

**COCKATOO COAL LIMITED**  
and its controlled entities

A.B.N. 13 112 682 158

**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**30 JUNE 2016**

**COCKATOO COAL LIMITED**  
**and its controlled entities**

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**COCKATOO COAL LIMITED**  
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**OPERATING AND FINANCIAL REVIEW**

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**OVERVIEW**

**Corporate and Financial Summary**

- Cockatoo and three associated companies enter voluntary administration effective 16<sup>th</sup> November 2015
- Administrators place Baralaba mine into care and maintenance on 8<sup>th</sup> February 2016
- Deed of Company Arrangement (DOCA) executed on 15 March 2016 which, upon effectuation, extinguished all pre existing major liabilities of the Company, including all take-or-pay agreements
- DOCA effectuated on 30 May 2016 and the Company handed back to the control of the Directors
  - **All shareholders retained their shares**
  - \$100m debt facility provided by Liberty Metals & Mining Holdings, LLC under the DOCA
  - 10 billion new ordinary shares issued under the DOCA
- **New \$35.5 million fully cash backed bank guarantee facility entered into with ANZ**
- Mining activities to remain in care and maintenance until 2017
  - Expansion capital expenditure programs under way which will enable production to be increased up to 3.5 Mtpa of saleable coal if required
  - Capital funding options being developed
- Impairment of \$64.3m on mining assets due to new mine planning and forecasts indicating a lower carrying value
- Impairment of \$6.8m on exploration assets as a result of a review of tenement holdings
- New mine plans being developed

**Operating Summary**

- Construction of the new train load out facility and balloon loop
- Commenced construction of the Dawson Highway Overpass
- Queensland Land Court recommended that the Company's Environmental Authority amendment application to increase production at the Baralaba North Mine be approved. ML 80201 granted on 16th June 2016
- Divestment of EPC882 to focus on core assets
- Mining and exploration activities went into care and maintenance during the administration process on 8<sup>th</sup> February 2016
- 469,932 tonnes of coal produced at the Baralaba mine during the full year
- 668,299 tonnes of coal sold during the full year
- Continued strong health & safety performance

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**CHAIRMAN’S REPORT**

After what has been another difficult year, Cockatoo Coal Limited (Cockatoo) has now emerged from voluntary administration having been recapitalised, reorganised and reverted to shareholders’ and directors’ control. The directors and executive management are now firmly focused on returning the Baralaba North mine to production and the Company to profitability.

It is important that Cockatoo shareholders understand that our major asset, the Baralaba North mine, remains in good order and subject to approval of a new mine plan, is now capable of producing our PCI metcoal product at competitive costs.

The crisis the Company faced this year was due to a number of factors, including the sustained fall in coal prices resulting from imbalances in global supply and demand. The impact of these significantly lower coal prices were compounded by (i) the delay and uncertainty in receiving the required permits to increase production above 1 Mtpa; (ii) the corresponding pressure of our ‘take-or-pay’ contracts, particularly for rail and port charges; and (iii) the cancellation of the Company’s bank guarantee facility.

In the absence of higher prices and without a clear pathway to alternate funding in the absence of the ANZ facility, it appeared inevitable that the Company’s financial position would not be sustainable within the 2016 financial year which left the Board with few options but to place the Company into voluntary administration.

Following their appointment, the Administrators ran a thorough and lengthy asset sales process contacting more than 100 parties of which 32 signed confidentiality agreements and were provided access to an online data room. The process resulted in a recapitalisation proposal from a major shareholder, Liberty Metals & Mining Holdings, LLC, being recommended by the Administrators. Importantly, this proposal provided for all shareholders to retain their shares and subsequently, a Deed of Company Arrangement was agreed with creditors and the administration was terminated on 30 May 2016. Control of Cockatoo was returned to its directors on behalf of shareholders, although the Company is yet to resume trading on the Australian Stock Exchange. The Company is now working to have trading resumed as soon as possible.

Regrettably, the process of administration and placement of the mine on care and maintenance has been trying on all of the Company’s stakeholders, particularly our employees and their families. However, we now look forward to re-starting the mine in 2017 and providing a safe, secure and profitable operation for all returning and new employees and the community of Baralaba. As a reflection of our commitment to this mine and the community, we are proposing to rename the company Baralaba Coal Company Limited.

Finally, I would like to thank the core group of remaining employees for the tireless efforts in shepherding the Company through such challenging times.

These efforts will continue in the year ahead to restore the commercial viability of Cockatoo and its return to trading on the Australian Stock Exchange as quickly as possible.

Mr Peter Richards

Chairman

# **COCKATOO COAL LIMITED and its controlled entities**

## **OPERATING AND FINANCIAL REVIEW**

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### **OVERVIEW**

This year ended 30 June 2016 for Cockatoo Coal Limited (Cockatoo or the Company) and its controlled entities (the Group) saw a significant decline in coal prices, the termination of the Company's ANZ bank guarantee facility and the Company and three associated companies enter voluntary administration effective 16 November 2015. Subsequently a Deed of Company Arrangement (DOCA) was entered into and effectuated on 30 May 2016, resulting in the end of administration and control of the Company reverting back to the Directors.

### **CORPORATE AND FINANCIAL REVIEW**

#### **Sale of Minority Interests in Baralaba and Wonbindi**

During the period, JSBW, who held a 37.5% interest in Baralaba Coal Pty Ltd, and a 20% interest in Wonbindi Coal Pty Ltd, sold their shareholdings in Baralaba Coal Pty Ltd and Wonbindi Coal Pty Ltd to Noble Group and Liberty Metals & Mining Holdings, LLC. The Company, through its subsidiary Cockatiel Coal, holds an option to acquire a portion of these interests for a nominal amount.

#### **Termination of Previous LC Facility and Entry into New LC Facility**

On 9 October 2015 the Company announced that it had received a notice from Australia and New Zealand Banking Group Limited (ANZ) stating that the ANZ will be terminating the Company's \$81m bank guarantee facility (LC Facility) on 15 January 2016.

In conjunction with emerging from voluntary administration, the Company has entered into a new \$35.5 million bank guarantee facility with ANZ that is fully cash backed.

#### **Cockatoo Coal Limited and three associated companies entered voluntary administration effective 16 November 2015**

##### **Background**

Cockatoo and three associated companies, Baralaba Coal Pty Ltd, Cockatiel Coal Pty Ltd and Wonbindi Coal Pty Ltd appointed Grant Sparks, Martin Ford and Stephen Longley of PPB Advisory as Administrators effective 16 November 2015 pursuant to section 436A of the Corporations Act 2001 (Cth).

##### **Reasons for Voluntary Administration**

The directors believed it was likely that the Company may at some point in the future, not be able to meet all financial commitments as and when they fell due. The key factors which lead to the appointment of voluntary administrators are summarised as follows:

- The declining price of coal
- The contingent liabilities arising from agreements with Wiggins Island Coal Export Terminal (WICET), Aurizon and Gladstone Port Corporation (GPC)
- The lack of permits to expand production
- The withdrawal of ANZ's facility
- Difficulty raising additional capital with the Company's existing structure and cost base

##### **Care and Maintenance**

The Administrators placed Baralaba mine into care and maintenance on 8 February 2016.

##### **Voting of creditors at the second meeting of creditors**

On 1 March 2016, creditors for each of the Companies resolved that the Companies execute the DOCA and Creditors' Trust Deed substantially in the form of the DOCA and Creditors' Trust Deed. The DOCA with Liberty Metals & Mining Holdings, LLC, was executed on 15 March 2016.

# COCKATOO COAL LIMITED and its controlled entities

## OPERATING AND FINANCIAL REVIEW

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### Deed of Company Arrangement (DOCA)

The key features of the DOCA were:

- The extinguishment of the major liabilities of Cockatoo and the three associated companies, including the 'take or pay' agreements in place with WICET holdings Pty Ltd and Aurizon
- A \$100m debt facility provided by Liberty Metals & Mining Holdings, LLC which enabled the Companies to repay all first and second lien lenders in full, fully cash back financial assurance guarantees given for the benefit of the Group to the state of Queensland, pay other certain creditor claims and provide \$27m of additional cash for working capital purposes.
- The issuance of 6 billion new ordinary shares to Liberty Metals & Mining Holdings, LLC at \$0.001 per share for gross proceeds of \$6 million.
- The issuance of 4 billion new ordinary shares to JS Baralaba Wondbindi Pty Ltd.

The DOCA was effectuated on 30 May 2016, at which point the Company and its subsidiaries were handed back to the control of the Directors.

### Impairment of mining and exploration assets

The Directors have completed an impairment assessment over the carrying value of the Group's assets at 30 June 2016. The assessment resulted in impairment charges to mining assets of \$64,300k and exploration and evaluation assets of \$6,775k.

### Company Strategy

On return of control of the Company to the Directors on 30 May 2016, the Company started the process to restart the mine. This included developing a new mine plan given the change in its circumstances following the voluntary administration and effectuation of the DOCA. Mining activities will remain in care and maintenance while various capital works are undertaken to enable production to be increased up to 3.5 Mtpa of saleable coal if required.

## OPERATING SUMMARY

### Health and Safety

Cockatoo's strong performance in the area of Health and Safety continued during the year albeit that the mine has been in care and maintenance since February 2016. Cockatoo's twelve month rolling Total Recordable Injury Frequency Rate (TRIFR) on entering care and maintenance was 3.08 compared to the industry average TRIFR of 15.70 for the same period. The TRIFR during care and maintenance is zero.

### Production

469,932 tonnes were produced for the full year and 668,299 tonnes of coal were sold during the period up until the mine was placed into care and maintenance on the 8<sup>th</sup> February 2016. This compares to 701,445 tonnes mined in the previous year.

### Extension to Baralaba Expansion Project

Cockatoo's Baralaba Expansion Project has been granted an extension to its existing 'prescribed project' declaration, recognising the continued economic and social significance of the project to the local region and Queensland. The project declaration enables the project to benefit from timely decision making for approval of construction, maintenance and operation and covers supporting infrastructure. The extension of the declaration was made by the Queensland Minister for State Development and Natural Resources and Mines, Dr Anthony Lynham, on 28 July 2015 in accordance with part 5A of the Queensland State Development and Public Works Organisation Act 1971.

### Additional Mining Lease Granted for Baralaba North Mine

On 23rd June 2016 the Queensland Government granted ML 80201. The Mining lease covers an area of 1,446 hectares and has been granted for a 25 year term. This lease approval extends the life of the Baralaba North mine and will allow Cockatoo to produce coal at the Baralaba North mine at a rate of up to 4.1 million tonnes per annum (Mtpa) of run-of-mine (ROM) coal (approximately 3.5Mtpa of saleable coal).

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**Infrastructure**

The Company continued development of Stage 2 works for the Baralaba Expansion project during the first half of the year with construction of the new train load out facility and balloon loop more than 98% complete at the end of June 2016.

Work also commenced from September 2015 on the Dawson Highway re-alignment adjacent to the train load out site. Works were suspended from 16 November 2015 and are expected to resume in the fourth quarter of 2016.

**Divestment of EPC882**

On 20 October 2015 the Company announced the completion of the sale of the Kingaroy Tenement EPC 882 to Moreton Resources Group (ASX:MRV) for \$300k (including transaction costs). The sale of this non-core asset aligned with Cockatoo's strategy of focusing on the expansion of its flagship ULV PCI coal mine at Baralaba.

**Exploration**

The Company continued its suspension of exploration activity, except for the Dingo West exploration program being managed with Japan Oil, Gas and Metals National Corporation (JOGMEC). JOGMEC's farm-in commenced in August 2015 and was suspended on the 22nd November 2015, at JOGMEC's request, due to the administration process commencing.

**OPERATING ACTIVITIES**

Cockatoo is a coal mining, exploration and development company with projects in the Bowen, Galilee and Surat Basins in Queensland, Australia. The Company has a significant tenement portfolio with an interest in projects which have reported a total of 68 million tonnes of JORC compliant Marketable Reserves and 1,598 million tonnes of JORC compliant Resources.

The Company's lead project is the Baralaba mine with contiguous tenements located in the Bowen Basin, with a focus on ULV PCI coal. The Company also has an extensive thermal coal tenement portfolio across the Surat and Galilee Basins.

The Company's Bowen Basin projects extend from the Dingo project in the north to the Baralaba South project in the south and have contiguous target areas covering an area of approximately 56,320 hectares with Permian age, Rangal Coal Measures sub-cropping over a strike length of approximately 92 kilometres. Production at the Baralaba mine has demonstrated that the seams of the Rangal Coal Measures in this area have PCI and thermal coal properties. The seams mined at the Baralaba mine have been intersected in the Baralaba South and Lochinvar target areas. The Company also possesses a suite of exploration projects throughout the Southern Bowen Basin, primarily around the Rolleston area.

The Company's Surat Basin projects cover an area of approximately 4,000 km<sup>2</sup>. The Juandah and Taroom Coal Measures of the Walloon Sub-Group both sub-crop within the Surat project area. The Tin Hut Creek and Davies Road projects are located in the Juandah Coal Measures and the Bottle Tree, Bushranger and Krugers projects are located within the Taroom Coal Measures.

The Company's Galilee Basin projects cover an area in excess of 960 km<sup>2</sup> located approximately 150km SW of Charters Towers. The Galilee Basin in central Queensland contains resources of high volatile, thermal coal, found within the seams of the Permian Age, Betts Creek Beds coal measures.

The Company is currently conducting a review of all its tenement holdings.

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A summary of the Company's currently defined and reported coal reserves and resources, by project on a 100% basis, based on drilling for which details of drill hole co-ordinates and cumulative thickness of coal have been reported by the Company.

