.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The Cockatoo Coal Limited tax consolidated group, Wonbindi Coal Pty Limited and Baralaba Coal Pty Ltd will be subject to the new Minerals Resource Rent Tax ('MRRT') which commenced on 1 July 2012. While the Group is still in the process of quantifying the value of the MRRT starting base assets, from the analysis carried out to date and recent and proposed changes to regulations and legislation respectively, no deferred tax assets are likely to be recognised in relation to the MRRT starting base assets.

	2014	2013
	$	$

NOTE 7 - EARNINGS PER SHARE

Basic and diluted earnings/(loss) per share have been calculated using:

	2014	2013
Profit/(loss) for the year attributable to equity holders of the Company	(182,278,983)	(28,403,165)
	Number	**Number**
Weighted average number of ordinary shares		
- Issued ordinary shares at beginning of year	1,021,101,465	1,016,746,908
- Effect of shares issued in April 2014	6,382,739	-
- Effect of shares issued in March 2014	4,675,324	-
- Effect of shares issued in February 2014	22,168,485	-
- Effect of shares issued in January 2014	129,701,683	-
- Effect of shares issued in December 2013	1,747,835,589	-
- Effect of shares cancelled in August 2013	(118,556,563)	-
- Effect of shares issued in June 2013	-	83,512
Weighted average ordinary shares at the end of the year	2,813,308,722	1,016,830,420
Weighted average number of ordinary shares (diluted)		
- Weighted average ordinary shares at the end of the year	2,813,308,722	1,016,830,420
- Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at the end of the year	2,813,308,722	1,016,830,420

NOTE 8 - TRADE AND OTHER RECEIVABLES

	2014	2013
	$	$
Trade receivables	8,379,856	3,463,531
GST receivable	2,076,141	936,495
Interest receivable	59,714	31,255
Other receivable	217,164	902,593
	10,732,875	5,333,874

NOTE 9 - INVENTORIES

	2014	2013
Work in progress – coal stock	1,502,253	7,216,458
Finished goods – coal stock	10,927,169	13,191,490
Fuel and explosives	728,729	-
	13,158,151	20,407,948

NOTE 10 – OTHER ASSETS	**2014**	**2013**
	$	**$**
Current		
Deferred facility fee	-	1,743,478
Prepayments	1,100,410	205,442
	1,100,410	1,948,920
Non-current		
Deferred facility fee	9,562,500	-
Security deposits	805,094	4,064,418
Refundable infrastructure expenditure	-	10,814,080
Other receivables	28,943	1,790,720
	10,396,537	16,669,218

Certain assumptions are required to be made in order to assess the recoverability of non-current assets. Key assumptions include the successful completion of certain infrastructure projects, future commodity prices and future cash flows.

Deferred facility fee

The non-current deferred facility fee relates to the Australia and New Zealand Banking Group Limited (‘ANZ’) project finance facility (‘PFF’). This fee is will be amortised over the life of the facility commencing from first draw-down of the PFF.

During the year ended 30 June 2013 the Company entered into arrangements to extend the Loan Facility ('Loan Facility') with KEB Australia Ltd. The facility amount was $100.0 million and was fully repaid in December 2013. The Loan Facility fee was recognised as an expense over the life of the Loan Facility.

During the year ended 30 June 2011 the Company entered into a Bank Guarantee Facility ('Facility') with Macquarie Bank Limited ('Macquarie'). The facility amount was $55.0 million and matured on 31 December 2013. The purpose of the Facility was to support the development of the Company's coal assets and associated infrastructure requirements.

As part of the Facility fee, the Company issued to Macquarie 20,833,333 options, each to acquire one fully paid ordinary share in the Company at 64 cents per share at any time up to 31 December 2013. The fair value of options granted on 9 May 2011 to Macquarie was measured at grant date and is recognised as an expense over the Facility term. The fair value of the options was $2,404,245 at grant date.

Refundable infrastructure expenditure

Refundable infrastructure expenditure relates to payments for WICET and is refundable upon financial close of the WICET expansion projects. $2,419,368 was refunded during the year however impairment was recorded on the remaining balance as a result of uncertainty in the timing of development in this infrastructure, see Note 7.

