

Appendix 4E

Preliminary final report

Cockatoo Coal Limited
ABN 13 112 682 158

REPORTING PERIOD

The financial information contained in this report is for the year ended 30 June 2015. Comparative amounts, unless otherwise indicated, are for the year ended 30 June 2014.

RESULTS FOR ANNOUNCEMENT TO THE MARKET (UNAUDITED)

	Change	% Change		\$'000
Revenues from ordinary activities and other income	down	14.7%	to	69,520
Profit (Loss) from ordinary activities after tax attributable to members	down	86%	to	(25,463)
Net Profit (Loss) attributable to members	down	86%	to	(25,463)
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 decreased due to declining market conditions in which the coal was sold compared to the corresponding period despite shipping more PCI grade coal. The loss from ordinary activities decreased due to several factors including a reduced number of impairments being recorded against non-core assets held by the Group in comparison to the prior year and the reversal of an impairment on the sale of the 51% stake in the North Surat Joint Venture.

AUDIT

This report is based on accounts which are in the process of being audited.

NET TANGIBLE ASSET BACKING PER SHARE

	2015	2014
	\$	\$
Net tangible asset backing per ordinary share	0.005	0.05

COCKATOO COAL LIMITED
and its controlled entities

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	2015 \$	2014 \$
Coal sales revenue		69,520,177	81,532,272
Cost of sales		(76,844,032)	(92,175,069)
Gross profit/(loss)		(7,323,855)	(10,642,797)
Other income		2,629,960	5,876,996
Gain on sale of associate		-	1,043,475
Gain on sale of assets		9,045	4,672
Administration costs		(11,022,035)	(18,282,638)
Impairment losses	4	(7,550,267)	(152,041,746)
Impairment reversal	4	14,196,157	-
Share based remuneration		-	(392,624)
Travel expenses		(361,270)	(430,671)
Legal fees		(1,202,503)	(562,137)
Provision expense – infrastructure security		-	(3,699,543)
Marketing fee - termination		-	(3,072,404)
Other expenses		(1,828,621)	(1,078,115)
Results from operating activities		(12,453,389)	(183,277,532)
Finance income	3	1,365,088	1,521,937
Finance expense	3	(14,374,810)	(9,564,194)
Net finance income/(cost)		(13,009,722)	(8,042,257)
Share of profit/(loss) in equity accounted investees		-	-
Profit/(loss) before income tax		(25,463,111)	(191,319,789)
Income tax benefit/(expense)		-	(363,000)
Profit/(loss) for the year		(25,463,111)	(191,682,789)
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		-	(104,000)
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)
Other comprehensive income for the period		-	(104,000)
Total comprehensive income/(loss) for the year		(25,463,111)	(191,786,789)

COCKATOO COAL LIMITED
and its controlled entities

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015**

Profit/(loss) for the period attributable to:

Equity holders of the Company		(14,860,414)	(182,278,983)
Non-controlling interest		(10,602,697)	(9,403,806)
Profit/(loss) for the period		<u>(25,463,111)</u>	<u>(191,682,789)</u>

Total comprehensive profit/(loss) for the period attributable to:

Equity holders of the Company		(14,860,414)	(182,382,983)
Non-controlling interest		(10,602,697)	(9,403,806)
Total comprehensive income/(loss) for the year		<u>(25,463,111)</u>	<u>(191,786,789)</u>

Basic earnings/(loss) per share attributable to ordinary equity holders	9	(0.06) cents	(6.48) cents
Diluted earnings/(loss) per share attributable to ordinary equity holders	9	(0.06) cents	(6.48) cents