:

Project	Tenement	Depth of Resource (m)	JORC Classification				
			Reserves	Resources			
			Marketable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Baralaba North	MLs 80169, 80170 & 80200. MDLs 184 and 416. EPC 1047 and MLA 80201	<200	31	35	34	23	92
Baralaba Central (closed)	MLs 5605, 5580, 5581, 5590 & 80157	<200	0	4	8	4	16
Baralaba South	MDL 352 and EPC 1047 (MLA 80193)	<200	37	36	17	139	192
Lochinvar	EPC 1047	<200	0	0	4	60	64
<b>Bowen Basin Total</b>			<b>68</b>	<b>75</b>	<b>63</b>	<b>226</b>	<b>364</b>
Tin Hut Creek	MDL 430	<150	0	0	207	137	344
Bottle Tree	MDL 433	<125	0	0	30	6	36
Krugers	MDL 441	<150	0	0	33	130	163
Davies Road	MDL 437	<150	0	0	14	35	49
Bushranger	MDL 451	<150	0	0	19	126	145
Broadmere	EPC1465	<150	0	0	0	52	52
<b>Surat Basin Total</b>			<b>0</b>	<b>0</b>	<b>303</b>	<b>486</b>	<b>789</b>
South Pentland	EPC 1486	200-650	0	0	94	351	445
<b>Galilee Basin Total</b>			<b>0</b>	<b>0</b>	<b>94</b>	<b>351</b>	<b>445</b>
<b>Group Total</b>			<b>68</b>	<b>75</b>	<b>460</b>	<b>1,063</b>	<b>1,598</b>

**Note:** - Includes depletion of resource and reserve at the Baralaba North mine to the year ended 30th June 2016

- Data is rounded. And this may cause some apparent discrepancies in totals

- The Company owns less than a 100% interest in the companies that own the Baralaba North, Baralaba Central, Baralaba South and Lochinvar projects.

- The Company consolidates 100% of the assets and liabilities of these companies in its financial statements.

### Baralaba Complex

The Baralaba Complex is located near the town of Baralaba in the south eastern limb of the Bowen Basin, Queensland, which comprises the Baralaba Coal Measures. The Baralaba Complex consists of Baralaba North (under care and maintenance), Baralaba Central (closed), and Baralaba South (exploration and pre-feasibility). The Baralaba mine is an open-pit operation, managed and operated by the Company with certain key services including drill and blast and haulage provided by contractors. Predominantly ULV PCI coal for steel making and some thermal coal are produced from multiple seams forming the well-known Baralaba Coal Measures. All the coal sold is exported from the Port of Gladstone.



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**Baralaba Mine Production**

Coal production for the year ended 30 June 2016 was as follows:

	<b>Half Year Ended 31 December 2015</b>	<b>Half Year Ended 30 June 2016</b>	<b>Full Year Ended 30 June 2016</b>
<b>ROM coal (tonnes)</b>	411,075	58,857	469,932
<b>Overburden (bcm)</b>	5,652,843	1,246,284	6,899,127

Coal sales and marketing for the year ended 30 June 2016 was as follows:

<b>Shipments</b>	<b>Half Year Ended 31 December 2015</b>	<b>Half Year Ended 30 June 2016</b>	<b>Full Year Ended 30 June 2016</b>
<b>Tonnes</b>	575,172	93,127	668,299

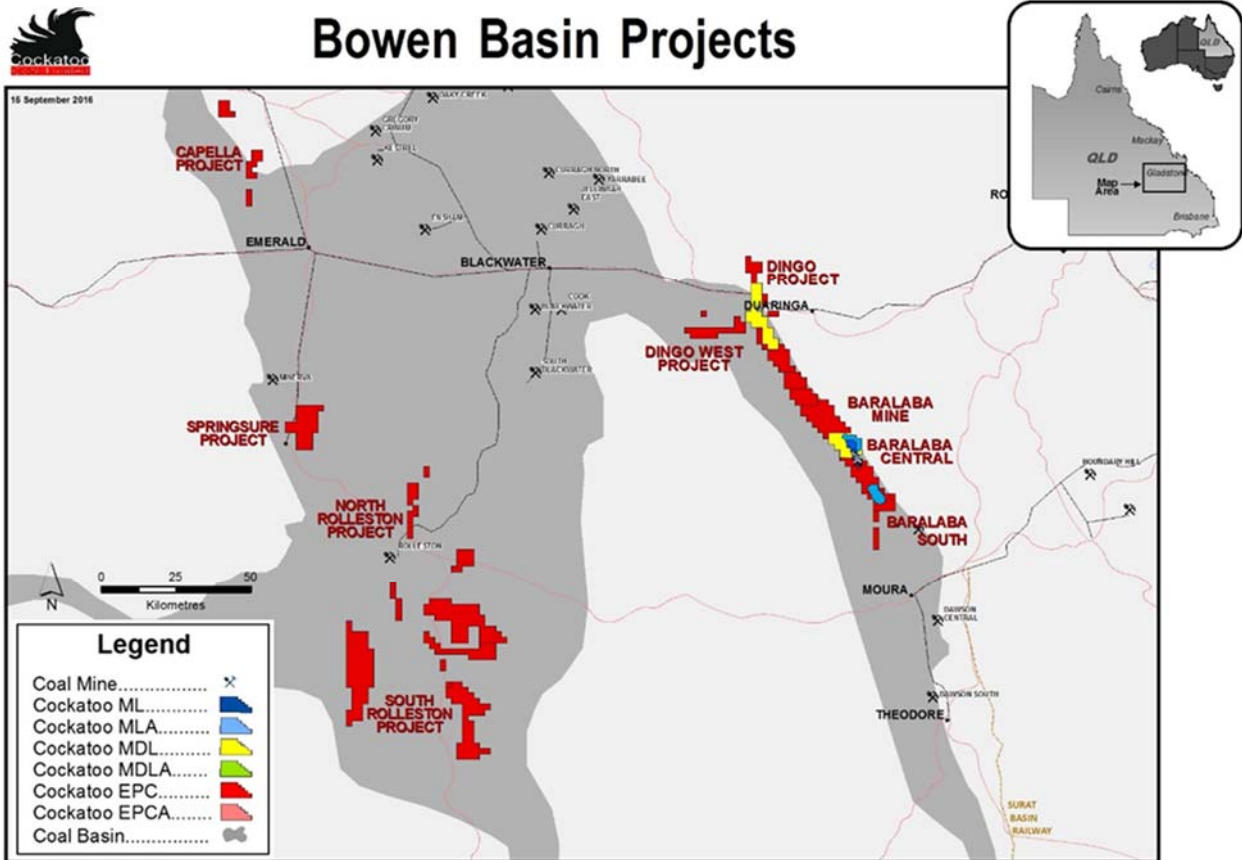
**BOWEN BASIN PROJECTS**

The Company's Bowen Basin Projects comprise :

- MLs 5580, 5581, 5590, 5605, 80157 and 80169 and MDL 184 (Baralaba mine project), which are held by the Company's 62.5% owned subsidiary, Baralaba Coal Pty Limited
- ML 80201, ML 80170, MDL 416 and EPC 1047 to the north of the Baralaba mine (Baralaba North project) and MDL 352, EPCs 1047, 2107 and 2143 and MLA 80193 to the south of Baralaba Township (Baralaba South project) which are held by the Company's 80% owned subsidiary, Wonbindi Coal Pty Limited
- The Dingo project comprising MDL 512 and EPCs 862, 863 and 1063 which are currently 30% owned by the Company's 100% owned subsidiary, Independent Coal Pty Limited.
- Cockatoo also controls an additional 16 EPCs in the Bowen Basin including the Dingo West, Rolleston and Springsure projects.

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**OPERATING AND FINANCIAL REVIEW**



**Bowen Basin Projects**

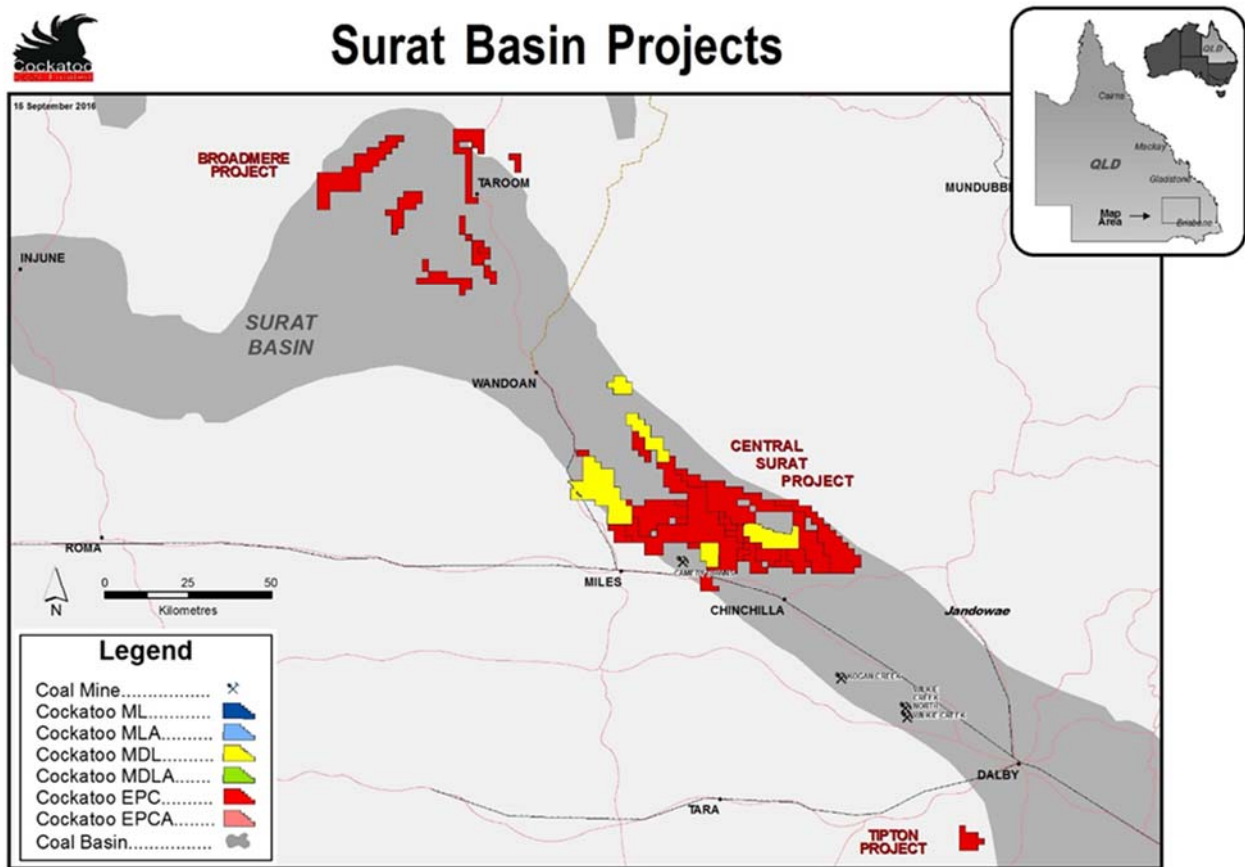
The Company has continued exploration and drilling activities carrying out open hole drilling and coal quality coring for Baralaba’s raw coal. The main focus of exploration activities was shifted to the company’s Dingo West Project. The Dingo West Project is an exploration joint venture with JOGMEC targeting the Baralaba Coal Measures to the north of the Baralaba Complex. It is currently suspended at JOGMEC’s request.

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The Surat Basin is a well established energy province, with existing power developments, regional centres, service industries and existing infrastructure. The potential for development of a significant export coal industry from the Surat will be enhanced by the planned development of the Surat Basin Railway, connecting the region to the port of Gladstone by developing a new rail freight corridor from Wandoan northwards to the existing Moura-Gladstone rail line, joining at the township of Banana.

The Company's Surat Basin projects have been advanced to a stage where no further substantial field activities are planned until there is further clarity regarding the development progress of the proposed Surat Basin railway and other major coal mine developments in the region. Given the uncertainty in the timing of development of the rail and port infrastructure, impairments have previously been recorded against the Group's investments and other assets that relate to the Surat Basin projects.



**Surat Basin Projects**

The Company's Surat Basin projects, comprise:

- The Surat project, incorporating Tin Hut Creek, Bottle Tree, Davies Road, Krugers and Bushranger (MDLs 430, 433, 437, 441 and 451, EPCs 796, 813, 1041, 1134, 1170, 1278, 1464, 1593, 1596, 2092, 2199 and 2200)
- Broadmere project incorporating EPC's 1436, 1465, 1557, 1556 and 1558
- Tipton project incorporating EPC 1733

**Surat and Galilee Basin exploration**

The exploration potential at these sites remains open.

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**COMPETENT PERSONS STATEMENT**

The information in this Document relating to Cockatoo's Exploration Results, Mineral Resources and Ore Reserves is based on information extracted from the reports detailed below, which are available to view at Cockatoo's website <http://www.cockatoocoal.com.au> and on Cockatoo's company announcement platform at <http://www.asx.com.au>.

'Baralaba North JORC Resource Upgrade', released to ASX on 9 October 2014

'Bowen Basin Projects Resource and Reserve Updated', released to ASX on 5 April 2013; and

'Surat Basin Projects Drilling and Resource Update', released to ASX on 16 January 2013; and

'South Pentland Project Resource Upgrade', released to ASX on 10 September 2014; and

'Maiden JORC Resource at the Taroom Project', released to the ASX by Blackwood Corporation on 12 September 2013.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of the estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The estimates pertaining to Reserves for Baralaba North Mine, Baralaba South and Baralaba Central Mine were prepared under the 2004 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves. As such, these statements are not reported in accordance with the current 2012 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012 JORC Code), and are considered to be historical estimates. A competent person has not done sufficient work to classify these historical estimates in accordance with the 2012 JORC Code, and it is uncertain that following evaluation and/or further exploration work that the estimates will be able to be reported as Reserves in accordance with the 2012 JORC Code.