Other receivables

Other receivables are amounts receivable from joint venture partners as part of normal operations and to secure future infrastructure. Most of the other receivables were repaid during the year. Impairment of $297,400 was recorded on other receivables that relate to infrastructure as a result of uncertainty in the timing of development in this infrastructure, see Note 7.

Security deposits

Included in the above security deposits at 30 June 2014 is $3,508,065 provided to WICET Holdings Pty Ltd as partial security required under the ‘Take or Pay’ agreement for Stage 1 of the Wiggins Island Coal Export Terminal. The security deposit was refunded during the year and replaced with a guarantee provided under the ANZ guarantee facility, refer Note 32.

	2014 $	2013 $
NOTE 11 - INVESTMENTS		
Investments – available-for-sale	-	5,600,002

Investments - available-for-sale

During the year the Company performed an impairment test in relation to the Group's investments in available for sale assets which include investments in non-listed companies. Due to the nature of these assets and the uncertainty in relation to the recoverability of these investments the Company has determined to fully impair the carrying value of its investments. During the year the Group recorded an impairment loss of $5,496,002 and decreased the fair value reserve by $104,000 (30 June 2013 - $5,200,000 decrease).

Certain assumptions are required to be made in order to assess the recoverability of investments. A key assumption is the ability to generate future cash flows.

NOTE 12 - INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Cockatoo Coal Marketing Company Pty Limited – 50%	-	-
Investments in equity accounted investees	-	-

During the year the Company acquired a 100% interest in Cockatoo Coal Marketing Company Pty Ltd ('CCMC') for deferred cash consideration totalling $3.4 million, refer Note 22. The fair value of consideration on acquisition is $3,072,404. The Company previously held a 50% interest in CCMC.

During the prior year the Company entered into agreement to sell its 30% interest in Hume Coal Pty Limited. As at 30 June 2013, the Company's interest in Hume Coal were reclassified as assets held for sale, refer Note 31. A valuation of the Company's interest in Hume Coal was performed by Lonergan Edwards & Associates Limited on 21 June 2013. At 30 June 2013 the Company impaired its interest in Hume Coal to $18,000,000 in line with this valuation.

During the year ended 30 June 2013 the Company made equity contributions of $1,732,478 to Hume to fund its ongoing operations. During the years ended 30 June 2014 and 30 June 2013 the Company did not receive dividends from its equity accounted investees.

The Company's share of profit in equity accounted investees for the year was nil (2013 - $19,959). The Company did not hold any investments in equity accounted investees at 30 June 2014. Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Company for the prior year is as follows:

	Reporting date	Ownership	Total assets	Total liabilities	Income	Expenses	Profit/(loss)
2013							
CCMC	30 June	50%	71,969	(108,517)	284,093	(280,297)	3,796
Hume	30 June	30%	38,854,082	(1,464,766)	88,006	(21,475)	66,531
			38,926,051	1,573,283	372,099	(301,772)	70,327

The above balances are derived from the financial statements of the equity accounted investees.

	2014	2013
	$	$

NOTE 13 - EXPLORATION AND EVALUATION EXPENDITURE

Opening balance	233,153,212	196,123,216
Additions	12,074,393	37,323,996
Acquisition of controlled entity	17,617,626	-
Transferred to mining properties and development	(57,591,041)	-
Disposals	-	(294,000)
Impairment	(134,188,046)	-
Closing balance	71,066,144	233,153,212

The ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

Mineral tenements, exploration and evaluation expenditure relate to the following projects:

Bowen Basin projects	34,899,971	82,475,180
Surat Basin projects	25,564,026	150,131,711
Galilee Basin projects	10,602,147	-
Other projects	-	546,321
	71,066,144	233,153,212

During the year exploration and evaluation costs of $57,591,041 relating to the Baralaba Expansion Project were transferred to mining properties which is included in property, plant and equipment, see Note 16.

During the year impairment was recorded on certain non-core exploration and evaluation assets, see Note 7.