COCKATOO COAL LIMITED
and its controlled entities

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Attributable to equity holders of the Company				Total	Non-controlling interest	Total equity
		Share capital	Option premium reserve	Fair value reserve	Accumulated losses			
		\$	\$		\$	\$	\$	
For the year ended 30 June 2015								
Balance at 1 July 2014		495,916,878	7,588,554	-	(262,139,678)	241,365,754	(22,441,013)	218,924,741
Total comprehensive income for the period								
Loss		-	-	-	(14,860,414)	(14,860,414)	(10,602,697)	(25,463,111)
Other comprehensive income		-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Issue of shares	10	124,949,396	-	-	-	124,949,396	-	124,949,396
Costs of issue	10	(9,400,176)	-	-	-	(9,400,176)	-	(9,400,176)
Expiry of options	10	-	(7,588,554)	-	7,588,554	-	-	-
Balance at 30 June 2015		611,466,098	-	-	(269,411,538)	342,054,560	(33,043,710)	309,010,850
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								
<i>Contributions by and distributions to owners</i>								
Issue of shares	10	157,265,355	-	-	-	157,265,355	-	157,265,355
Costs of issue	10	(6,310,582)	-	-	-	(6,310,582)	-	(6,310,582)
Acquisition of controlled entity		14,717,127	-	-	280,344	14,997,471	-	14,997,471
Cancellation of shares		(8,762,475)	-	-	-	(8,762,475)	-	(8,762,475)
Issue of options	10	-	1,589,032	-	-	1,589,032	-	1,589,032
Expiry of options	10	-	(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

COCKATOO COAL LIMITED
and its controlled entities

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	2015 \$	2014 \$
Current assets			
Cash and cash equivalents	11	24,738,344	1,407,237
Term deposits	11	40,000,000	-
Trade and other receivables		4,948,706	10,732,875
Inventories		24,500,549	13,158,151
Other		789,272	1,100,410
Total current assets		<u>94,976,871</u>	<u>26,398,673</u>
Non-current assets			
Term deposits	11	6,634,876	45,740,642
Exploration and evaluation expenditure	6	54,806,901	71,066,144
Property, plant and equipment	7	270,222,241	195,686,106
Intangible assets		234,166	408,996
Other		661,664	10,396,537
Total non-current assets		<u>332,559,848</u>	<u>323,298,425</u>
Total assets		<u>427,536,719</u>	<u>349,697,098</u>
Current liabilities			
Trade and other payables		33,209,516	40,578,017
Revenue received in advance – coal sales		-	11,161,251
Borrowings	8	815,294	1,218,534
Employee benefits		985,681	1,290,828
Provisions	8	4,791,238	3,699,543
Total current liabilities		<u>39,801,729</u>	<u>57,948,173</u>
Non-current liabilities			
Borrowings	8	68,512,176	64,025,928
Employee benefits		52,430	86,863
Deferred tax liability		400,000	400,000
Provisions	9	5,920,911	7,221,181
Other		3,838,623	1,090,212
Total non-current liabilities		<u>78,724,140</u>	<u>72,824,184</u>
Total liabilities		<u>118,525,869</u>	<u>130,772,357</u>
Net assets		<u>309,010,850</u>	<u>218,924,741</u>
Equity			
Share capital	10	611,466,098	495,916,878
Option premium reserve	10	-	7,588,554
Accumulated losses		(269,411,538)	(262,139,678)
Total equity attributable to equity holders of the Company		<u>342,054,560</u>	<u>241,365,754</u>
Non-controlling interest		(33,043,710)	(22,441,013)
Total equity		<u>309,010,850</u>	<u>218,924,741</u>