The estimates pertaining to Resources for Baralaba South, Baralaba Central Mine, Lochinvar, Tin Hut Creek, Kingaroy, Bottle Tree, Krugers, Davies Road and Bushranger were prepared under the 2004 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves. As such, these statements are not reported in accordance with the current 2012 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012 JORC Code), and are considered to be historical estimates. A competent person has not done sufficient work to classify these historical estimates in accordance with the 2012 JORC Code, and it is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as Resources in accordance with the 2012 JORC Code.

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**STATEMENT OF CORPORATE GOVERNANCE**

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Cockatoo recognises the value of good corporate governance. The board believes that effective governance processes and procedures add to the performance of the Company and engenders the confidence of the investment community.

Consistent with last year, the Company has adopted Listing Rule 4.10.3 which allows companies to publish their corporate governance statement on their website rather than in their annual report. The directors have reviewed the statement and a copy of the statement along with any related disclosures is available at <http://www.cockatoocoal.com.au/index.cfm/about/corporate-governance/>.

**COCKATOO COAL LIMITED**  
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**DIRECTORS' REPORT**

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The Directors present their report together with the financial report of the Cockatoo Coal Limited Group (Group), being Cockatoo Coal Limited (Cockatoo or the Company) and its controlled entities, for the year ended 30 June 2016 and the auditor's report thereon:

**Directors**

The names and particulars of the Directors of the Company at any time during or since the end of the financial year are:

**Peter Ian Richards – Independent Chairman**

**BCom**

Director since 15 January 2014.

Peter Richards has over 35 years of experience in the mining services and industrial sectors with global companies including BP Plc, Wesfarmers, Dyno Nobel Limited and Norfolk Group Limited where he served as Managing Director. In his time at Dyno Nobel, where he was Managing Director and CEO, Peter also held a number of senior executive positions in both North America and Asia Pacific.

Mr Richards currently serves as Chairman of Emeco Holdings Limited and NSL Consolidated Limited and as a Director of GrainCorp Limited. He has a Bachelor of Commerce, Accounting and Economics, from the University of WA.

**Damon Gilbert Barber – Non-executive Director**

**BEng (Mining), MBA**

Director since 11 March 2015.

Mr Barber is the Senior Managing Director of Liberty Metals & Mining Holdings, LLC. Mr Barber has over 23 years of experience in natural resources finance and operations. Mr Barber graduated from the University of Kentucky with a B.S. in Mining Engineering and began his career as a section foreman at CONSOL Energy Inc.'s Loveridge Mine. Mr Barber holds an MBA from the Wharton School of the University of Pennsylvania. Mr Barber is currently a director of Yara Dallol B.V., Atalaya Mining Plc and Ram River Coal Corp.

**Mark Christopher Tomek – Non-executive Director**

**LL.B, MBA**

Director since 11 March 2015.

Mr Mark Tomek is a senior member of Liberty Metals & Mining Holdings, LLC. Mark has over 12 years' experience in corporate finance, law and principal investing. Prior to joining Liberty Metals & Mining Holdings, LLC, Mr Tomek worked as an Investment Banker in Canada and England, focusing on mergers & acquisitions and mining, and practiced corporate and securities law in Toronto at a large Canadian law firm. Mark has an LL.B. from Dalhousie University and an MBA from the Ivey Business School.

**Stephen James Motteram – Non-executive Director**

**MBA, B.Sc (Ag), Grad Dip Econ**

Director since 11 March 2015.

Mr Motteram is the Global Head of Asset Development for Carbon Steel Materials at Noble Group. He has over 20 years experience in commodities trading and financing. Since joining Noble in 2011 he has worked on transactions in Australia, Indonesia, Africa, India, Brazil and China. Prior to this, he worked at National Australia Bank and Louis Dreyfus.

Stephen graduated from the University of Melbourne with a Bachelor's degree in Agricultural Science and a Graduate Diploma in Economics. He is an Associate member of CPA Australia and also has an MBA from Melbourne Business School/University of Western Ontario.

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**DIRECTORS' REPORT**

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**Timothy James Gazzard – Non-executive Director**

**BEng (Mining), Grad Dip App Fin, MBA**

Director since 19 December 2013.

Tim Gazzard is an Executive Director with Noble International Pte Ltd and is Global Head of Noble Group's metallurgical coal business. Mr Gazzard joined Noble in 2009 working in roles across Europe, China and, more recently, Indonesia. Prior to this, he worked with Barclays Capital in Investment Banking and Thiess as a Mining Engineer in Australia, Indonesia and Peru.

Mr Gazzard has 15 years' experience in commodities across all aspects of the supply chain including mining, asset development, logistics, marketing, financing and M&A. Mr Gazzard graduated from the University of Queensland with a Bachelor in Mining Engineering and also holds a Graduate Diploma in Applied Finance and an MBA from London Business School.

**Kenneth Scott Andrew Thompson - Non-executive Director**

**BEng (Mining) [Hons], MBA, MAusIMM**

Director since 27 November 2009.

Scott Thompson is a Director of Harum Energy Australia Pty Limited and has 18 years of coal industry experience. Prior to joining the Tanito Coal Group in 2003, he worked with various international mining organisations including Anglo American and PT Adaro Indonesia. Mr Thompson holds a B.Eng (Hons) in Mining Engineering and an MBA from the University of Cape Town.

**Neil Dhar, Alternate Director for Tim Gazzard**

**B.Sc (Ag), MSc**

Alternate Director since 11 March 2015 to 30 November 2015.

Mr Dhar is Head of Carbon Steel Materials and a Management Committee member of Noble Group Limited. He has over 20 years experience in commodities production, M&A, and trading. Since joining Noble early in 2010, Neil has been the Co-Head of Hard Commodities, and prior to joining Noble, he worked at Anglo American Plc as a Chief Commercial Officer.

Neil graduated from the University of Melbourne with a Bachelor's degree in Agricultural Science and also has a Sloan Fellowship and a Masters in Science from London Business School, UK.

**Robert Ainslie Yeates – Independent Director**

**BEng [Hons], Ph.D, MBA**

Director from 25 July 2005 to 26 August 2015.

Dr Yeates began his career with Peko Wallsend working in a variety of roles including mining engineering, project management, general mine management and marketing. He became General Manager Marketing for Oakbridge Pty Limited in 1989 following a merger with the Peko Wallsend coal businesses and went on to become Managing Director of Oakbridge, which was the largest coal mining company in NSW at that time, operating the Bulga Open Cut, South Bulga, Ellalong, Gretley, Baal Bone and Clarence coal mines.

Dr Yeates has gained operating, business development and infrastructure experience as a director of Port Waratah Coal Services (Newcastle Port), Port Kembla Coal Terminal, Great Northern Mining Corporation NL and Cyprus Australia Coal and for the past 15 years has been principal of his own mine management consultancy, providing a wide range of technical, management and strategic planning services to the mining industry. He is also the former CEO of NCIG, which constructed and is operating the new coal export facility in Newcastle.

Dr Yeates is a graduate of the University of NSW, completing a Bachelor of Engineering (Honours 1) in 1971 and a PhD in 1977 and then an MBA in 1986 from Newcastle University.

**COCKATOO COAL LIMITED**  
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**DIRECTORS' REPORT**

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**Senior Management**

The names and particulars of the Senior Management of the Company at the end of the financial year are:

**Brian Wyatt – Interim Chief Executive Officer**

Interim Chief Executive Officer since 30 May 2016.

Mr Wyatt has over 30 years of experience in the Australian mining industry. Mr Wyatt has held various senior roles throughout his career spanning GM Operations, GM Processing, and Head of Occupational Health & Safety.

Most recently Mr Wyatt was GM Regis Resources, GM for Millennium Minerals in Western Australia, prior to which he was GM of the Lady Annie Copper Mine where Mr Wyatt led the redevelopment and restart of the idle operation to a full workforce of 300.

**Martin Lackner - Company Secretary**

**CPA, MBA, BBus Acc**

Company Secretary from 15 June 2015 to 23 September 2016

Mr Lackner has held senior financial leadership positions for 10 years across multiple industries including mining, services, media and construction industries in both Australia and the UK. He has served in senior finance and commercial positions within Cockatoo since 2012.

Martin is a member of the Certified Practising Accountants in Australia and holds an MBA from Deakin University in Melbourne with a Bachelor's degree in Business majoring in Accounting.



**COCKATOO COAL LIMITED**  
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**DIRECTORS' REPORT**

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**Directors' Meetings**

The number of Directors' meetings held and number of meetings attended by each of the Directors of the Company, while they were a Director, during the year are:

Director	Board meetings		Audit Committee meetings		Technical Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Peter Richards	17	17	2	2	-	-
Tim Gazzard	17	15	-	-	-	-
K. Scott A. Thompson	17	11	-	-	3	1
Robert A. Yeates	4	4	-	-	3	3
Damon Gilbert Barber	17	13	-	-	3	3
Mark C. Tomek	17	15	2	2	-	-
Stephen J. Motteram	17	17	-	-	3	3

***Unissued shares under option***

At the date of this report, unissued ordinary shares of the Company under option are nil.

Details of options issued by the Company are set out in the capital and reserves note to the financial report. The names of persons who currently hold options are entered in the register of options kept by the Company pursuant to the Corporations Act 2001. This register may be inspected free of charge.

The persons entitled to exercise the options do not have, by virtue of the options, the right to participate in a share issue of any other body corporate.

***Shares issued on exercise of options***

During the financial year, no ordinary shares were issued as a result of the exercise of options.

**COCKATOO COAL LIMITED**  
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**DIRECTORS' REPORT**

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**Remuneration Report – Audited**

The policy of Directors is to ensure remuneration properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company and the senior executives for the Group that are named in this report.

The remuneration of executive management is made up of fixed remuneration, short term incentive payments payable in either cash and/or shares and equity based remuneration when invited to participate by the Board in the executive share option plan of the Group. Non-executive directors do not receive performance based remuneration. The remuneration of Non-executive Directors is made up of fixed remuneration and equity based remuneration when invited to participate by the Board in the executive share option plan of the Group. No options were issued under the share option plan of the Group in the current or prior year and there are no unissued shares at 30 June 2016. During this, and the prior year, nominee Directors of major shareholders including Noble Group, Liberty Metals & Mining Holdings, LLC, a subsidiary of Boston based Liberty Mutual Insurance and Harum Energy, elected not to receive director fees.

Total fees for all Non-executive Directors, last voted upon by shareholders at the 2008 Annual General Meeting, are not to exceed \$250,000 per annum. From 1 April 2015 the Directors resolved that the Chairman receive remuneration of \$100,000 per annum and the independent Director will receive remuneration of \$65,000 per annum.

***Director and Executive Changes***

David Smith terminated as Chief Financial Officer on 1 July 2015

Robert Ainslie Yeates resigned as Independent Director on 26 August 2015

Peter Kane terminated as Chief Executive Officer on 27 May 2016

Todd Harrington terminated as Chief Development Officer on 30 September 2015

Brian Wyatt appointed as Interim Chief Executive Officer on 30 May 2016

Neil Dhar resigned as Alternate Director on 30 November 2015

**COCKATOO COAL LIMITED**  
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**DIRECTORS' REPORT**

**Remuneration Report – Audited (Con't)**

Details of the nature and amount of each major element of the remuneration of each Director of the Company and Group are:

	Year	Primary fees	STI cash bonus	STI share bonus	Superannuation	Long service leave	Termination payments	Total	Proportion of remuneration performance related
<b>Executive Directors</b>		\$	\$	\$	\$	\$	\$	\$	
Andrew C. Lawson	2016	-	-	-	-	-	-	-	-
(Terminated)	2015	360,385	100,000	-	47,833	-	521,518	1,029,736	10%
<b>Non-executive Directors</b>									
Peter Richards	2016	91,324	-	-	8,676	-	-	100,000	-
(Chairman)	2015	121,918	-	-	11,582	-	-	133,500	-
Damon Barber	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
Tim Gazzard	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
Stephen Motteram	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
Mark Tomek	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
K. Scott A. Thompson	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
Robert Yeates	2016	9,893	-	-	940	-	-	10,833	-
(Resigned 26/8/15)	2015	61,187	-	-	5,813	-	-	67,000	-
Neil Dhar	2016	-	-	-	-	-	-	-	-
	2015	-	-	-	-	-	-	-	-
Rod Ruston	2016	-	-	-	-	-	-	-	-
(Resigned)	2015	44,917	-	-	4,267	-	-	49,184	-

**COCKATOO COAL LIMITED**  
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**DIRECTORS' REPORT**

**Remuneration Report – Audited (Con't)**

	Year	Primary fees	STI cash bonus	STI share bonus	Superannuation	Long service leave	Termination payments	Total	Proportion of remuneration performance related
		\$	\$	\$	\$	\$	\$	\$	
<b>Executives</b>									
Peter Kane	2016	392,623	-	-	24,212	-	200,000	616,835	-
(Terminated 27/5/16)	2015	80,513	-	-	4,696	-	-	85,209	-
Todd Harrington	2016	176,203	-	-	7,500	-	666,105	849,808	-
(Terminated 30/9/15)	2015	406,331	52,730	-	27,500	-	-	486,561	11%
Martin Lackner	2016	174,660	-	-	15,643	-	-	190,303	-
(Resigned 23/9/16)	2015	164,160	4,566	-	16,029	-	-	184,755	2%
James Rodgers	2016	-	-	-	-	-	-	-	-
(Terminated)	2015	167,658	17,805	-	16,592	-	167,628	369,683	5%
David Smith	2016	48,250	-	-	4,860	-	239,693	292,803	-
(Terminated 01/07/15)	2015	401,983	46,360	-	27,500	-	-	475,843	10%
Lee O'Dwyer	2016	-	-	-	-	-	-	-	-
(Terminated)	2015	239,744	12,648	-	22,736	-	98,891	374,019	3%
David Vink	2016	-	-	-	-	-	-	-	-
(Terminated)	2015	400,429	21,955	-	40,000	-	240,280	702,664	3%
Brian Wyatt	2016	327,500	-	-	19,308	-	-	346,808	-
	2015	75,000	-	-	4,696	-	-	79,696	-

Brian Wyatt was considered an Executive from 30 May 2016.