During the year ended 30 June 2013, exploration and evaluation expenditure incurred in previous years totalling $600,000 relating to the Woori project was transferred to the North Surat Joint Venture. This resulted in the Company’s joint venture partner, MCH Surat Basin Investments Pty Ltd, acquiring $294,000 of this exploration and evaluation expenditure.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT	2014	2013
	$	$
Land and buildings – cost	16,301,728	38,282,229
Accumulated depreciation	(885,170)	(835,506)
Net book value	15,416,558	37,443,723
Office equipment – cost	798,571	683,352
Accumulated depreciation	(446,742)	(342,990)
Net book value	351,829	340,362
Motor vehicles – cost	1,679,340	1,801,401
Accumulated depreciation	(973,932)	(825,670)
Net book value	705,408	975,731
Plant and equipment – cost	6,358,747	3,759,351
Accumulated depreciation	(2,297,585)	(1,408,546)
Net book value	4,061,162	2,350,805
Deferred stripping asset – cost	15,050,400	-
Accumulated depreciation	-	-
Net book value	15,050,400	-
Mining properties and development assets - cost	176,206,430	31,468,906
Accumulated depreciation	(16,105,681)	(9,191,798)
Net book value	160,100,749	22,277,108
Total property, plant and equipment	195,686,106	63,387,729

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2014	2013
Land and buildings		
Carrying amount at beginning of year	37,443,723	31,288,792
Additions	7,319,812	6,631,014
Impairment	(3,665,576)	-
Transfer to mining properties and development	(25,296,629)	
Disposals	-	(20,507)
Depreciation	(384,772)	(455,576)
Net book value	15,416,558	37,443,723
Office equipment		
Carrying amount at beginning of year	340,362	352,821
Additions	117,710	105,142
Depreciation	(106,243)	(117,601)
Net book value	351,829	340,362

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Con't)

	2014	2013
	$	$
Motor vehicles		
Carrying amount at beginning of year	975,731	1,170,780
Additions	-	146,813
Disposals	(28,375)	(27,650)
Depreciation	(241,948)	(314,212)
Net book value	705,408	975,731
Plant and equipment		
Carrying amount at beginning of year	2,350,805	2,303,774
Additions	2,599,444	510,999
Depreciation	(889,087)	(463,968)
Net book value	4,061,162	2,350,805
Deferred stripping asset		
Carrying amount at beginning of year	-	-
Additions	15,050,400	-
Depreciation	-	-
Net book value	15,050,400	-
Mining properties and development assets		
Carrying amount at beginning of year	22,277,108	15,206,662
Additions	60,050,657	11,089,586
Addition through recognition of rehabilitation provision	2,189,548	-
Transfer from exploration and evaluation expenditure	57,591,041	-
Transfer from land and buildings	25,296,629	-
Depreciation	(7,304,234)	(4,019,140)
Net book value	160,100,749	22,277,108

During the year impairment was recorded on land that related to certain non-core exploration and evaluation assets, refer Note 7.

During the year exploration and evaluation assets and land and building assets were transferred to mining properties as they relate to the Baralaba Expansion Project which begun development during the year.

During the year the Group changed its accounting policy in relation to deferred stripping costs, refer Note 2. The deferred stripping costs incurred during the year relate to the Baralaba North mine. The change in accounting policy has not impacted the prior period comparative financial information.

NOTE 15 – INTANGIBLE ASSETS

	2014 $	2013 $
Software – cost	671,115	348,964
Accumulated depreciation	(262,119)	(102,566)
Net book value	408,996	246,398

Reconciliations of the carrying amounts for each class of intangible assets:

Software		
Carrying amount at beginning of year	246,398	265,550
Additions	322,268	54,149
Depreciation	(159,670)	(73,301)
Net book value	408,996	246,398

NOTE 16 - TRADE AND OTHER PAYABLES

Current		
Accounts payable and accrued liabilities	31,015,517	16,775,397
ANZ project finance facility fee	9,562,500	-
	40,578,017	16,775,397

	2014	2013
	$	$

NOTE 17 - BORROWINGS

	2014 $	2013 $
Current		
Finance lease	1,218,534	423,227
Bank loan	-	100,000,000
	1,218,534	100,423,227
Non-current		
Finance lease	970,417	321,220
Subsidiary shareholder loan	63,055,511	39,244,866
	64,025,928	39,566,086

Bank loan

During the year ended 30 June 2012 the Company entered into a $150.0 million loan agreement with KEBA. The loan agreement was secured by a guarantee to KEBA from SK Networks Co., Ltd, matured on 28 December 2012, and incurred interest at Bank Bill Swap Rate + 1.9% per annum.