COCKATOO COAL LIMITED
and its controlled entities

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Cash receipts from customers		61,137,035	96,497,178
Payments for production		(108,891,606)	(100,328,368)
Cash payments in the course of operations		(12,450,425)	(14,631,139)
Proceeds from other income		2,639,005	-
Receipts/(payments) from project management		39,143	(452,674)
Cash used in operations		<u>(57,526,848)</u>	<u>(18,915,003)</u>
Borrowing costs paid		(5,025,259)	(5,130,731)
Interest received		964,477	1,493,478
Net cash used in operating activities	11	<u>(61,587,630)</u>	<u>(22,552,256)</u>
 Cash flows from investing activities			
Payments for exploration and evaluation		(2,462,707)	(8,798,486)
Payments for mining development		(44,761,237)	(47,597,717)
Payments for property, plant and equipment		(508,385)	(7,792,812)
Proceeds from the sale of property, plant and equipment		500,000	33,047
Cash acquired from the acquisition of subsidiary		-	6,385,713
Payments for investments in term deposits		(40,000,000)	-
Proceeds from sale of exploration projects		24,946,360	-
Proceeds from the sale of investments		-	9,715,263
Payments for security deposits		(1,474,234)	(7,231,682)
Payments for acquisitions		(2,200,000)	0
Refund of security deposits		37,948,357	2,649,368
Loans (to)/from other entities		-	1,745,045
Net cash used in investing activities		<u>28,011,846</u>	<u>(50,892,261)</u>
 Cash flows from financing activities			
Proceeds from issue of shares	10	124,949,396	156,922,722
Cost of issuing shares	10	(9,400,176)	(6,310,584)
Proceeds from borrowings		-	20,763,544
Repayment of borrowings	8	(1,150,554)	(108,951,815)
Net cash from/(used in) financing activities		<u>114,398,666</u>	<u>62,423,867</u>
Net decrease in cash and cash equivalents and term deposits		24,799,190	(11,020,650)
Cash and cash equivalents at the beginning of the financial year		1,407,237	12,688,886
Effect of exchange rate adjustments on cash held		(1,468,083)	(260,999)
Cash and cash equivalents at the end of the financial year	11	<u><u>24,738,344</u></u>	<u><u>1,407,237</u></u>

**COCKATOO COAL LIMITED
and its controlled entities**

**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 1 - REPORTING ENTITY

Cockatoo Coal Limited (the 'Company') and its controlled entities is a Group domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2015 comprises the Company and its subsidiaries (together referred to as the 'Group') and the Company's interest in associates and jointly controlled entities. The Group is a for-profit entity and primarily involved in the exploration, development and production of coal assets.

NOTE 2 - BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards ('IFRS') adopted by the International Accounting Standards Board ('IASB').

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and available-for-sale financial assets which are measured at fair value.

Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's and each of the entities in the Group's functional currency.

Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 4 – Impairment losses
- Note 6 – Exploration and evaluation expenditure
- Note 7 – Property, plant and equipment
- Note 9 – Provisions
- Note 12 – Contingent liabilities

**COCKATOO COAL LIMITED
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**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 2 - BASIS OF PREPARATION (Con't)

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

Changes in accounting policies

IFRIC 21 Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS36)

2015	2014
\$	\$

NOTE 3 - FINANCE INCOME AND FINANCE EXPENSE

Interest income	1,365,088	1,521,937
Interest expense	(5,543,711)	(4,511,029)
Interest expense on unwind of discount	(201,980)	(292,479)
Finance facility costs	(8,629,119)	(4,760,686)
Net Finance income/expense	<u>13,009,722</u>	<u>(8,042,257)</u>

**COCKATOO COAL LIMITED
and its controlled entities**

**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 4 – IMPAIRMENT LOSSES

	2015	2014
	\$	\$
<i>Impairment Losses</i>		
Impairment loss on other assets	-	8,692,122
Impairment loss on exploration and evaluation assets – refer Note 15	7,550,267	134,188,046
Impairment loss on investments	-	5,496,002
Impairment loss on land - refer Note 16	-	3,665,576
	7,550,267	152,041,746
<i>Impairment Reversals</i>		
Impairment reversal on other assets	1,060,400	-
Impairment reversal on exploration and evaluation assets - refer Note 15	13,135,757	-
	14,196,157	-

During the year the Company sold its interest in the North Surat Joint Venture to North Surat Coal Pty Ltd, a subsidiary of New Hope Corporation Limited. As explained below in the prior period an impairment loss was recognised in relation to the North Surat Joint Venture exploration and evaluation assets. As a result of the sale the Company has recognised a reversal of impairment on the North Surat Joint Venture exploration and evaluation assets.