**COCKATOO COAL LIMITED**  
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**DIRECTORS' REPORT**

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**Remuneration Report – Audited (Con't)**

***Termination payments***

Termination payments made to Todd Harrington, David Smith and Peter Kane were paid in reference to their termination clauses within their employment agreements. Current termination arrangements for those KMP's remaining at 30 June 2016 are as follows: Brian Wyatt - \$ 81k, Martin Lackner – nil.

***Options granted as compensation***

No options were granted as compensation to key management personnel during the current and prior reporting period. No options have been granted to key management personnel subsequent to year end. During the year ended 30 June 2015, 5,000,000 options held by Andrew Lawson lapsed following his resignation as Managing Director. There were no other options exercised, forfeited or lapsed unexercised during the year ended 30 June 2016 or 30 June 2015.

In the event that the employment or office of the option holder is terminated, any options which have not reached their vesting date will lapse and any options which have reached their vesting date may be exercised within two months from the date of termination. Vesting conditions relate solely to service periods.

The fair values of options at grant date are determined based on the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted and is allocated to each reporting period evenly over the period from grant date to vesting date.

***Ordinary shares granted as compensation***

No shares were granted to employees, Directors or other executives during the reporting period as compensation in 2016 or 2015.

***Cash Bonuses***

During the 2016 year, no STI cash bonuses were paid to management and staff. In the prior year STI cash bonuses were paid as per the bonus terms agreed within their individual employment contracts. Bonus values disbursed were within the range of 5% to 30% calculated on an individual's base salary. Calculations were performance based with the criteria being evenly weighted between company (50%) and personal (50%) key performance indicators. The Board of Directors has discretion in approving any company or personal incentive payments.

**COCKATOO COAL LIMITED**  
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**Remuneration Report – Audited (Con't)**

*Movement in ordinary shares*

At the date of this report, the beneficial interests of each Director and executive of the Company in the issued share capital of the Company are:

<b>Key Management Personnel</b>	<b>Held at 1 July 2015<sup>^</sup></b>	<b>Purchased</b>	<b>Granted as remuneration</b>	<b>Sold</b>	<b>Held at 30 June 2016*</b>
Peter Richards	-	-	-	-	-
Robert A. Yeates	15,000,004	-	-	-	15,000,004
Damon Barber	-	-	-	-	-
Tim Gazzard	-	-	-	-	-
Stephen Motteram	-	-	-	-	-
Mark Tomek	-	-	-	-	-
K. Scott A. Thompson	-	-	-	-	-
Neil Dhar	-	-	-	-	-
Peter Kane	-	-	-	-	-
Todd Harrington	1,250,000	-	-	-	1,250,000
Martin Lackner	112,000	-	-	-	112,000
David Smith	2,000,000	-	-	-	2,000,000
Brian Wyatt	5,000,598	-	-	-	5,000,598

\* Number of shares held at date of termination as a Director or executive.

<sup>^</sup> Number of shares held at date of appointment as a Director or executive.

**COCKATOO COAL LIMITED**  
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**DIRECTORS' REPORT**

**Remuneration Report – Audited (Con't)**

*Movement in options*

At the date of this report, the beneficial interests of each Director and executive of the Company in options over the unissued share capital of the Company are:

Key management personnel	Held at 1 July 2015 <sup>^</sup>	Granted	Expired/ Cancelled	Held at 30 June 2016*
	-	-	-	-

\* Number of options held at date of termination as a Director or executive.

<sup>^</sup> Number of options held at date of appointment as a Director or executive.

*Consequences of performance on shareholders' wealth*

In considering the Group's performance and benefits for shareholders' wealth, the Board have regard to the following financial and share price information in respect of the current financial year and the previous four financial periods.

	2016 '000	2015 '000	2014 '000	2013 '000	2012 '000
Net profit/(loss) after tax attributable to equity holders of the parent	(\$62,825)	(\$14,540)	(\$182,279)	(\$28,403)	\$16,162
Dividends paid	-	-	-	-	-
Change in share price	\$0.00	(\$0.03)	\$0.00	(\$0.17)	(\$0.18)

The overall level of key management personnel's compensation has been determined based on market conditions and status of the Group's projects.

*Related party transactions*

During the year ended 30 June 2016, the Company sold coal to Noble Resources International Pty Ltd, a related party of a significant shareholder who has appointed Tim Gazzard and Stephen Motteram as Directors of the Company. The total value of coal sold to Noble International Pte Ltd during the year was \$7,141k (2015- \$40,833k).

During the year ended 30 June 2016, the Company received a loan from and issued 6 billion shares to Liberty Metals & Mining Holdings, LLC (LMM) a significant shareholder, under the terms of the DOCA. The amount outstanding on the loan at 30 June 2016 is \$103,910k (2015 – nil). The key terms of the LMM debt facility are:

- Interest of 12.5% per annum, (with a default interest rate of 16.5%)
- Interest accrues and is capitalised and added to the loan until 31 December 2017
- Cash repayments of interest due every quarter from 31 March 2018 onwards
- Amortisation of principal and capitalised interest start 30 June 2019
- Term of the loan is to 31 December 2021 when the loan is repayable in full

The Company entered into an Additional Consideration Deed with LMM. No amounts were paid or were owing for the year ended 30 June 2016. The key terms of the LMM additional consideration deed are:

- 3.75% of gross revenue of the Company and its subsidiaries payable to LMM quarterly in arrears
- Term of the Additional Consideration Deed is to 31 December 2056

# COCKATOO COAL LIMITED and its controlled entities

## DIRECTORS' REPORT

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### Remuneration Report – Audited (Con't)

During the year ended 30 June 2015 the Company entered into a three year agreement with SK Networks Co. Ltd and a related party of a significant shareholder, Noble Group Limited which secured the release of \$37.0 million in restricted cash. Interest is charged at 12.5% per annum and was to be paid on termination of the agreement. These agreements were called upon during the year ended 30 June 2016 and the Company repaid the associated loans on the effectuation of the DOCA. The agreements did not continue following the effectuation of the DOCA.

During the year ended 30 June 2014, the Company entered into coal marketing arrangements with Noble Resources International Pte Ltd. The total amount of marketing fees incurred but which remain unpaid at 30 June 2016 was nil (30 June 2015 - \$247k). The total amount of marketing fees paid during the year ended 30 June 2016 was \$457k (30 June 2015 - nil). The marketing arrangements did not continue following the effectuation of the DOCA.

The Company issued 4 Billion shares and paid \$2 million to JS Baralaba Wonbindi Pty Ltd, under the terms of the DOCA. The \$2 million paid was for the repayment of a loan under the terms of the DOCA.

During the year ended 30 June 2015 the Company had off-take arrangements with both Noble and SK Networks for offtake of 5.85Mt of ULV PCI coal from the Baralaba JV. Noble also had an additional off-take agreement for 28.5Mt. These off-take arrangements did not continue following the effectuation of the DOCA.

### Principal Activities

The Group is involved in the acquisition, exploration, development, production and operation of coal mining projects. Mining operations have been in care and maintenance since February 2016, as a result of the administration process, and their recommencement is awaiting the finalisation of the revised mining plan.

### Financial Result and Operating and Financial Review

The operating loss of the Group for the financial year ended 30 June 2016 after income tax was \$80,860k (2015: \$25,063k) which included impairment losses of \$71,075k (2015: \$7,550k) and reversals of \$290k (2015: \$13,136k).

A review of the Group's operations for the year is set out in the Operating and Financial Review.

### Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2016. No dividends have been paid or declared during the current or previous financial years.

### Employees

The Group has 24 employees including Directors (2015: 108 employees). There was a significant decrease during the period following an aggressive cost reduction program in response to falls in the benchmark PCI price and the administration process.

### State of Affairs

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2016 were as follows:

- Cockatoo and three associated companies enter voluntary administration effective 16<sup>th</sup> November 2015
- Administrators place Baralaba mine into care and maintenance on 8<sup>th</sup> February 2016
- Deed of Company Arrangement (DOCA) executed on 15 March 2016, which upon effectuation, extinguished the major liabilities of the Company including all take-or-pay agreements
- DOCA effectuated on 30 May 2016 and the Company handed back to the control of the Directors
  - All shareholders retained their shares
  - \$100m debt facility provided by Liberty Metals & Mining Holdings, LLC under the DOCA
  - 10 billion new ordinary shares issued under the DOCA
- New \$35.5 million fully cash backed bank guarantee facility entered into with ANZ
- Mining activities to remain in care and maintenance until 2017



**COCKATOO COAL LIMITED**  
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**DIRECTORS' REPORT**

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- Expansion capital expenditure programs under way which will enable production to be increased up to 3.5 Mtpa of saleable coal
- Impairment of \$64.3m on mining assets due to new mine planning and forecasts indicating a lower carrying value
- Impairment of \$6.8m on exploration assets as a result of a review of tenement holdings
- New mine plans developed
- Brian Wyatt was appointed Interim CEO in May 2016

**Environmental Regulations**

The Group's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its activities. The Board of Directors monitors compliance with environmental regulations through regular reporting from management under the Group's risk management and internal control system. The Directors are not aware of any significant breaches of these regulations during the period covered by this report.

**Impact of Legislation and Other External Requirements**

There were no environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Group.

**Events Subsequent to Balance Sheet Date**

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

**Likely Developments**

The Group will keep the mine in care and maintenance while expansion capital expenditure works are being completed. Decisions on the timing of re-starting mining and levels of production will be dependent on many factors including the timing for the completion of the expansion work, final mine plans, and coal prices and exchange rates.

Further information about likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

**Indemnification of Officers and Auditors**

During or since the end of the financial year, the Group has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Group against a liability incurred by such an officer or auditor. In addition, the Group has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an auditor. Since the end of the previous financial year the Company has paid insurance premiums of \$68,604 in respect of directors' and officers' liability and legal expenses, for current and former directors and officers of the Group.

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**DIRECTORS' REPORT**

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**Non-audit Services**

During the financial year KPMG, the Group's auditor, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	<b>2016</b>	<b>2015</b>
	\$'000	\$'000
Statutory audit:		
Auditors of the Group		
- audit and review of financial reports	218	178
- audit of subsidiary entities	-	32
	218	210
Services other than statutory audit		
- tax advisory services	79	83
- tax compliance services	40	53
- long service leave audit	-	2
- due diligence services	-	50
	119	188

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**DIRECTORS' REPORT**

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**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 26 and forms part of the Directors' Report for the year ended 30 June 2016.

**Rounding**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, and in accordance with that Class Order, amounts in the Directors' Report and the consolidated financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed at Brisbane this 30<sup>th</sup> day of September 2016  
**in accordance with a resolution of the Board of Directors:**



**Peter Richards**  
Chairman



**Mark Tomek**



**Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001***

To: the directors of Cockatoo Coal Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2016 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

**KPMG**

**Adam Twemlow**  
**Partner**

Brisbane  
30 September 2016

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 \$'000	2015 \$'000
Coal sales revenue		61,163	69,520
Cost of sales		(102,044)	(76,844)
<b>Gross profit/(loss)</b>		(40,881)	(7,324)
Other income	4	131,712	2,630
Gain on sale of assets		9	9
Administration costs		(11,351)	(10,857)
Impairment losses	8	(71,075)	(7,550)
Impairment reversal	8	290	13,136
Travel expenses		(141)	(361)
Legal fees		(553)	(1,202)
Infrastructure security expense	5	(45,969)	-
Provision reversal - infrastructure security		-	1,060
Operating leases termination fee	5	(26,550)	-
Other expenses	6	(203)	(1,994)
<b>Results from operating activities</b>		(64,712)	(12,453)
Finance income	7	805	1,365
Finance expense	7	(16,953)	(14,375)
<b>Net finance income/(expense)</b>		(16,148)	(13,010)
<b>Profit/(loss) before income tax</b>		(80,860)	(25,463)
Income tax benefit/(expense)	9	-	400
<b>Profit/(loss) for the year</b>		(80,860)	(25,063)
<b>Other comprehensive income for the year</b>			
<b>Total items that will not be reclassified to profit or loss</b>		-	-
<b>Total items that may be reclassified subsequently to profit or loss</b>		-	-
<b>Other comprehensive income for the period</b>		-	-
<b>Total comprehensive income/(loss) for the year</b>		(80,860)	(25,063)

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016**

**Profit/(loss) for the period attributable to:**

Equity holders of the Company	(62,825)	(14,540)
Non-controlling interest	(18,035)	(10,523)
<b>Profit/(loss) for the period</b>	<b>(80,860)</b>	<b>(25,063)</b>

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

Equity holders of the Company	(62,825)	(14,540)
Non-controlling interest	(18,035)	(10,523)
<b>Total comprehensive income/(loss) for the year</b>	<b>(80,860)</b>	<b>(25,063)</b>

Basic earnings/(loss) per share attributable to ordinary equity holders	10	(0.09) cents	(0.06) cents
Diluted earnings/(loss) per share attributable to ordinary equity holders	10	(0.09) cents	(0.06) cents

