



9 April 2015 General Meeting

Chairman's Address to Shareholders

Good Morning,

Thank you for attending today's Meeting of Shareholders. My name is Peter Richards, Chairman of Cockatoo Coal Limited. Also with me here today are fellow Director, Dr Rob Yeates, the interim CEO, David Smith and our Company Secretary, Lee O'Dwyer. The remaining overseas-based Directors are unable to attend and send their apologies. This meeting is the last step in the Company's financial restructuring plan announced earlier this year. It's also an opportunity for Shareholders to hear directly from Directors and management in a way that was not possible at last November's AGM when the Company's shares were suspended from trading.

The financial restructuring of Cockatoo Coal became necessary because of market conditions including the impact of the decline in the coal price on revenues generated by our operations, which had made our project financing facility untenable. That is to say, that some kind of major restructuring was unavoidable if the Baralaba Expansion project was to be developed and the Company was to remain in business.

Access to the Company's project financing facility was heavily dependent on the forecast level of future coal prices which have been materially impacted by the current market. It was also conditional on Cockatoo committing to a capital intensive development program, which restricted our ability to consider alternative options at the time.

Without the ability to access project finance, the Company had limited options to fund the development program and sustain the business. The Board investigated a wide range of potential financing alternatives to support the business. At each stage of this process the Board revisited these options to ensure the best outcome for all shareholders.

These options included:

- Alternative debt funding options – which were simply unavailable or were possible only on terms that would have placed the Company's future at unacceptable risk of a total loss of shareholder equity in the future.
- The sale of the non-core exploration tenements and other assets – while we completed the sale of the North Surat Joint Venture to New Hope Coal for \$25m, together with other potential sales this was not capable of raising sufficient funds to proceed with the project development.
- Consideration of a suite of build/own/operate models for its associated infrastructure, aimed at reducing the funding gap faced by the Company.
- The sale of the Company's primary asset, the Baralaba Complex, including its associated infrastructure – and whilst the Company did receive a highly conditional offer, there was no certainty of completion within available timeframes, and hence the Board did not deem this to be in the best interests of Shareholders. Also, whilst not the primary consideration, this would have left the Company without a flagship project and future source of revenue, turning it back into an early stage explorer.



The approach adopted by the Board and proposed to Shareholders was the only available option that preserved some value for existing equity holders and where all existing Shareholders were treated equally and could benefit from potential uplift in value created by the Baralaba Complex.

In the end, gross proceeds of \$125 million was raised by new equity investment from existing and new institutional Shareholders with all existing Shareholders treated equally with their right to participate, or not, in the future of Cockatoo Coal.

The new equity brings a major new investor, in **Liberty Metals & Mining Holdings, LLC**, and ensures the Company can move ahead at a time when the Australian coal sector is struggling, and many Australian coal projects have stagnated or collapsed.

At the time of announcing the refinancing proposal, the Company also agreed a new Offtake Agreement with the Company's major shareholder, Noble Group, which is one of the largest supply chain management services in the world. The Offtake Agreement, pertaining to Baralaba, provides greater certainty on the ability to sell the Company's scheduled increased coal production at Baralaba. The Company has preserved its offtake rights to its pipeline of opportunities still open for exploration and development.

The Offtake Agreement ramps up to 1.9 million metric tonnes per annum by 2020 versus forecast production of 3.5 million metric tonnes per annum. Whilst this reduces the total amount of coal available for sale to other customers, importantly the Company negotiates price quarterly and retains the right not to supply Noble Group if it has a more attractive option.

The Offtake Agreement was subject to an Independent Expert's Report which concluded that the proposed Offtake Agreement was fair and reasonable. The Independent Expert Report also observed that increasing Noble's involvement in the Company was likely to maintain major shareholder support in the future. Further, that the sale of coal under the proposed Offtake Agreement would assist the Company in meeting its take-or-pay obligations to the new Wiggins Island Coal Export Terminal.

The resolution to be considered at today's Meeting is for Shareholders to approve the Offtake Agreement with Noble. It is a resolution that is supported by the Board.

I would like to take a minute to acknowledge the outstanding leadership and personal effort of our former Managing Director and CEO Andrew Lawson, who recently left the business. Andrew successfully progressed the mine approvals, operations and development program, loan negotiations and funding arrangements with the ANZ and the introduction of new major equity investment during a period of a deteriorating coal market. Today Cockatoo Coal continues to develop, even though the international seaborne coal market remains challenging.

Our new Chief Executive, Peter Kane, brings to the job a wealth of experience in the Australian and international coal sectors and is the right person to focus on the successful development of the Baralaba Complex, and to take Cockatoo Coal forward. On behalf of the Board, I welcome Peter's commencement on the 20th April 2015.



I recall saying at the previous AGM that I would open up the floor to questions. So, following the formal business of the Meeting, our Interim CEO, David Smith, will present on the Company's recent recapitalisation transactions, following which we will be happy to take any questions.

Peter Richards
Chairman
Cockatoo Coal Limited