During the year impairments were recorded on non-core exploration and evaluation assets totalling \$7,550,267.

In the prior year, 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 in the prior period. 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.

**COCKATOO COAL LIMITED
and its controlled entities**

**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	\$	\$
NOTE 5 - EARNINGS PER SHARE		
Basic and diluted earnings/(loss) per share have been calculated using:		
Profit/(loss) for the year attributable to equity holders of the Company	(14,860,414)	(182,278,983)
	Number	Number
Weighted average number of ordinary shares		
- Issued ordinary shares at beginning of year	4,560,196,929	1,021,101,465
- Effect of shares issued in February 2015	15,107,671,233	-
- Effect of shares issued in March 2015	6,351,688,126	-
- 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)
Weighted average ordinary shares at the end of the year	<u>26,019,556,288</u>	<u>2,813,308,722</u>
Weighted average number of ordinary shares (diluted)		
- Weighted average ordinary shares at the end of the year	26,019,556,288	2,813,308,722
- Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at the end of the year	<u>26,019,556,288</u>	<u>2,813,308,722</u>
	2015	2014
	\$	\$

NOTE 6 - EXPLORATION AND EVALUATION EXPENDITURE

Opening balance	71,066,144	233,153,212
Additions	2,083,954	12,074,393
Acquisition of controlled entity	-	17,617,626
Transferred to mining properties and development	-	(57,591,041)
Disposals	(23,928,687)	-
Impairment	(7,550,267)	(134,188,046)
Impairment reversal	13,135,757	-
Closing balance	<u>54,806,901</u>	<u>71,066,144</u>

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:

**COCKATOO COAL LIMITED
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**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

Bowen Basin projects	35,068,997	34,899,971
Surat Basin projects	16,114,125	25,564,026
Galilee Basin projects	3,623,779	10,602,147
Other projects	-	-
	<u>54,806,901</u>	<u>71,066,144</u>

During the year the Company sold its interest in the North Surat Joint Venture to North Surat Coal Pty Ltd, a subsidiary of New Hope Corporation Limited. This resulted in a disposal of \$23,428,687 of exploration and evaluation expenditure. The Company also sold other exploration and evaluation assets at cost for \$500,000 during the year.

During the year impairment was recorded on certain non-core exploration and evaluation assets, see Note 4.

**COCKATOO COAL LIMITED
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**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT	2015	2014
	\$	\$
Land and buildings – cost	14,347,589	16,301,728
Accumulated depreciation	(743,048)	(885,170)
Net book value	<u>13,604,541</u>	<u>15,416,558</u>
Office equipment – cost	811,378	798,571
Accumulated depreciation	(551,272)	(446,742)
Net book value	<u>260,106</u>	<u>351,829</u>
Motor vehicles – cost	1,664,801	1,679,340
Accumulated depreciation	(1,135,993)	(973,932)
Net book value	<u>528,808</u>	<u>705,408</u>
Plant and equipment – cost	6,773,549	6,358,747
Accumulated depreciation	(3,159,993)	(2,297,585)
Net book value	<u>3,613,556</u>	<u>4,061,162</u>
Deferred stripping asset – cost	39,540,912	15,050,400
Accumulated depreciation	-	-
Net book value	<u>39,540,912</u>	<u>15,050,400</u>
Mining properties and development assets - cost	233,166,160	176,206,430
Accumulated depreciation	(20,491,842)	(16,105,681)
Net book value	<u>212,674,318</u>	<u>160,100,749</u>
Total property, plant and equipment	<u><u>270,222,241</u></u>	<u><u>195,686,106</u></u>