During the year ended 30 June 2013 the Company repaid $50.0 million and extended $100.0 million of the $150.0 million loan with KEBA. During the year the loan was further extended to 27 December 2013. The loan was secured by a guarantee from SK Networks Co., Ltd, incurred interest at Bank Bill Swap Rate + 2.0% per annum and was repaid in full in December 2013. As consideration for the guarantee extension SK Networks Co., Ltd have been granted options over ordinary shares in the Company (refer Note 21).

Subsidiary shareholder loan

During the year ended 30 June 2012 the Company entered into revised shareholder and financing arrangements with JFE Shoji Trade Corporation ('JFE Shoji)'. JFE Shoji holds a 37.5% interest in Baralaba Coal Pty Limited ('Baralaba') and a 20% interest in Wonbindi Coal Pty Limited ('Wonbindi').

Under the new arrangements, JFE Shoji shared in the funding of all Baralaba and Wonbindi expenditures on an equity share basis. The loan to Wonbindi of $33,941,658 (2013 - $13,597,132) and the loan to Baralaba of $29,113,854 (2013 - $25,647,734) are unsecured and bear interest at 8% per annum. In accordance with the loan agreement, principal repayments are due as agreed in the 'Approved Program and Budget'. At 30 June 2014, no amount of the loans have been classified as a current liability (2013 - nil).

Subsequent to year end the Company entered into an agreement to acquire JFE Shoji's interest in Baralaba and Wonbindi for $1. As part of the arrangements, the JFE Shoji shareholder loans will remain and accrued interest will be capitalised. The JFE Shoji shareholder loans will be repaid from Baralaba and Wonbindi 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 Baralaba and Wonbindi.

NOTE 18 - PROVISIONS

	2014 $	2013 $
Current		
Infrastructure security	3,699,543	-
Non-current		
Maintenance provision	1,045,321	-
Rehabilitation provision	6,175,860	2,952,192
	7,221,181	2,952,192
Rehabilitation provision reconciliation		
Opening balance	2,952,192	2,865,078
Addition	3,031,521	-
Increase in fair value	192,147	87,114
Closing balance	6,175,860	2,952,192

The basis of accounting for rehabilitation costs is set out in Note 3, Significant Accounting Policies.

The Group is required to rehabilitate the Baralaba mine site when mining is completed. Given the long term nature of the liability, there is significant uncertainty in relation to the estimates of the provision or the costs that could be incurred. Future rehabilitation estimates have been discounted at 6.75% (2013 - 6.75%). Rehabiliation additions during the year predominantly relate to the commencement of mining at the Baralaba North mine. The rehabilitation also increased as a result of a reestimate of the Baralaba Central mine.

The Group is required to undertake maintenance on leased mining equipment in accordance with manufacturers recommendations. Maintenance costs have been provided for due to the high cost of maintenance events.

The Group has provided security to underwrite infrastructure studies relating to rail and port infrastructure necessary for the development of the Surat Basin coal projects. The Group has recorded a current provision in relation to restricted term deposit security supporting these guarantees due to uncertainty in the timing of the development of this infrastructure.

NOTE 19 - CAPITAL AND RESERVES

Dividends

There were no dividends paid or declared during the year ended 30 June 2014 or 30 June 2013.

Option premium reserve

The issue of Company options results in a credit to the option premium reserve representing the fair value of the options granted. The exercise of Company options results in a debit to the option premium reserve. During the year ended 30 June 2014, no options were exercised (2013 – nil) and 33,483,333 options expired or were cancelled (2013 – 2,200,000).

Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

	2014	**2013**
	Number of shares	**Number of shares**
Share capital		
Ordinary shares on issue at 1 July – fully paid	1,021,101,465	1,016,746,908
Issue of shares	3,673,902,770	4,354,557
Cancellation of shares	(134,807,307)	-
Ordinary shares on issue at 30 June – fully paid	4,560,196,928	1,021,101,465

The following share issues occurred during the year ended 30 June 2014:

- In December 2013 the Company issued 80,470,063 ordinary shares pursuant to the Company's Share Purchase Plan at $0.045 per share for cash totalling $3,621,152.
- In December 2013 the Company issued 1,866,031,245 ordinary shares to SK Networks Resources Australia Pty Ltd and Maylion Pty Ltd at $0.05 per share for cash totalling $93,301,562.
- In December 2013 the Company issued 1,333,333,334 ordinary shares to various institutional and sophisticated investors including Harum Energy Australia Limited at $0.045 per share for cash totalling $60,000,000.
- There were no amounts unpaid on the above ordinary shares issues and issue costs totalled $6,310,582.
- In January 2014 the Company issued 9,517,590 shares to employees of the Company as remuneration. These shares were valued at $342,633 which is based on the share price on the date of issue.
- From January 2014 to April 2014 the Company issued 384,550,538 ordinary shares as consideration for the acquisition of a 100% interest in Blackwood Corporation Pty Limited (previously Blackwood Corporation Limited). These shares were valued at $14,717,127 based on the share prices at the date of acceptance of the takeover offer.
- In August 2013 the Company cancelled 134,807,307 ordinary shares held by POSCO Australia Pty Limited ('POSA') following the sale of the Company's 30% interest in Hume Coal Pty Limited to POSA. These shares were valued at $8,762,475 based on the share price at the date of cancellation.

During the year ended 30 June 2013:

- The Company issued 4,354,557 ordinary shares at a fair value of $117,573 as remuneration to employees of the company. These shares were valued at $0.027 per share which is based on the share price on the date of issue.

NOTE 20 - CONTROLLED ENTITIES

Particulars in relation to controlled entities:

	Ordinary shares – Company interest	
	2014	**2013**
	%	**%**
Parent Entity		
Cockatoo Coal Limited		
Controlled entities		
Baralaba Coal Management Company Pty Ltd	80	-
Baralaba Coal Pty Ltd	62.5	62.5
Blackwood Corporation Pty Limited	100	-
Cacatua Pastoral Pty Limited	80	100
Cockatiel Coal Pty Limited	100	100
Cockatoo Coal Marketing Company Pty Ltd	100	50
Cockatoo Coal (Taroom) Pty Limited	100	100
Corella Coal Pty Limited	100	100
Dingo Coal Pty Ltd	100	100
Drill Down Resources Pty Ltd	100	-
Independent Coal Pty Limited	100	100
Injune Coal Pty Limited	100	100
Matilda Coal Pty Ltd	100	-
SE QLD Coal Pty Ltd	100	100
SE QLD Energy Pty Ltd	100	100
Surat Coal Pty Limited	100	100
Wonbindi Coal Pty Limited	80	80

All entities are incorporated in Australia

- Blackwood Corporation Pty Limited, Cockatiel Coal Pty Limited, Cockatoo Coal (Taroom) Pty Limited, Corella Coal Pty Limited, Independent Coal Pty Limited, Injune Coal Pty Limited, SE QLD Coal Pty Ltd, SE QLD Energy Pty Ltd and Surat Coal Pty Limited, are wholly owned controlled entities.
- Independent Coal Pty Limited holds a 98% interest in Dingo Coal Pty Ltd and the remaining 2% interest is held by the Company.
- Cockatiel Coal Pty Limited holds a 62.5% interest in Baralaba Coal Pty Ltd and an 80% interest in Wonbindi Coal Pty Limited.
- Wonbindi Coal Pty Limited holds a 100% interest in Cacatua Pastoral Pty Limited and a 100% interest in Baralaba Coal Management Company Pty Ltd.
- Blackwood Corporation Pty Limited holds a 100% interest in Matilda Coal Pty Ltd and Drill Down Resources Pty Ltd.

NOTE 20 - CONTROLLED ENTITIES (Con't)

Acquisition of controlled entities

During the year, the Company launched a friendly takeover bid for Blackwood Corporation Pty Limited ('Blackwood') (previously Blackwood Corporation Limited). On 19 December 2013, the Company gained control of Blackwood. On the date of control the Company had a 68.31% interest and on 22 April 2014 the Company obtained a 100% interest in the share capital of Blackwood. Consideration for the transaction is 2 Cockatoo shares for each Blackwood share. The fair value of consideration was calculated as $14,997,471 on acquisition day. The 384,550,538 consideration shares issued were valued at $14,717,127 based on the share prices at the date of acceptance of the takeover offer.

