



22 February 2016

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Madam,

Cockatoo Coal Limited ACN 112 682 158
Baralaba Coal Pty Ltd ACN 009 805 029
Wonbindi Coal Pty Ltd ACN 114 668 941
Cockatiel Coal Pty Ltd ACN 096 909 634
(All Administrators Appointed) (together the Companies)

Second Meetings of Creditors and Deed of Company Arrangement (DOCA) Proposal

On 8 December 2015 orders were made by the Supreme Court of Queensland granting an extension to the convening period to call the second meeting of creditors of the Companies on or before 8 March 2016.

On 8 February 2016, the Administrators announced that they have received a number of indicative proposals to restructure the Companies, and that any proposal capable of resulting in a transaction will be the subject of a formal report to creditors and a vote of creditors.

The Administrators provide the following update.

Second Meetings

The Administrators' Report to Creditors pursuant to section 439A of the Corporations Act was circulated today. A copy of that report is attached.

The Second Meeting of creditors of each of the Companies has been convened for 11:30am Brisbane time (AEST) on Tuesday, 1 March 2016 in Brisbane.

The primary purpose of the Second Meetings is to enable creditors to decide the future of each of the Companies by choosing one of three options for each Company, being that:

1. the Company execute a Deed of Company Arrangement (**DOCA**); or
2. the Company be wound up; or
3. the administration comes to an end (and control of the company reverts to its director(s)).

Overview of Proposal

The Administrators have received a restructure proposal, which is to be effected by a DOCA and Creditors' Trust for the Companies (**Proposal**).

Under the Proposal, the Companies by their directors will enter into a new debt facility (**New Debt Facility**) with Liberty Metal & Mining Holdings, LLC (**Liberty**), one of Cockatoo Coal Limited's (**COK**) major shareholders, for \$100 million, of which an estimated \$78 million will be used to pay creditors' claims while the balance will be retained to meet the Companies' ongoing working capital needs.



Under the Proposal:

- terminated employees will be paid in full (for amounts paid in priority under Section 556 of the *Corporations Act 2001* (Cth))
- unsecured creditors owed up to \$25,000 will be paid in full or, if insufficient funds, a pro-rata amount of available funds by claim value – however, the Administrators anticipate there will be sufficient funds available to pay unsecured creditors owed up to \$25,000 in full
- unsecured creditors owed more than \$25,000 will be paid \$25,000 or, if insufficient funds, the available funds will be divided equally among creditors – however, the Administrators anticipate there will be sufficient funds available to pay \$25,000 to each unsecured creditor owed more than \$25,000
- COK will issue 10 billion new shares comprising 4 billion shares to JS Baralaba Wonbindi Pty Ltd, in consideration for procuring that its related company, JFE Steel Corporation keep its current offtake arrangements on foot and vary those arrangements on terms acceptable to Liberty, and 6 billion shares to Liberty at \$0.001 per share in cash (which cash will be used to fund a \$6.0 million establishment fee payable under the New Debt Facility)
- If approved by creditors, the DOCA is expected to be executed by 2 March 2016
- Creditors Trust is to be executed and DOCA completed within 30 business days after execution of DOCA

The conditions precedents to the effectuation of the DOCA include the following events taking place within 30 business days of the DOCA being executed:

- The release of the security held by each secured creditor other than Liberty
- ASX grants a waiver of Listing Rule 10.1 to the extent necessary to enable COK to enter into the New Debt Facility without member approval on terms satisfactory to Liberty
- Cockatoo by its directors is unconditionally permitted to drawdown the New Debt Facility to raise the Deed Funding Amount
- Liberty gives notice to the Deed Administrators that it is satisfied no assets have been disposed of other than in the ordinary course of business
- Liberty and the Deed Administrators have entered into a deed to secure payment of the administration debts (arrangements in this regard are still subject to final negotiation)
- The Creditors' Trust Deed is executed.

A copy of the Administrators' Report to Creditors, together with the draft DOCA and Creditors' Trust, are available for download from www.ppbadvisory.com. The information in this announcement relating to key terms of the DOCA and Creditor's Trust proposal should be read in conjunction with these documents.



Administrators' recommendation

As outlined in the Report to Creditors, as the estimated return to creditors is higher than any alternative scenario, and the proposal allows the Companies to continue in existence, the Administrators' recommend that creditors resolve for each Company to execute the DOCA and Creditors' Trust relating to the Proposal.

Stephen Longley
Administrator

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