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

Land and buildings

Carrying amount at beginning of year	15,416,558	37,443,723
Additions	65,790	7,319,812
Impairment	-	(3,665,576)
Transfer to mining properties and development	-	(25,296,629)
Disposals	(1,631,855)	-
Depreciation	(245,952)	(384,772)
Net book value	<u>13,604,541</u>	<u>15,416,558</u>

Office equipment

Carrying amount at beginning of year	351,829	340,362
Additions	14,793	117,710
Disposals	(1,885)	-
Depreciation	(104,631)	(106,243)
Net book value	<u>260,106</u>	<u>351,829</u>

**COCKATOO COAL LIMITED
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**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Con't)

	2015	2014
	\$	\$
Motor vehicles		
Carrying amount at beginning of year	705,408	975,731
Additions	2,831	-
Disposals	(2,930)	(28,375)
Depreciation	(176,499)	(241,948)
Net book value	<u>528,808</u>	<u>705,408</u>
Plant and equipment		
Carrying amount at beginning of year	4,061,162	2,350,805
Additions	418,071	2,599,444
Disposals	(1,334)	-
Depreciation	(864,344)	(889,087)
Net book value	<u>3,613,555</u>	<u>4,061,162</u>
Deferred stripping asset		
Carrying amount at beginning of year	15,050,400	-
Additions	24,490,513	15,050,400
Depreciation	-	-
Net book value	<u>39,540,913</u>	<u>15,050,400</u>
Mining properties and development assets		
Carrying amount at beginning of year	160,100,749	22,277,108
Additions	56,959,730	60,050,657
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	(4,386,162)	(7,304,234)
Net book value	<u>212,674,317</u>	<u>160,100,749</u>

During the year the Company sold its interest in the North Surat Joint Venture to North Surat Coal Pty Ltd, a subsidiary of New Hope Corporation Limited. This resulted in a disposal of \$1,461,347 of property, plant and equipment which predominantly comprised land and buildings.

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

**COCKATOO COAL LIMITED
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**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	\$	\$
NOTE 8 - BORROWINGS		
Current		
Finance lease	815,294	1,218,534
	815,294	1,218,534
Non-current		
Finance lease	223,103	970,417
Subsidiary shareholder loan	68,289,074	63,055,511
	68,512,177	64,025,928

Subsidiary shareholder loan

During the year ended 30 June 2015 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 \$36,758,791 (2014 - \$33,941,658) and the loan to Baralaba of \$31,530,283 (2014 - \$29,113,854) 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 2015, no amount of the loans have been classified as a current liability (2014 - nil).

During the year 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.

The loans payable to JFE Shoji were granted third-ranking security over the assets of Baralaba and Wonbindi at that time.

**COCKATOO COAL LIMITED
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**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	\$	\$
NOTE 9 - PROVISIONS		
Current		
Maintenance provision	4,791,238	-
Infrastructure security	-	3,699,543
	4,791,238	3,699,543
Non-current		
Maintenance provision	-	1,045,321
Rehabilitation provision	5,920,911	6,175,860
	5,920,911	7,221,181
Maintenance provision reconciliation		
Opening balance	1,045,321	-
Addition	4,388,385	1,045,321
Reversed	(642,468)	-
Closing balance	4,791,238	1,045,321
Rehabilitation provision reconciliation		
Opening balance	6,175,860	2,952,192
Addition	-	3,031,521
Reversed	(456,930)	-
Increase in fair value	201,980	192,147
Closing balance	5,920,910	6,175,860

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 6.25% (2014 - 6.75%). Rehabilitation additions during the prior year predominantly relate to the commencement of mining at the Baralaba North mine. Rehabilitation reversed during the year reflects a reestimate of the Baralaba North mine.

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

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FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 10 - CAPITAL AND RESERVES

Dividends

There were no dividends paid or declared during the year ended 30 June 2015 or 30 June 2014.