Blackwood has a 100% interest in Matilda Coal Pty Ltd and Drill Down Resources Pty Ltd and has a coal exploration tenement portfolio in Queensland with several projects being contiguous with the Company's existing projects.

For the period 19 December 2013 to 30 June 2014 the subsidiary contributed a $613,554 loss to the Group. If the acquisition had occurred on 1 July 2013, management estimates that consolidated revenue would not have changed and consolidated loss for the period would not have been materially impacted. Management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2013.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

Fair value of net assets of entity acquired:	**Pre-acquisition carrying amounts $**	**Fair value adjustments $**	**Recognised values on acquisition $**
Cash and cash equivalents	6,312,694	58,562	6,371,256
Other current assets	77,480	-	77,480
Property, plant and equipment	77,099	(77,099)	-
Intangible assets	27,029	(27,029)	-
Other non-current assets	240,000	-	240,000
Exploration and evaluation assets	18,671,087	(1,053,461)	17,617,626
Trade and other payables	(800,329)	(508,562)	(1,308,891)
Borrowings	(8,000,000)	-	(8,000,000)
Net identifiable assets and liabilities	16,605,060	(1,607,589)	14,997,471

Consideration paid	-
Cash acquired	6,371,256
Net cash inflow	6,371,256

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair value of the exploration and evaluation assets was determined on acquisition date by reference to an independent valuation performed over Blackwood assets.

The acquisition accounting has been prepared on a provisional basis.

NOTE 20 - CONTROLLED ENTITIES (Con't)

On 6 March 2014 the Company acquired a 100% interest in Cockatoo Coal Marketing Company Pty Ltd ('CCMC') for deferred cash consideration totalling $3.4 million. The Company previously held a 50% interest in CCMC. The present value of the consideration on acquisition is $3,087,097. CCMC held coal marketing rights which were terminated on acquisition to enable the Company to enter into more favourable marketing arrangements. The termination of the marketing rights was recognised as an expense in the profit or loss.

For the period 6 March 2014 to 30 June 2014 the subsidiary contributed no material profit or loss to the Group. If the acquisition had occurred on 1 July 2013, management estimates that consolidated revenue would not have changed and consolidated loss for the period would not have been materially impacted. Management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2013.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

Fair value of net assets of entity acquired:	**Pre-acquisition carrying amounts $**	**Fair value adjustments $**	**Recognised values on acquisition $**
Cash and cash equivalents	14,457	-	14,457
Net identifiable assets and liabilities	14,457	-	14,457
Consideration paid	-		
Cash acquired	14,457		
Net cash inflow	14,457		

The values of assets and liabilities recognised on acquisition are their estimated fair values.

NOTE 21 - SHARE BASED REMUNERATION

Options

The Company has a share option program that entitles key management personnel, senior employees and consultants to be granted options in the entity. No options were issued during the current or prior years.

Shares issued as remuneration

During the year ended 30 June 2014 the Company issued 9,517,590 (2013 - 4,354,557) ordinary shares as remuneration to employees of the company. These shares were valued at $0.036 (2013 - $0.027) per share which is based on the share price on the date of issue and have been recognised as an expense during the year.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2014	2014	2013	2013
Outstanding at 1 July	$0.66	17,650,000	$0.65	19,850,000
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired/ Cancelled during the period	$0.65	(12,650,000)	$0.58	(2,200,000)
Outstanding at 30 June	$0.70	5,000,000	$0.66	17,650,000
Exercisable at 30 June	$0.70	5,000,000	$0.66	15,983,334

The options outstanding at 30 June 2014 have an exercise price of $0.70 (30 June 2013 - range between $0.40 and $0.70) and a weighted average remaining contractual life of 1.25 years (2013 - 4.35 years).

Expenses arising from share based payment transactions

Expenses arising from share based payment transactions recognised during the year were as follows:

	2014	2013
	$	$
Share based remuneration expenses		
Share options granted in 2011	-	40,590
Share options granted in 2012	49,991	183,546
Shares granted in 2013	-	117,573
Shares granted in 2014	342,633	-
Total expense recognised as share based remuneration costs	392,624	341,709

NOTE 22 - STATEMENT OF CASH FLOWS

	2014 $	2013 $
Reconciliation of cash and cash equivalents and restricted term deposits		
Cash and cash equivalents and term deposits at the end of the year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:		
Bank balances	1,407,237	12,688,886
Term deposits	45,740,642	35,000,000
	47,147,879	47,688,886

Term deposits are restricted deposits held as security for guarantees issued by financial institutions on behalf of the Company, refer Note 32.