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	Attributable to Equity Holders of the Company					Total equity \$'000
		Share capital	Option premium reserve	Accumulated losses	Total	Non-controlling interest	
		\$'000	\$'000	\$'000	\$'000	\$'000	
<b>For the year ended 30 June 2016</b>							
Balance at 1 July 2015		611,466	-	(269,091)	342,375	(32,964)	309,411
<b>Total comprehensive income for the period</b>							
Loss		-	-	(62,825)	(62,825)	(18,035)	(80,860)
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
Issue of shares	20	10,000	-	-	10,000	-	10,000
Costs of issue	20	-	-	-	-	-	-
Expiry of options	20	-	-	-	-	-	-
<b>Balance at 30 June 2016</b>		<b>621,466</b>	<b>-</b>	<b>(331,916)</b>	<b>289,550</b>	<b>(50,999)</b>	<b>238,551</b>
<b>For the year ended 30 June 2015</b>							
Balance at 1 July 2014		495,917	7,589	(262,140)	241,366	(22,441)	218,925
<b>Total comprehensive income for the period</b>							
Loss		-	-	(14,540)	(14,540)	(10,523)	(25,063)
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
Issue of shares	20	124,949	-	-	124,949	-	124,949
Costs of issue	20	(9,400)	-	-	(9,400)	-	(9,400)
Expiry of options	20	-	(7,589)	7,589	-	-	-
<b>Balance at 30 June 2015</b>		<b>611,466</b>	<b>-</b>	<b>(269,091)</b>	<b>342,375</b>	<b>(32,964)</b>	<b>309,411</b>

**COCKATOO COAL LIMITED**  
and its controlled entities

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	Notes	2016 \$'000	2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents	17, 23	35,649	24,738
Term deposits	23	-	40,000
Trade and other receivables	11	1,063	4,949
Inventories	12	562	24,501
Other	13	413	789
<b>Total current assets</b>		37,687	94,977
<b>Non-current assets</b>			
Term deposits	23	35,589	6,635
Exploration and evaluation expenditure	14	48,838	54,807
Property, plant and equipment	15	246,705	270,222
Intangible assets	16	159	234
Other	13	2,714	662
<b>Total non-current assets</b>		334,005	332,560
<b>Total assets</b>		371,692	427,537
<b>Current liabilities</b>			
Trade and other payables	17	6,996	33,210
Borrowings	18	-	815
Employee benefits		99	986
Provisions	19	-	4,791
<b>Total current liabilities</b>		7,095	39,802
<b>Non-current liabilities</b>			
Borrowings	18	103,910	68,512
Employee benefits		21	52
Provisions	19	22,115	5,921
Other		-	3,839
<b>Total non-current liabilities</b>		126,046	78,324
<b>Total liabilities</b>		133,141	118,126
<b>Net assets</b>		238,551	309,411
<b>Equity</b>			
Share capital	20	621,466	611,466
Accumulated losses		(331,916)	(269,091)
<b>Total equity attributable to equity holders of the Company</b>		289,550	342,375
Non-controlling interest	21	(50,999)	(32,964)
<b>Total equity</b>		238,551	309,411



**COCKATOO COAL LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		63,215	61,137
Payments for production		(54,076)	(83,438)
Cash payments in the course of operations		(8,983)	(12,450)
Infrastructure security expense	5	(45,969)	-
Proceeds from other income		253	2,639
Receipts/(payments) from project management		-	39
Cash used in operations		<u>(45,560)</u>	<u>(32,073)</u>
Borrowing costs paid		(9,981)	(5,025)
Interest received		1,265	964
<b>Net cash used in operating activities</b>	23	<u>(54,276)</u>	<u>(36,134)</u>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation		(2,339)	(2,463)
Payments for mining development		(41,407)	(44,761)
Payments for deferred stripping assets		(6,012)	(25,454)
Payments for property, plant and equipment		(452)	(508)
Proceeds from the sale of property, plant and equipment		9	500
Payments for investment in term deposits	23	40,000	(40,000)
Proceeds from sale of exploration projects		1,823	24,946
Payments for security deposits		(28,954)	(1,474)
Payments for acquisitions		-	(2,200)
Refund of security deposits		-	37,948
<b>Net cash used in investing activities</b>		<u>(37,332)</u>	<u>(53,466)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	20	-	124,949
Cost of issuing shares	20	-	(9,400)
Proceeds from borrowings	18	141,472	-
Repayment of borrowings	18	(39,237)	(1,150)
<b>Net cash from/(used in) financing activities</b>		<u>102,235</u>	<u>114,399</u>
<b>Net increase in cash and cash equivalents and term deposits</b>		10,627	24,799
<b>Cash and cash equivalents at the beginning of the financial year</b>		24,738	1,407
Effect of exchange rate adjustments on cash held		284	(1,468)
<b>Cash and cash equivalents at the end of the financial year</b>	23	<u><u>35,649</u></u>	<u><u>24,738</u></u>

**COCKATOO COAL LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2016**

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**NOTE 1 - REPORTING ENTITY**

Cockatoo Coal Limited (Cockatoo or 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 2016 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and primarily involved in the exploration, development and production of coal assets.

The Company and several subsidiary entities went into voluntary administration on 16 November 2015. On 15 March 2016, the Company and subsidiaries in administration entered into a Deed of Company Arrangement (DOCA) which was effectuated on 30 May 2016. On this date the Company was handed back to the control of the Directors.

**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 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).

The financial report was authorised for issue by the Directors on 30 September 2016.

**Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis, except for 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 2 – Going concern
- Note 8 – Impairment losses
- Note 14 – Exploration and evaluation expenditure
- Note 15 – Property, plant and equipment
- Note 19 – Provisions
- Note 30 – Contingent liabilities

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2016**

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**NOTE 2 - BASIS OF PREPARATION (Con't)**

The Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

**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.

The Group recorded a loss for the year of \$80,860k including impairment losses of \$71,075k, used \$54,276k of cash in operating activities, \$37,332k in investing activities and has accumulated losses of \$331,916k as at 30 June 2016. The Group has cash on hand of \$35,649k, net assets of \$238,551k and net current assets of \$30,592k at 30 June 2016.

On 25 September 2015, ANZ indicated to the Group that it was not willing to continue to provide an existing \$81m bank guarantee facility under its current arrangements. On 16 November 2015, the Company and several subsidiary entities were placed into voluntary administration.

In February 2016, the mining activities of the Group were placed into care and maintenance by the Administrator, and the operating costs of the Group reduced accordingly.

On 15 March 2016, the Company and subsidiaries in administration entered into a Deed of Company Arrangement (DOCA) which was effectuated on 30 May 2016. The key features of the DOCA were to extinguish the major liabilities of the Group, including significant take or pay agreements in place with WICET Holdings Pty Ltd, Gladstone Ports Corporation and Aurizon. In addition, and as part of the DOCA, the Company entered into a loan agreement with Liberty Metals & Mining Holdings, LLC (LMM) for \$100m and an additional consideration deed under which the Company must pay LMM an amount equal to 3.75% of the aggregate gross revenue received by the Company and its subsidiaries quarterly in arrears. This resulted in approximately \$27m of additional net cash being made available to the Group for working capital purposes.

The recent loan agreement and additional consideration deed entered into between the Company and LMM encompasses significant financial and non-financial covenants. The Company does not consider itself in breach of the loan agreement or additional consideration deed as at the date of this report, however a subsequent breach resulting in a default under either or both of those arrangements may cast significant doubt upon the Group's ability to continue as a going concern.

In addition the State of Queensland has indicated to the Company that a reassessment of the Group's environmental bonding requirements is necessary. At 30 June 2016 the Company had environmental bonds in place of \$34.4m, in the form of charges over term deposits. The Company is in discussions with the State regarding their information requirements and are in the process of reassessing the plan for rehabilitation of mining operations at Baralaba. As at the date of this report, the outcome of this assessment is unknown and there is significant uncertainty as to whether any additional bonding will be required by the State, and if so the quantum of the additional funding and whether the Group has the financial capacity to meet any additional funding requirements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 2 - BASIS OF PREPARATION (Con't)**

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

In the event the Group is required to pay significant additional environmental rehabilitation bonding or is in breach of the loan agreement or additional consideration deed, 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.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

**Basis of consolidation**

***Business combinations***

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

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**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)**

***Non-controlling interests (NCI)***

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

***Loss of control***

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**Foreign currency**

***Foreign currency transactions***

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

**Property, plant and equipment**

***Owned assets***

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see below). Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

***Depreciation***

Depreciation is charged to the statement of comprehensive income using the reducing balance method from the date of acquisition.

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**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)**

Office equipment and plant and equipment are depreciated at rates between 10% and 40%, buildings are depreciated at a rate of 4%, and motor vehicles are depreciated at a rate of 22.5%. Leasehold improvements are depreciated over the life of the lease and land is not depreciated. Mining properties and development depreciation rate is applied on the basis of units of production over the life of the economically recoverable reserves. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Trade and other receivables**

Trade and other receivables are stated at their amortised cost using the effective interest method less impairment losses.

**Available-for-sale financial assets**

The Group's investments in equity securities are classified as available-for-sale financial assets and are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly as a separate component of equity. When an investment is derecognised the cumulative gain or loss in equity is reclassified to profit or loss.

**Cash and cash equivalents**

Cash comprises cash balances and at call deposits with maturities of 3 months or less.

**Term deposits**

Term deposits comprise cash deposits held with an initial maturity of more than 3 months or where the use of the deposit is restricted for a period greater than 3 months.

**Finance income and finance expense**

Finance income and finance expense comprises interest payable on borrowings calculated using the effective interest method, interest earned, dividend income, unwind of discount on provisions and the net change in the fair value of derivative financial instruments recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

**Segment reporting**

The Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (CEO), who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the CEO to make decisions about

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**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)**

resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group's primary format for segment reporting is on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

**Trade and other payables**

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

**Share capital**

***Transaction costs***

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

***Dividends***

Dividends are recognised as a liability in the period in which they are declared.

**Share based payment transactions**

The fair value of options granted is measured at grant date and recognised as an expense over the period during which the Directors, officers and consultants of the Group become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

**Impairment**

***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

***Non-financial assets***

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)**

recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

***Calculation of recoverable amount***

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

***Reversals of impairment***

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

**Income tax**

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)**

***Tax consolidation***

The Company and its wholly owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Cockatoo Coal Limited.

***Goods and services tax***

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

***Employee benefits***

***Short-term employee benefits***

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

***Long-term employee benefits***

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

***Termination benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

***Earnings per share***

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)**

**Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**Loans and borrowings**

The Group initially recognises loans and borrowings at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

**Exploration, evaluation and development expenditure**

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

**Provisions**

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a

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**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)**

pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

***Rehabilitation costs***

Mining lease agreements and exploration permits impose obligations on the Group to rehabilitate areas where mining activity has taken place. Rehabilitation of these areas is ongoing and in some cases will continue until 2039. The provision for rehabilitation costs has been calculated based on the present value of the future costs expected to be incurred in restoring affected mining areas.

**Coal sales revenue**

Coal sales revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Proceeds recovered for coal sales prior to the transfer of the significant risks and rewards of ownership are treated as a liability in the balance sheet at year end.

**Management and consulting income**

Revenue from services rendered is recognised in profit or loss in proportion to the services rendered at the reporting date. The Group is involved in managing several exploration and evaluation projects.

**Intangible assets**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

***Amortisation***

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful life of software is 3 years.

**Deferred Stripping Asset**

Production stripping costs are capitalised as an asset, if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The asset is called “deferred stripping asset”. The deferred stripping asset is amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method is applied. Production stripping costs that do not satisfy the asset recognition criteria are expensed.

**Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)**

***Trade and other receivables***

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

***Derivatives***

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

***Investment in equity securities***

The fair value of listed available-for-sale financial assets is determined by reference to their closing price at the reporting date.

***Share based payment transactions***

The fair value of the options granted is measured using a Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. Measurement inputs include share price at grant date, exercise price of the instrument, expected volatility (based on historic share performance), risk-free interest rate (based on government bonds), and dividend yield.

***Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

**AASB 9 Financial Instruments (2014)**

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

**AASB 15 Revenue from Contracts with Customers.**

AASB15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB118 which covers contracts for goods

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and services and AASB111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or a service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

AASB15 is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9 and AASB15.

**AASB 16 Leases.**

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

AASB 16 requires enhanced disclosures for both lessees and lessors to improve information disclosed about an entity's exposure to leases.

AASB 16 is applicable to annual periods beginning on or after 1 January 2019, with early application permitted.

The Group has no material leases as at 30 June 2016 so there is currently no potential impact on its consolidated financial statements resulting from the application of AASB16.

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**NOTE 4 - OTHER INCOME**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Creditor relief	131,459	-
Management and consulting income	-	2,354
Other	253	276
	131,712	2,630
	131,712	2,630

When the Company entered voluntary administration, various claims were made against it with respect to loans, operating leases and general trade creditors. The Deed of Company Arrangement extinguished these claims. The Creditor relief of \$131,459k represents the amount of claims recorded by the Company that were extinguished.

**NOTE 5 – EXPENSES ARISING FROM ADMINISTRATION**

Infrastructure guarantees were called and paid during the year totalling \$45,969k, consisting of:

- \$41,500k for WICET Holdings Pty Ltd under the 'Take or Pay' agreement for Stage 1 of the Wiggins Island Coal Export Terminal.
- \$3,041k for Gladstone Ports Corporation as required by the port services agreement entered into for WICET Stage 1.
- \$1,428k for Aurizon as an above rail security guarantee as part of the rail transportation agreement dated 24 July 2012

With the Company entering voluntary administration, claims were made against it with respect to certain operating leases the Company had entered into totalling \$26,550k (30 June 2015 - \$nil). The expense is offset by \$26,550k of Creditor relief.