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 2015, no options were exercised (2014 – nil), however 205,000,000 options expired or were cancelled (2013 – 33,483,333).

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.

	2015	2014
	Number of shares	Number of shares
Share capital		
Ordinary shares on issue at 1 July – fully paid	4,560,196,928	1,021,101,465
Issue of shares	62,474,697,913	3,673,902,770
Cancellation of shares	-	(134,807,307)
Ordinary shares on issue at 30 June – fully paid	67,034,894,841	4,560,196,928

The following share issues occurred during the year ended 30 June 2015:

- Renounceable entitlement offer of 13.7 new shares for every 1 share in the company held on the record date.
- In February 2015 the Company issued 41,775,000,001 ordinary shares to various institutional investors including at \$0.002 per share for cash totalling \$83,550,000. Shares were issued under the renounceable entitlement offer.
- In February 2015 the Company issued 20,699,697,912 ordinary shares to various retail investors including at \$0.002 per share for cash totalling \$41,399,396. Shares were issued under the renounceable entitlement offer.
- There were no amounts unpaid on the above ordinary shares issues and issue costs totalled \$9,400,176

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.

**COCKATOO COAL LIMITED
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**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 - CAPITAL AND RESERVES (Con't)

- 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.

Options

The following options were on issue at 30 June 2015, each exercisable to acquire one fully paid ordinary share:

Grant date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Cancelled during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
16 April 2013	15 October 2014	\$0.125	150,000,000	-	-	150,000,000	-	-
17 October 2013	15 April 2015	\$0.0593	50,000,000	-	-	50,000,000	-	-
3 February 2012	30 September 2015	\$0.70	5,000,000	-	-	5,000,000	-	-
			<u>205,000,000</u>	-	-	<u>205,000,000</u>	-	-

The following options were on issue at 30 June 2014, each exercisable to acquire one fully paid ordinary share:

Grant date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Cancelled during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
3 February 2009	30 September 2013	\$0.40	1,300,000	-	-	1,300,000	-	-
3 February 2009	30 September 2013	\$0.50	800,000	-	-	800,000	-	-
3 February 2009	30 September 2013	\$0.60	800,000	-	-	800,000	-	-
3 February 2009	30 September 2013	\$0.70	9,500,000	-	-	9,500,000	-	-
31 December 2010	30 September 2013	\$0.60	250,000	-	-	250,000	-	-
9 May 2011	31 December 2013	\$0.64	20,833,333	-	-	20,833,333	-	-
16 April 2013	15 October 2014	\$0.125	150,000,000	-	-	-	150,000,000	150,000,000
17 October 2013	15 April 2015	\$0.593	-	50,000,000	-	-	50,000,000	50,000,000
3 February 2012	30 September 2015	\$0.70	5,000,000	-	-	-	5,000,000	5,000,000
			<u>188,483,333</u>	<u>50,000,000</u>	-	<u>33,483,333</u>	<u>205,000,000</u>	<u>205,000,000</u>

During the prior year, the Company issued 50,000,000 options as consideration for SK Networks, Co., Ltd providing an extension to the guarantee that supported the loan from KEB Australia Ltd. The fair value of the options issued was measured at grant date using a Black-Scholes formula taking into account the terms and conditions upon which the options were granted. The fair value is recognised as an expense over the Facility term. The fair value of the 50,000,000 options was \$1,589,032 and the Black-Scholes formula model inputs were the Company's share price of \$0.060 at the grant date, a volatility factor of 115% based on historic share price performance, a risk free interest rate of 2.64% based on government bonds, and a dividend yield of 0%.

The weighted average exercise price of options on issue at 30 June 2014 was \$0.1230. The weighted average remaining contractual life of options on issue at 30 June 2014 was 1.438 years.