Subsequent to the end of the year the Company entered into arrangements to release $37.0 million of restricted cash and as at the date of this report the Company has received $18.5 million in cash, refer Note 32.

	2014 $	2013 $
Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities		
Profit/(loss) from ordinary activities after tax	(191,682,789)	(32,524,776)
Non-cash items		
Gain on disposal of associate	(1,043,475)	-
Depreciation and amortisation	7,224,126	4,585,788
Net foreign exchange loss	260,999	361,560
Employee benefits	628,135	34,122
Finance facility fee	(2,046,510)	6,435,140
Impairment losses	152,041,746	12,820,724
Share based remuneration	392,624	341,709
Share of (profit)/loss in associate	-	(19,959)
Changes in assets and liabilities		
Trade and other receivables	(5,399,001)	12,460,277
Inventories	7,249,797	(7,907,467)
Prepayments	(1,210,112)	(241,245)
Trade and other payables	3,755,371	(5,065,893)
Deferred tax liabilities	363,000	(5,486,000)
Provisions	6,913,833	87,114
Net cash used in operating activities	(22,552,256)	(14,118,906)

NOTE 23 - SEGMENT REPORTING

The Group has three reportable segments, as described below.

- Mining – production and sale of coal.
- Exploration and evaluation – exploration and evaluation activities of the Group.
- Other – corporate activities (including gains/losses from hedging, project management and foreign exchange).

Operating segments have been determined based on the analysis provided in the reports reviewed by the senior management team in assessing performance and determining strategy. The Group derives its revenue from the production and sale of coal and management fees as other income.

Operating Segments	**Mining**	**Exploration and evaluation**	**Other**	**Total**
	$	**$**	**$**	**$**
30 June 2014				
Segment revenue				
Revenues - external	81,532,272	72,626	5,804,370	87,409,268
Intersegment revenue	-	-	18,982,808	18,982,808
Gain on disposal of associate	-	-	1,043,475	1,043,475
Finance income	121,930	9,523	1,390,483	1,521,937
	81,654,202	82,149	27,221,136	108,957,488
Segment expenses	(97,842,014)	(138,257,041)	(64,541,221)	(300,240,274)
Segment result	(16,187,812)	(138,174,892)	(37,320,085)	(191,682,789)
Segment assets	224,074,556	76,974,687	48,197,856	349,697,098
Segment liabilities	(118,378,707)	(5,322)	(11,988,328)	(130,372,357)
Other material items in 2014				
Depreciation	6,757,403	-	466,723	7,224,126
Impairment losses	-	137,853,622	14,188,124	152,041,746
Finance expense	2,867,202	-	6,696,992	9,564,194

An intercompany finance charge has been included in mining segment expenses and intersegment revenue.

Major customers

Revenues from two customers of the Group amounted to more than 10% of the Group's revenues during the year ended 30 June 2014. Revenues individually from each of these companies totalled $37,904,959 and $25,285,419.

NOTE 23 - SEGMENT REPORTING (Con't)

Operating Segments	Mining	Exploration and evaluation	Other	Total
	$	$	$	$
30 June 2013				
Segment revenue				
Revenues - external	66,109,877	-	9,403,485	75,513,362
Intersegment revenue	-	-	14,700,337	14,700,336
Profit on sale of asset	-	-	10,167	10,167
Share of loss in associate	-	-	19,959	19,959
Finance income	320,654	82,693	3,828,172	4,231,519
	66,430,531	82,693	27,962,120	94,475,343
Segment expenses	(77,438,592)	(38,044)	(49,523,484)	(132,486,119)
Segment result	(11,008,061)	44,649	(21,561,364)	(32,524,776)
Segment assets	63,680,313	282,490,209	66,265,665	412,436,187
Segment liabilities	(41,383,181)	(18,716,904)	(100,403,373)	(160,503,458)
Other material items in 2013				
Depreciation	4,019,140	-	566,648	4,585,788
Impairment losses	-	-	12,820,724	12,820,724
Finance expense	10,934,144	-	12,364,646	23,298,790

An intercompany finance charge has been included in mining segment expenses and intersegment revenue.