**NOTE 6 - OTHER EXPENSES**

Audit fees – KPMG audit and review of financial reports	218	210
Depreciation – non-mining costs	123	316
Net foreign exchange (gain)/loss	(284)	1,468
	203	1,994
	203	1,994

**NOTE 7 - FINANCE INCOME AND FINANCE EXPENSE**

Interest income	805	1,365
Interest expense	(6,866)	(5,544)
Interest expense on unwind of discount	-	(202)
Finance facility costs	(10,087)	(8,629)
Net Finance income/(expense)	(16,148)	(13,010)
	(16,148)	(13,010)

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**NOTE 8 – IMPAIRMENT LOSSES**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Impairment Losses</i>		
Impairment loss on exploration and evaluation assets – refer Note 14	6,775	7,550
Impairment loss on mining assets – refer Note 15	64,300	-
	71,075	7,550
 <i>Impairment Reversals</i>		
Impairment reversal on exploration and evaluation assets - refer Note 14	290	13,136
	290	13,136

The Directors believe that indicators of impairment existed at 30 June 2016 given the Company went through a voluntary administration process in the period. As such, the Directors have completed an impairment assessment over the carrying value of the Group's exploration and evaluation assets and mining assets at 30 June 2016.

The Directors have considered the carrying value of the exploration and evaluation assets by comparison to market data on sales of similar assets and the value per tonne of resources implied. The Directors recorded impairment of \$6,775k for the year. For further details see note 14.

The Directors have completed an impairment test of the Baralaba North Project. The recoverable amount was estimated to be \$224.6 million which resulted in an impairment loss of \$64.3 million. For further details see note 15.

During the period the Company sold its interest in Kingaroy Tenement EPC 882 to Moreton Resources Group. This resulted in an impairment reversal of \$290k as it had been previously fully impaired.

During the prior year, the Group reviewed its exploration projects and impairment was recorded on other non-core exploration and evaluation assets totalling \$7,550k. The Directors decided it was appropriate to write down the book value of those assets to fair value less costs of disposal with reference to recent market transactions over comparable assets. Refer to Note 14 for further details.

During the prior year, the Group also sold its interest in the North Surat Joint Venture to North Surat Coal Pty Ltd, a subsidiary of New Hope Corporation Limited. An impairment loss was previously recognised in relation to the North Surat Joint Venture exploration and evaluation assets. As a result of the sale the Group has recognised a reversal of impairment on the North Surat Joint Venture exploration and evaluation assets of \$13,136k.

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**NOTE 9 - INCOME TAX EXPENSE**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current tax expense</b>		
Current year benefit	(30,239)	(10,113)
Non-recognition of losses as deferred tax assets	30,239	10,113
Total income tax expense in statement of comprehensive income	-	-
<b>Deferred tax expense</b>		
Current year expense/ (benefit)	16,790	11,322
Non-recognition of temporary differences	(16,790)	(11,722)
Deferred tax benefit/(expense)	-	(400)
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(loss) before tax	(80,860)	(25,463)
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (2015 – 30%)	(24,258)	(7,639)
(Increase)/decrease in income tax expense/(benefit) due to:		
- Non-deductible expenses	8,408	9,248
- Effect of net deferred tax assets not brought to account	15,850	(2,009)
Income tax expense/(benefit)	-	(400)
<b>Recognised deferred tax liabilities</b>		
Taxable temporary differences	-	-
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Taxable temporary differences (net)	(44,223)	(53,987)
Tax losses	153,839	145,045
Net	109,616	91,058



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**NOTE 10 - EARNINGS PER SHARE**

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

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) for the year attributable to equity holders of the Company	(62,825)	(14,540)
	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares</i>		
- Issued ordinary shares at beginning of year	67,034,894,841	4,560,196,928
- Effect of shares issued in May 2016	876,712,329	-
- Effect of shares issued in February 2015	-	15,107,671,233
- Effect of shares issued in March 2015	-	6,351,688,126
Weighted average ordinary shares at the end of the year	<u>67,911,607,170</u>	<u>26,019,556,287</u>
<i>Weighted average number of ordinary shares (diluted)</i>		
- Weighted average ordinary shares at the end of the year	67,911,607,170	26,019,556,287
- Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at the end of the year	<u>67,911,607,170</u>	<u>26,019,556,287</u>

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**NOTE 11 - TRADE AND OTHER RECEIVABLES**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	26	2,019
GST receivable	897	2,271
Interest receivable	-	460
Other receivable	140	199
	1,063	4,949
	1,063	4,949

**NOTE 12 - INVENTORIES**

Work in progress – coal stock	-	2,457
Finished goods – coal stock	3	20,769
Fuel and explosives	559	1,275
	562	24,501
	562	24,501

Coal stocks are carried at lower of net realisable value (NRV) and cost. All coal stocks held at 30 June 2016 are carried at NRV. (2015– carried at NRV).

**NOTE 13 – OTHER ASSETS**

**Current**

Prepayments	413	789
	413	789
	413	789

**Non-current**

Security deposits	2,714	662
	2,714	662
	2,714	662

Security deposits: during the year the company entered into a put and call option agreement for the purchase of Austin’s land “Comminglah” totalling \$2,060k.

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**NOTE 14 - EXPLORATION AND EVALUATION EXPENDITURE**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	54,807	71,066
Additions	898	2,084
Disposals	(382)	(23,929)
Impairment	(6,775)	(7,550)
Impairment reversal	290	13,136
Closing balance	48,838	54,807

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	32,401	35,069
Surat Basin projects	16,437	16,114
Galilee Basin projects	-	3,624
	48,838	54,807

The Directors believe that indicators of impairment existed at 30 June 2016 given the Company went through a voluntary administration process in the period. As such, the Directors have completed an impairment assessment over the carrying value of the Group's exploration and evaluation assets at 30 June 2016. The Directors have considered the carrying value of the exploration and evaluation assets by comparison to market data on sales of similar assets and the value per tonne of resources implied.

The South Pentland project has been fully impaired with a \$3,804k impairment recorded at 30 June 2016. This results in the Galilee Basin projects being fully impaired.

The Dingo project in the Bowen Basin has been fully impaired with a \$2,874k impairment recorded at 30 June 2016. Some minor carrying values amounting to \$97k were also impaired from other projects in the Bowen Basin.

The Directors have recorded a total impairment for the Group's exploration and evaluation assets of \$6,775k for the year and are satisfied that no additional impairment is required.

During the period the Company sold its interest in Kingaroy Tenement EPC 882 to Moreton Resources Group. This resulted in a disposal of \$290k and impairment reversal of the same amount.

During the prior year the Group 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 \$23,429k of exploration and evaluation expenditure. The Company also sold other exploration and evaluation assets at cost for \$500k.

In the prior periods, an impairment loss was recognised in relation to the North Surat Joint Venture exploration and evaluation assets. As a result of the sale in the prior year the Group has recognised a reversal of impairment on the North Surat Joint Venture exploration and evaluation assets of \$13,136k.

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**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Land and buildings – cost	14,022	14,347
Accumulated depreciation	(330)	(743)
Net book value	<u>13,692</u>	<u>13,604</u>
Office equipment – cost	818	811
Accumulated depreciation	(639)	(551)
Net book value	<u>179</u>	<u>260</u>
Motor vehicles – cost	1,638	1,665
Accumulated depreciation	(1,244)	(1,136)
Net book value	<u>394</u>	<u>529</u>
Plant and equipment – cost	5,193	6,774
Accumulated depreciation	(3,093)	(3,160)
Net book value	<u>2,100</u>	<u>3,614</u>
Deferred stripping asset – cost	38,630	40,504
Accumulated depreciation	(1,880)	(963)
Net book value	<u>36,750</u>	<u>39,541</u>
Mining properties and development assets - cost	217,285	233,166
Accumulated depreciation	(23,695)	(20,492)
Net book value	<u>193,590</u>	<u>212,674</u>
Total property, plant and equipment	<u><u>246,705</u></u>	<u><u>270,222</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	13,604	15,416
Additions	234	66
Disposals	(559)	(1,632)
Depreciation	413	(246)
Net book value	<u>13,692</u>	<u>13,604</u>

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**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Office equipment</b>		
Carrying amount at beginning of year	260	352
Additions	7	15
Disposals	-	(2)
Depreciation	(88)	(105)
Net book value	179	260
<b>Motor vehicles</b>		
Carrying amount at beginning of year	529	705
Additions	-	3
Disposals	(27)	(3)
Depreciation	(108)	(176)
Net book value	394	529
<b>Plant and equipment</b>		
Carrying amount at beginning of year	3,614	4,061
Additions	210	418
Disposals	(1,790)	(1)
Depreciation	66	(864)
Net book value	2,100	3,614
<b>Deferred stripping asset</b>		
Carrying amount at beginning of year	39,541	15,050
Additions	8,107	25,454
Impairment	(9,981)	-
Depreciation	(917)	(963)
Net book value	36,750	39,541
<b>Mining properties and development assets</b>		
Carrying amount at beginning of year	212,674	160,101
Additions	22,649	56,959
Impairment	(54,319)	-
Addition through recognition of rehabilitation provision	15,789	-
Depreciation	(3,203)	(4,386)
Net book value	193,590	212,674

During the year the deferred stripping costs incurred relate to the Baralaba North mine.

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**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

The Directors believe that indicators of impairment existed at 30 June 2016 given the Company went through a voluntary administration process in the period. As such, the Directors have completed an impairment assessment over the carrying value of the Group's property, plant and equipment assets at 30 June 2016.

In assessing the value of the assets relating to the Baralaba North Project, the Group has assessed the recoverable amount at 30 June 2016 based on its fair value less costs of disposal.

The recoverable amount of the Baralaba North Project cash generating unit was determined by discounting the future cash flows to be generated from the project. The key assumptions to which the model is most sensitive include:

- Forecast commodity price of Pulverised Coal Injection coal
- Foreign exchange rates
- Mining, processing, administrative and capital costs
- Discount rate of 10% post tax
- Remaining life of mine of approximately 20 years
- Forecast total saleable production of 43.8 million tonnes
- Certain infrastructure costs based on current market prices

The net present value projections have been based on the mine plan produced by John T. Boyd Company (Mining and Geological Consultants) as engaged by the Group following the return of the Group to the control of the directors.

Management has considered each key assumption and has used external sources of information and utilised external consultants where possible and personnel within the Group to determine key inputs.

Furthermore, the Group's cash flow forecasts are based on current estimates of future commodity prices and exchange rates. The Group has reviewed long term forecast data from externally verifiable sources when determining its forecasts.

Production and capital costs are based on an estimate of future production levels. This information is obtained from external consultants, internally maintained budgets, life of mine models and project evaluations performed by the Group in its ordinary course of business.

The Group has applied a discount rate of 10% to the forecast future attributable post-tax cash flows. This discount rate represents an estimate of the rate the market would apply having regard to the time value of money and the risks specific to this project.

Based on the impairment review completed at 30 June 2016, the recoverable amount for the Baralaba North Project cash generating unit was estimated to be \$224.6 million which resulted in an impairment loss of \$64.3 million at year end. This has been calculated based on the Group's existing resource statement and the updated mine plan.

The main factors that the company believes contributed to this loss are a mine plan with lower production levels and lower total saleable production.

The impairment loss has been allocated to the individual assets constituting the project as follows:

		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
Mining properties and development assets	8	54,319	-
Deferred stripping asset	8	9,981	-
		64,300	-
		64,300	-

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**NOTE 16 – INTANGIBLE ASSETS**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Software – cost	670	668
Accumulated depreciation	(511)	(434)
Net book value	159	234

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

**Software**

Carrying amount at beginning of year	234	409
Additions	2	26
Disposals	-	(29)
Depreciation	(77)	(172)
Net book value	159	234

**NOTE 17 - TRADE AND OTHER PAYABLES**

**Current**

Accounts payable and accrued liabilities	6,996	33,210
	6,996	33,210

**Administration Debts Payment Deed (Deed)**

At 30 June 2016, Accounts payable include \$3,767k which is payable in accordance with the Deed.

At 30 June 2016, Cash and cash equivalents include \$8,373k which is held for the use of the Deed.

Surplus funds from the Deed will be available for utilisation by the Group as the Deed process completes.

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**NOTE 18 - BORROWINGS**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Finance lease	-	815
	-	815
<b>Non-current</b>		
Finance lease	-	223
Liberty Metals & Mining Holdings, LLC debt facility	109,910	-
Capitalised loan establishment fee	(6,000)	-
Subsidiary shareholder loan	-	68,289
	103,910	68,512

**Liberty Metals & Mining Holdings, LLC (LMM) debt facility and additional consideration deed**

Under the DOCA, \$100 million of net proceeds was provided by LMM via a debt facility and share purchase.

Funds were applied as per the following table:

	<b>\$ million</b>
LMM provided funds	100
Applied to:	
First ranking creditor paid to ANZ (re. ANZ's LC facility that LMM was assigned)	26.3
Second ranking creditor (LMM re. SKN's Parent Company Guarantee position taken over)	18.5
Second ranking creditor (Noble's Parent Company Guarantee and interest)	23.1
JS Baralaba Wonbindi Pty Ltd (and issued 4 billion ordinary shares for debt forgiveness)	2.0
Trustees of the Cockatoo Creditors' Trust (for distribution to creditors)	3.2
The Company for working capital	26.9
Total	100

The key terms of the LMM debt facility are:

- Interest of 12.5% per annum, (with a default interest rate of 16.5%)
- Interest accrues and is capitalised and added to the loan until 31 December 2017
- Cash repayments of interest due every quarter from 31 March 2018 onwards
- Amortisation of principal and capitalised interest start 30 June 2019
- Term of the loan is to 31 December 2021 when the loan is repayable in full

The key terms of the LMM additional consideration deed are:

- 3.75% of gross revenue of the Company and its subsidiaries payable to LMM quarterly in arrears
- Term of the Additional Consideration Deed is to 31 December 2056

**Subsidiary shareholder loan**

During the period, before the Group entered voluntary administration, JS Baralaba Wonbindi Pty Ltd, who held a 37.5% interest in Baralaba Coal Pty Ltd, and a 20% interest in Wonbindi Coal Pty Ltd, sold their minority shareholdings in Baralaba Coal Pty Ltd and Wonbindi Coal Pty Ltd to Noble Group and Liberty Metals & Mining Holdings, LLC.