**COCKATOO COAL LIMITED
and its controlled entities**

**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 11 - STATEMENT OF CASH FLOWS

	2015	2014
	\$	\$
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 Statement of Financial Position as follows:		
Bank balances	24,738,344	1,407,237
Term deposits	40,000,000	-
Restricted deposits	6,634,876	45,740,642
	71,373,220	47,147,879

Restricted deposits are held as security for guarantees issued by financial institutions on behalf of the Company, refer Note 12.

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 12.

Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities

Profit/(loss) from ordinary activities after tax	(25,463,111)	(191,682,789)
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Non-cash items

Gain on disposal of associate	-	(1,043,475)
Depreciation and amortisation	6,016,550	7,224,126
Net foreign exchange (gain)/loss	1,468,083	260,999
Employee benefits	-	628,135
Finance facility fee	-	(2,046,510)
Impairment losses	7,550,267	152,041,746
Reversal of impairment	(14,196,157)	-
Share based remuneration	-	392,624
Share of (profit)/loss in associate	-	-

Changes in assets and liabilities

Trade and other receivables	1,723,300	(5,399,001)
Inventories	(11,342,398)	7,249,797
Prepayments	311,146	(1,210,112)
Deferred stripping asset	(24,490,513)	-
Trade and other creditors	(14,457,045)	3,755,371
Employee entitlements	(345,590)	-
Non current borrowings	3,841,529	-
Non current liabilities	3,838,623	-
Non current provisions	3,957,686	6,913,833
Net cash used in operating activities	(61,587,630)	(22,552,256)

**COCKATOO COAL LIMITED
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**UNAUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 12 - CONTINGENT LIABILITIES

Guarantees

The Company has a \$71,454,703 bank guarantee facility with ANZ. At 30 June 2015 ANZ has issued guarantees under this facility totalling \$71,454,703. The Company held term deposits with ANZ totalling \$6,630,000 as security for the financial guarantees issued under the facility. The Company also arranged other external bank guarantees in favour of ANZ totalling \$37,000,000 as part security for the facility. These external bank guarantees were issued as part of arrangements finalised with its major shareholders, Noble and SKN, during the year which enabled the release of \$37,000,000 from restricted term deposits. Under the arrangements Noble and SKN each procured an \$18,500,000 bank guarantee in favour of ANZ as security for guarantees on issue.

Details of the guarantees provided at 30 June 2015 are:

- \$32,400,000 to WICET Holdings Pty Ltd under the 'Take or Pay' agreement for Stage 1 of the Wiggins Island Coal Export Terminal;
- \$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;
- \$1,428,000 to Aurizon as an above rail security guarantee as part of the rail transportation agreement dated 24 July 2012
- \$161,000 as an environmental bond to the State of Queensland against environmental offsets at the new trail load out facility currently under construction.

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 13 - SUBSEQUENT EVENTS

During the full year, Cockatoo announced that it had reached agreement with JS Baralaba Wonbindi Pty Ltd, a subsidiary of JFE Shoji Trade Corporation ("JFE Shoji") 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\$68m to remain in place following completion of the sale. Repayment of the JSBW shareholder loans are subordinated to any new funding contributed by the Company up until completion of the Baralaba Expansion project, and will then be repaid from Wonbindi Pty Ltd and Baralaba Pty Ltd cashflows on an equal dollar per dollar basis with the existing shareholder loans that the Company has advanced to the Baralaba JV.

Subsequent to year end, JSBW who held a 37.5% interest in Baralaba Coal Pty Ltd, and a 20% interest in Wonbindi Coal Pty Ltd transferred their total minority shareholdings in Baralaba Coal Pty Ltd and Wonbindi Coal Pty Ltd to Noble Group and Liberty Metals and Mining Holdings, LLC, a subsidiary of Boston based Liberty Mutual Insurance for a nominal amount. The current value in Baralaba and Wonbindi is in the shareholder loans owing to the Company and JFE Shoji, which Noble or Liberty Metals and Mining Holdings, LLC, a subsidiary of Boston based Liberty Mutual Insurance will not benefit from.