	2013	2013
	$	$
NOTE 24 – ASSETS HELD FOR SALE		
Opening balance	18,000,000	-
Transferred from Investment in Equity Accounted Investees	-	18,000,000
Sales	(18,000,000)	-
Closing balance	-	18,000,000

During the prior year the Company entered into agreement to sell its 30% interest in Hume Coal Pty Limited to POSCO Australia Pty Ltd ('POSA') for $9.74 million in cash and the cancellation of 134,807,307 Cockatoo Coal Limited shares held by POSA. Assets held for sale have been valued at their fair value less costs to sell. The sale was completed during the year and a gain of $1,043,475 was recorded on sale.

NOTE 25 - CONTINGENT LIABILITIES

Guarantees

During the year the Company entered into an $80,165,246 bank guarantee facility with ANZ to replace the existing bank guarantee facility with Macquarie Bank Limited. The Company held term deposits with ANZ totalling $45,740,643 as security for the financial guarantees issued under the facility. At 30 June 2013 the Company held $35,000,000 on deposit with Macquarie Bank Limited as security for guarantees on issue.

As at 30 June 2014 ANZ had provided guarantees totalling $80,156,246. At 30 June 2013 Macquarie Bank Limited had provided guarantees totalling $50,118,467. Details of the guarantees provided at 30 June 2014 are:

- $3,330,000 to QR Network Pty Ltd ('QR') which forms part of the underwriting of the cost of the upgrade of the Moura-Gladstone rail line by QR to accommodate increased volumes of coal from the Surat and Moura;
- $39,000,000 to WICET Holdings Pty Ltd under the 'Take or Pay' agreement for Stage 1 of the Wiggins Island Coal Export Terminal;
- $369,543 to WICET Holdings Pty Ltd for Stage 2 feasibility of the Wiggins Island Coal Export Terminal project. This amount will be drawn if the development of the project does not proceed. The security deposits are refundable:
    - upon the development of the project proceeding and successful refinancing of the project, or
    - upon transfer of ownership of the development of the project, including transfer of ownership of a majority of shareholding in Gladstone Ports Corporation to a party that is not a governmental agency;
- $34,424,603 as an environmental bond to the State of Queensland against rehabilitation and any potential loss attributable to mining operations at Baralaba;
- $3,041,100 to Gladstone Ports Corporation as required by the port services agreement entered into for WICET Stage 1;

Provisions

As at 30 June 2014 the Company has recorded a provision of $3,699,543 (30 June 2013 – nil) in relation to these guarantees, see Note 20.

Infrastructure agreements

The Group has entered into agreements for port and rail services (Infrastructure Agreements) that enable the Group to export coal from its existing 1 million tonne per annum mining operation. The Infrastructure Agreements include financial commitments (rail and port charges) and will also facilitate the export of coal for the expansion of mining operations to 3.5 million tonnes per annum. Increased financial commitments are associated with the commissioning and ramp up of the Stage 1 Wiggins Island Coal Export Terminal.

NOTE 26 - SUBSEQUENT EVENTS

Subsequent to year end the Company entered into an agreement to acquire JS Baralaba Wonbindi Pty Ltd's (a subsidiary of JFE Shoji Corporation) minority interest in Baralaba Coal Pty Ltd and Wonbindi Coal Pty Limited for $1. As part of the arrangements, the JFE Shoji shareholder loans will remain in place and accrued interest will be capitalised. The JFE Shoji shareholder loans will be repaid from Baralaba and Wonbindi 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 Baralaba and Wonbindi.

The Company also entered into an agreement with its major shareholders, Noble Group Limited ('Noble') and SK Networks Co., Ltd ('SKN'), and Australia and New Zealand Banking Group Limited ('ANZ') to release $37.0 million in 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 issued under the ANZ guarantee facility.

The arrangements are subject to an independent expert's opinion which will be used to obtain the approval of the Company's shareholders in a General Meeting which is scheduled to be held in October 2014. An initial cash release of $18.5 million will occur prior to the General Meeting. 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.

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Lee O'Dwyer
Company Secretary
1 September 2014