The subsidiary shareholder loan was repaid under the terms of the DOCA which was effectuated on 30 May 2016. Repayment consisted of \$2m cash and 4 billion shares issued to JS Baralaba Wonbindi Pty Ltd.



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**NOTE 19 - PROVISIONS**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Maintenance provision	-	4,791
	-	4,791
<b>Non-current</b>		
Maintenance provision	-	-
Rehabilitation provision	22,115	5,921
	22,115	5,921
<b>Infrastructure security reconciliation</b>		
Opening balance	-	3,699
Payment	-	(2,639)
Addition/(reversal)	-	(1,060)
Closing balance	-	-
<b>Maintenance provision reconciliation</b>		
Opening balance	4,791	1,045
Addition	2,491	4,388
Reversal	(7,282)	(642)
Closing balance	-	4,791
<b>Rehabilitation provision reconciliation</b>		
Opening balance	5,921	6,176
Addition/(reversal)	15,789	(457)
Interest expense on unwind of discount	404	202
Closing balance	22,115	5,921

The rehabilitation provision relates to the Baralaba Central mine and Baralaba North mine areas. It is a non-current provision due to the rehabilitation work being planned for the end of the mine life and the Group continuing as a going concern.

The Group is required to rehabilitate the Baralaba mine site when mining is completed. Given the long term nature of the liability, there is uncertainty in relation to the estimates of the provision or the costs that could be incurred. During the year the group reassessed its estimates in relation to future rehabilitation costs using the updated mine plan produced by John T. Boyd Company (Mining and Geological Consultants) as engaged by the Group following the return of the Group to the control of the directors. The significant estimates include an approximate remaining life of mine of 20 years, inflation of 1% and the total hectares of land to be rehabilitated. These estimated costs have been discounted using a risk free rate of 2.87% (2015 - 6.25%) to calculate a present value of the rehabilitation provision.

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**NOTE 20 - CAPITAL AND RESERVES**

**Dividends**

There were no dividends paid or declared during the year ended 30 June 2016 or 30 June 2015.

**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, expiry or cancellation of Company options results in a debit to the option premium reserve. During the year ended 30 June 2016, no options were exercised, expired or cancelled (2015 – 205,000,000).

**Share Capital**

	<b>2016</b>	<b>2015</b>
	<b>Number of shares</b>	<b>Number of shares</b>
Ordinary shares on issue at 1 July – fully paid	67,034,894,841	4,560,196,928
Issue of shares	10,000,000,000	62,474,697,913
Ordinary shares on issue at 30 June – fully paid	77,034,894,841	67,034,894,841

The following share issues occurred during the year ended 30 June 2016:

- On 30 May 2016, pursuant to the DOCA, the Company issued 6 billion ordinary shares for consideration of \$0.001 per share (\$6 million in aggregate proceeds) to Liberty Metals & Mining Holdings, LLC and 4 billion ordinary shares to JS Baralaba Wonbindi Pty Ltd. The fair value for the share issues were considered with reference to the last trading price of the Company's shares prior to going into Voluntary Administration and that the shares issued were on completion of the DOCA and the improved circumstances of the Company at that point. Fair value was determined at \$0.001 per share issued.

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 at \$0.002 per share for cash totalling \$83,550k. Shares were issued under the renounceable entitlement offer.
- In March 2015 the Company issued 20,699,697,912 ordinary shares to various retail investors at \$0.002 per share for cash totalling \$41,399k. Shares were issued under the renounceable entitlement offer.
- There were no amounts unpaid on the above ordinary shares issues and issue costs totalled \$9,400k.

**Options**

There were no options on issue or granted as at 30 June 2016 or as at 30 June 2015.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 21 - CONTROLLED ENTITIES**

**Non-controlling interests**

The following table summarises the information relating to the Group's subsidiaries that have a material non-controlling interest, before any intra-group eliminations.

	Baralaba Coal Pty Ltd		Wonbindi Coal Pty Ltd	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
NCI percentage	37.5%	37.5%	20%	20%
Current assets	88	175	983	34,405
Non-current assets	47,601	29,504	294,131	279,013
Current liabilities	(27)	(12)	(3,516)	(34,047)
Non-current liabilities	(167,580)	(158,584)	(427,571)	(308,295)
<b>Net assets/(liabilities)</b>	<b>(119,918)</b>	<b>(128,917)</b>	<b>(135,973)</b>	<b>(28,924)</b>
Carrying amount of NCI	26,062	29,437	24,937	3,527
Revenue	-	24,386	61,163	45,134
Profit/(loss)	8,999	(12,806)	(107,049)	(28,602)
OCI	-	-	-	-
<b>Total comprehensive income/(loss)</b>	<b>8,999</b>	<b>(12,806)</b>	<b>(107,049)</b>	<b>(28,602)</b>
Profit/(loss) allocated to NCI	3,374	(4,802)	(21,410)	(5,720)
OCI allocated to NCI	-	-	-	-

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2016**

**NOTE 21 - CONTROLLED ENTITIES (cont'd)**

Particulars in relation to controlled entities:

<i>Parent Entity:</i> Cockatoo Coal Limited	<b>Ordinary shares – Company interest</b>	
	<b>2016</b>	<b>2015</b>
	%	%
<i>Controlled entities:</i> All entities are incorporated in Australia		
Baralaba Coal Management Company Pty Ltd	80	80
Baralaba Coal Pty Ltd	62.5	62.5
Blackwood Corporation Pty Limited	100	100
Cacatua Pastoral Pty Limited	80	80
Cockatiel Coal Pty Limited	100	100
Cockatoo Coal Marketing Company Pty Ltd	100	100
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	100
Independent Coal Pty Limited	100	100
Injune Coal Pty Limited	100	100
Matilda Coal Pty Ltd	100	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
Wonbindi TLO Holdings Pty Limited	100	100

- Blackwood Corporation Pty Limited, Cockatiel Coal Pty Limited, Cockatoo Coal Marketing Company Pty Ltd, 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 22 - 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 year.

**Shares issued as remuneration**

During the year ended 30 June 2016 the Company did not issue ordinary shares as remuneration to employees of the Company (2015: nil).

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
	2016	2016	2015	2015
Outstanding at 1 July	-	-	\$0.70	5,000,000
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired/ Cancelled during the period	-	-	\$0.70	(5,000,000)
Outstanding at 30 June	-	-	-	-
Exercisable at 30 June	-	-	-	-

There were no options outstanding at 30 June 2016.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 23 - STATEMENT OF CASH FLOWS**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of cash and cash equivalents, term deposits and restricted deposits</b>		
Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows		
Flows	35,649	24,738
Term deposits	-	40,000
Restricted deposits	35,589	6,635
	71,238	71,373
Restricted deposits are held as security for guarantees issued by financial institutions on behalf of the Company.		
<b>Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities</b>		
Profit/(loss) from ordinary activities after tax	(80,860)	(25,063)
<b>Non-cash items</b>		
Depreciation and amortisation	5,791	6,980
Net foreign exchange (gain)/loss	(284)	1,468
Creditor relief	(75,269)	-
Impairment losses	71,075	7,550
Reversal of impairment	(290)	(13,136)
Reversal of provision	-	(1,060)
<b>Changes in assets and liabilities</b>		
Trade and other receivables	3,886	1,723
Inventories	23,938	(11,342)
Prepayments	376	311
Trade and other creditors	1,065	(14,457)
Employee entitlements	(918)	(346)
Non current borrowings	1,170	3,841
Non current liabilities	430	3,839
Non current provisions	(4,386)	3,958
Deferred Tax Liabilities	-	(400)
<b>Net cash used in operating activities</b>	<b>(54,276)</b>	<b>(36,134)</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 24 - KEY MANAGEMENT PERSONNEL DISCLOSURES**

During the year ended 30 June 2016 compensation to key management personnel totalled \$ 2,297k (2015 - \$3,958k), which comprised primary fees of \$1,109k (2015 - \$2,449k), short-term incentive cash bonuses of \$ nil (2015 - \$256k), shares bonuses of nil (2015 - nil), superannuation of \$72k (2015 - \$225k), termination payments of \$1,106k (2015 - \$1,028k) and options with a fair value of nil (2015 - nil).

**NOTE 25 - RELATED PARTIES**

During the year ended 30 June 2016, the Company sold coal to Noble Resources International Pty Ltd, a related party of a significant shareholder who has appointed Tim Gazzard and Stephen Motteram as Directors of the Company. The total value of coal sold to Noble International Pte Ltd during the year was \$7,141k (2015- \$40,833k).

During the year ended 30 June 2016, the Company received a loan from and issued 6 billion shares to Liberty Metals & Mining Holdings, LLC (LMM) a significant shareholder, under the terms of the DOCA. The amount outstanding on the loan at 30 June 2016 is \$103,910k (2015 – nil).

The key terms of the LMM debt facility are:

- Interest of 12.5% per annum, (with a default interest rate of 16.5%)
- Interest accrues and is capitalised and added to the loan until 31 December 2017
- Cash repayments of interest due every quarter from 31 March 2018 onwards
- Amortisation of principal and capitalised interest start 30 June 2019
- Term of the loan is to 31 December 2021 when the loan is repayable in full

The Company entered into an Additional Consideration Deed with LMM. No amounts were paid or were owing for the year ended 30 June 2016.

The key terms of the LMM additional consideration deed are:

- 3.75% of gross revenue of the Company and its subsidiaries payable to LMM quarterly in arrears
- Term of the Additional Consideration Deed is to 31 December 2056

During the year ended 30 June 2015 the Company entered into a three year agreement with SK Networks Co., Ltd and a related party of a significant shareholder, Noble Group Limited which secured the release of \$37.0 million in restricted cash. Interest is charged at 12.5% per annum and is to be paid on termination of the agreement. These agreements were called upon during the year ended 30 June 2016 and the Company repaid the associated loans on the effectuation of the DOCA. The agreements did not continue following the effectuation of the DOCA.

During the year ended 30 June 2014, the Company entered into coal marketing arrangements with Noble Resources International Pte Ltd. The total amount of marketing fees incurred but which remain unpaid at 30 June 2016 was nil (30 June 2015 - \$247k). The total amount of marketing fees paid during the year ended 30 June 2016 was \$457k (30 June 2015 - nil). The marketing arrangements did not continue following the effectuation of the DOCA.

The Company issued 4 Billion shares and paid \$2 million to JS Baralaba Wonbindi Pty Ltd, under the terms of the DOCA. The \$2 million paid was for the repayment of a loan under the terms of the DOCA.

During the year ended 30 June 2015 the Company had off-take arrangements with both Noble and SK Networks for offtake of 5.85Mt of ULV PCI coal from the Baralaba JV. Noble also had an additional off-take agreement for 28.5Mt. These off-take arrangements did not continue following the effectuation of the DOCA.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 26 - FINANCIAL INSTRUMENTS DISCLOSURE**

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are informally reviewed from time to time to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below present information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

**Credit risk**

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

		2016 \$'000	2015 \$'000
Cash and cash equivalents, restricted and non-restricted term deposits	23	71,238	71,373
Trade and other receivables	11	1,063	4,949
Security deposits	13	2,714	662
		75,015	76,984

The Group's maximum exposure to credit risk at the reporting date by geographic region was:

Australia		75,015	75,132
Japan		-	1,852
		75,015	76,984

The Group mitigates credit risk on cash and cash equivalents, term deposits and security deposits by dealing with regulated banks in Australia. Credit risk of trade and other receivables is very low as it consists predominantly of coal sales receivable from a small number of customers, amounts recoverable from the Australian Taxation Authority and call deposits and related interest receivable held with regulated banks.

**Impairment losses**

Trade and other receivables totalling \$13k are past due at 30 June 2016. (2015 - \$62k) but are not considered to be impaired.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 26 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)**

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$'000	Contractual cash flows \$'000	Less than one year \$'000	Between one and five years \$'000	More than five years \$'000
<b>30 June 2016</b>					
Trade and other payables	6,996	(6,996)	(6,996)	-	-
Interest bearing liabilities	109,910	(175,879)	-	(175,879)	-
Other liabilities	-	-	-	-	-
	116,906	(182,875)	(6,996)	( 175,879)	-
<b>30 June 2015</b>					
Trade and other payables	33,210	(33,210)	(33,210)	-	-
Interest bearing liabilities	69,327	(131,589)	-	-	(131,589)
Other liabilities	3,839	(3,839)	-	(3,839)	-
	106,376	(168,638)	(33,210)	(3,839)	(131,589)

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining surplus funding and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities. For further information on the Group's ability to pay its debts as and when they fall due, refer Note 2.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 26 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)**

**Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

**Sensitivity analysis**

The Group is exposed to currency risk on its coal sales and cash that are denominated in United States currency. The Group's exposure to foreign currency risk was as follows, based on notional amounts.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>USD exposure</b>		
Cash and term deposits	12	4,679
Trade receivables	-	1,852
Group balance sheet exposure	12	6,531

A strengthening/(weakening) of the AUD against the USD by 10 percent at 30 June would have decreased/(increased) equity and profit/(loss) for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>Equity</b>	<b>Profit or loss</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2016</b>		
USD	1	1
<b>30 June 2015</b>		
USD	594	594

The following significant exchange rates applied during the year:

	<b>Average rate</b>		<b>Reporting date spot rate</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
AUD/USD	0.7283	0.8369	0.7426	0.7655

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 26 - FINANCIAL INSTRUMENTS DISCLOSURE (Con't)**

**Interest rate risk**

The Group's statement of comprehensive income is affected by changes in interest rates due to the impact of such changes on interest income and expenses from cash and term deposits.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	Notes	Carrying amount	
		2016	2015
		\$'000	\$'000
<b>Financial assets</b>			
Cash and cash equivalents, term deposits and restricted deposits	23	71,238	71,373
		71,238	71,373
		71,238	71,373

**Sensitivity analysis**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit/(loss) for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

Impact on profit/(loss) for the period	712	714
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**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements, apart from those set out in Note 2, Going Concern.

**Net fair values of financial assets and liabilities**

The carrying amounts of financial assets and liabilities of the company and the Group, for the year ended 30 June 2016 and 30 June 2015, approximate their net fair values.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 27 - COMMITMENTS**

**Exploration expenditure commitments**

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by tenement licences and acquisition agreements. These obligations are subject to renegotiation when the application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable as follows:

	<b>Carrying amount</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	4,242	4,350
Later than one year but not later than two years	4,214	3,570
Later than two years but not later than five years	6,869	9,589
Later than five years	-	-
	15,325	17,509
	15,325	17,509

**Operating lease commitments**

Operating lease obligations were not excluded contracts under the Deed of Company Arrangement which was effectuated on 30 May 2016. As such they did not continue as agreements and are not commitments after 30 May 2016.

The majority of the 2015 commitment was mining equipment utilised at the Baralaba mine.

	<b>Carrying amount</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	-	8,382
Later than one year but not later than two years	-	8,583
Later than two years but not later than five years	-	11,965
Greater than five years	-	7
	-	28,937
	-	28,937

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2016**

**NOTE 28 - 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.

<b>Operating Segments</b>	<b>Mining</b>	<b>Exploration and evaluation</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>30 June 2016</b>				
<b>Segment revenue</b>				
Revenues - external	61,163	-	263	61,426
Intersegment revenue			39,733	39,733
Finance income	78	6	722	806
	61,241	6	40,718	101,965
<b>Segment expenses</b>	(166,100)	(6,514)	(10,211)	(182,825)
<b>Segment result</b>	(104,859)	(6,508)	30,507	(80,860)
<b>Segment assets</b>	296,475	50,169	25,048	371,692
<b>Segment liabilities</b>	(25,659)	(311)	(107,171)	(133,141)
<b>Other material items in 2016</b>				
Depreciation	(3,643)	-	(123)	(3,766)
Impairment losses	(64,300)	(6,775)	-	(71,075)
Impairment reversals	-	290	-	290
Finance expense	(12,431)	-	(4,512)	(16,953)

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 86% of the Group's revenues during the year ended 30 June 2016. Revenues individually from each of these companies totalled \$33,502,959 and \$18,931,034.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 28 - SEGMENT REPORTING (Con't)**

Operating Segments	Mining	Exploration and evaluation	Other	Total
	\$'000	\$'000	\$'000	\$'000
<b>30 June 2015</b>				
<b>Segment revenue</b>				
Revenues - external	69,520	39	2,600	72,159
Intersegment revenue	-	-	26,869	26,869
Finance income	29	7	1,329	1,365
	69,549	46	30,798	100,393
<b>Segment expenses</b>	<b>(117,697)</b>	<b>(7,669)</b>	<b>(13,226)</b>	<b>(138,592)</b>
<b>Segment result</b>	<b>(48,148)</b>	<b>5,514</b>	<b>17,572</b>	<b>(25,063)</b>
<b>Segment assets</b>	<b>307,939</b>	<b>52,466</b>	<b>67,132</b>	<b>427,537</b>
<b>Segment liabilities</b>	<b>(112,449)</b>	<b>(369)</b>	<b>(5,308)</b>	<b>(118,126)</b>
<b>Other material items in 2015</b>				
Depreciation	(6,664)	-	(316)	(6,980)
Impairment losses	-	(7,550)	-	(7,550)
Impairment reversals	-	13,136	-	13,136
Finance expense	(12,916)	-	(1,459)	(14,375)

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 89% of the Group's revenues during the year ended 30 June 2015. Revenues individually from each of these companies totalled \$40,809,928 and \$20,864,014.

**COCKATOO COAL LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 28 - SEGMENT REPORTING (Con't)**

**Geographical segments**

All coal is produced in Australia and the Group's customers were based in Australia, Japan, Singapore, Brazil and Korea during the 2016 and 2015 years. Segment revenue is presented below based on the geographical location of customers.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Australia	29,629	792
Japan	22,805	20,864
Singapore	7,141	40,810
Brazil	1,587	-
Korea	-	7,054
	<u>61,163</u>	<u>69,520</u>

**NOTE 29 - PARENT ENTITY DISCLOSURES**

Throughout the financial year ending 30 June 2016 the parent entity of the Group was Cockatoo Coal Limited.

	<b>Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Result of the parent entity</b>		
Net profit/(loss)	28,233	(18,006)
Other comprehensive income	-	-
<b>Total comprehensive profit/(loss)</b>	<u>28,233</u>	<u>(18,006)</u>
<b>Financial position of the parent entity at year end</b>		
Current assets	36,423	60,098
Non-current assets	411,227	247,455
<b>Total assets</b>	<u>447,650</u>	<u>307,553</u>
Current liabilities	3,241	5,256
Non-current liabilities	103,931	52
<b>Total liabilities</b>	<u>107,172</u>	<u>5,308</u>
<b>Net assets</b>	<u>340,478</u>	<u>302,245</u>
<b>Equity</b>		
Share capital	621,466	611,466
Accumulated losses	(280,988)	(309,221)
<b>Total equity</b>	<u>340,478</u>	<u>302,245</u>

Refer to Note 30 for details of contingent liabilities of the parent entity.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 30 - CONTINGENT LIABILITIES**

**Guarantees**

During the period the Company received notice from Australia and New Zealand Banking Group Limited (ANZ) that the ANZ would terminate the Company's \$81m bank guarantee facility (LC facility) on 15 January 2016. Liberty Metals & Mining Holdings, LLC (LMM) entered into a Deed of Assignment with ANZ on 3 December 2015 whereby ANZ assigned LMM all the rights and obligations of the LC facility. This facility was repaid in conjunction with the effectuation of the DOCA.

With the Company entering voluntary administration certain Guarantees were called and paid totalling \$45,969k during the year ended 30 June 2016.

The Company entered into a new \$35.5 million bank guarantee facility with ANZ on 30 May 2016 that is fully cash backed

Details of the guarantees held at 30 June 2016 are:

- \$34,424,603 as an environmental bond to the State of Queensland against rehabilitation and any potential loss attributable to mining operations at Baralaba;
- \$161,000 as an environmental bond to the State of Queensland against environmental offsets at the train load out facility.
- \$938,334, as two bonds of \$469,167 each, to the State of Queensland against proper performance and completion of works for the Dawson Highway realignment.

As at 30 June 2016 the Company has recorded a provision of \$nil (30 June 2015 - \$nil) in relation to these guarantees.

**Infrastructure agreements**

The Group had 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 included increasing take or pay usage commitments (rail and port charges) that ramped up to 3.5 million tonnes per annum.

These agreements were not Excluded Contracts under the Deed of Company Arrangement which was effectuated on 30 May 2016. As such, they have not continued as agreements and are not contingent liabilities after 30 May 2016.

**Parent company guarantees**

During the period, after the Group entered Voluntary Administration, the Parent Company Guarantees provided by Noble Resources International Pte Ltd (Noble) and SK Networks Company Ltd (SKN) on behalf of the Group to ANZ bank, were called. As a result Noble and SKN provided a short term loan to the Group of \$37m to fund payments by the Group to guarantee holders. Interest on these loans was at 13.5% per annum with the loans repayable on demand, the loans had second ranking security over the assets of the Group. The short term Parent Company Guarantee loans were repaid on the effectuation of the DOCA.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**NOTE 31 - SUBSEQUENT EVENTS**

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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**DIRECTORS' DECLARATION**

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In the opinion of the Directors of Cockatoo Coal Limited (the Company):

1. (a) the consolidated financial statements and notes set out on pages 27 to 71, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 16 to 22, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2;
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and company secretary for the financial year ended 30 June 2016.

Signed at Brisbane this 30<sup>th</sup> day of September 2016

in accordance with a resolution of the Board of Directors:



**Peter Richards**  
**Chairman**



**Mark Tomek**



## **Independent auditor's report to the members of Cockatoo Coal Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Cockatoo Coal Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



*Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

*Material uncertainty regarding continuation as a going concern*

Without modifying our opinion, we draw attention to note 2, "Going Concern" in the financial report. The conditions disclosed in note 2 indicate the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**Report on the remuneration report**

We have audited the Remuneration Report included on pages 16 to 22 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the Remuneration Report of Cockatoo Coal Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

**KPMG**

**Adam Twemlow**  
*Partner*

Brisbane  
30 September 2016

**COCKATOO COAL LIMITED**  
**and its controlled entities**

**ADDITIONAL STOCK EXCHANGE INFORMATION**

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Additional information as required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

**Home Exchange**

The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.

**Audit Committee and Technical Committee**

As at the date of the Directors' Report, the Company has an Audit Committee and a Technical Committee.

**Substantial Shareholdings**

At 20 August 2016 the Register of Substantial Shareholders showed the following:

Liberty Metals & Mining Holdings, LLC	43.86%
Maylion Pty Limited	36.01%
JS Baralaba Wonbindi Pty Limited	5.19%

**Class of Shares and Voting Rights**

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the share.

**Shares Subject to Escrow Restrictions**

At 31 July 2016 there were no shares subject to escrow restrictions.

**On Market Buy Back**

There is no on market buy-back.

**COCKATOO COAL LIMITED**  
and its controlled entities

**ADDITIONAL STOCK EXCHANGE INFORMATION**

**Distribution of Shareholders**

As at 30 June 2016, the distribution of each class of equity was as follows:

**Fully Paid Ordinary Shares**

Range	Number of holders	Number of shares	Issued capital %
1 – 1,000	495	144,112	0.00
1,001 – 5,000	1,332	3,983,707	0.00
5,001 – 10,000	1,043	8,624,892	0.01
10,001 – 100,000	3,360	131,103,753	0.17
100,001 – 999,999,999	2,961	6,684,679,455	8.68
1,000,000,000 and above	7	70,206,358,923	91.14
<b>Total</b>	<b>9,198</b>	<b>77,034,894,842</b>	<b>100.00</b>

As at 30 June 2016, 7774 shareholders held less than marketable parcels of 532,950,426 shares.

**Twenty Largest Shareholders**

As at 30 June 2016 the twenty largest quoted shareholders held 93.29% of the fully paid ordinary shares as follows:

Name	Number	%
1 JP Morgan Nominees Australia Limited	27,786,799,277	36.07
2 National nominees limited <DB A/C>	26,692,272,744	34.65
3 Liberty Metals & Mining Holdings, LLC	6,000,000,000	7.79
4 JS Baralaba Wonbindi Pty Limited	4,000,000,000	5.19
5 Harum Energy Australia Pty Ltd	3,616,465,372	4.69
6 SK Networks Resources Australia Pty Ltd	1,055,410,765	1.37
7 Maylion Pty Limited	1,055,410,765	1.37
8 Citicorp Nominees Pty Ltd.	488,574,538	0.63
9 Eastwood Financial & Investment Services Pty Ltd <G&E Super Fund>	206,845,675	0.27
10 HSBC Custody Nominees ( Australia) Limited	130,310,864	0.17
11 Waratah Capital Partners Pty Limited	128,625,000	0.17
12 JH Nominees Australia Pty Ltd < Harry Family Super Fund A/C>	100,000,000	0.13
13 Lonway Pty Ltd	100,000,000	0.13
14 Wapimala Pty Limited <Lonergan Super Fund A/C>	100,000,000	0.13
15 Eastwood Financials & Investment Services Pty Ltd	93,200,630	0.12
16 Australian Exports and Industrialisation Super Pty Ltd <Buck Family Super Fund A/C>	80,000,000	0.10
17 Mrs Gemma Yi	79,968,500	0.10
18 Mr Edward Yi	52,925,000	0.07
19 Benger Superannuation Pty Limited	50,340,000	0.07
20 JB Torro Pty Ltd	50,000,000	0.06

**COCKATOO COAL LIMITED**  
**and its controlled entities**

**CORPORATE DIRECTORY**

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**Directors:**

Peter Richards (Chairman)  
Damon Barber  
Tim Gazzard  
Stephen Motteram  
Mark Tomek  
K. Scott A. Thompson

**Company Secretary:**

Daniel Gall

**Principal Place of Business and Registered Office:**

Level 7, 10 Eagle Street  
BRISBANE QLD 4000  
AUSTRALIA

Phone: 61-7 3221 8492  
Email: [info@cockatoocoal.com.au](mailto:info@cockatoocoal.com.au)  
Web: [www.cockatoocoal.com.au](http://www.cockatoocoal.com.au)

**Auditors:**

KPMG  
Level 16, Riparian Plaza  
71 Eagle Street  
BRISBANE QLD 4000

**Solicitors:**

Minter Ellison  
88 Phillip Street  
SYDNEY NSW 2000

**Share Registrars:**

Computershare Investor Services Pty Limited  
117 Victoria Street  
WEST END QLD 4000  
Phone: 61-7 3237 2100  
Fax: 61-7 3229 9860

**Home Exchange:**

ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000