12 September 2014

The Manager Companies
ASX Limited
20 Bridge Street
Sydney, NSW, 2000

Dear Madam

NOTICE OF GENERAL MEETING

I attached a Notice of General Meeting and Explanatory Statement as sent to shareholders.

Yours sincerely

Lee J. O'Dwyer
Company Secretary

Cockatoo Coal Limited ABN 13 112 682 158
Level 4, 10 Eagle Street, Brisbane QLD Australia 4000
Phone +61 7 3640 4700 Fax +61 7 3640 4799 Email info@cockatoocoal.com.au

Notice of Meeting and Explanatory Statement

Cockatoo Coal Limited

ACN 112 682 158

Date: 13 October 2014

Time: 10:00am (Brisbane time)

Place: Minter Ellison, Level 22 Waterfront Place,
1 Eagle Street, Brisbane, QLD, 4000

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY AND TO SEEK INDEPENDENT ADVICE BEFORE DECIDING HOW TO VOTE ON THE RESOLUTION.

If you are in doubt as to how to deal with this document or how to vote on the Resolution, please consult your financial or other professional adviser.

The Independent Expert has concluded that the Transaction is fair and reasonable to shareholders whose votes are not to be disregarded (being Noble, SK Networks and their Associates).

YOUR INDEPENDENT DIRECTORS RECOMMEND THAT, IN THE ABSENCE OF A SUPERIOR PROPOSAL, SHAREHOLDERS VOTE IN FAVOUR OF THE RESOLUTION TO APPROVE THE TRANSACTION.

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Important Notices

Nature of this document

This document seeks to:

- explain to Shareholders the terms and effect of the Transaction; and
- provide Shareholders information as required by the Corporations Act and the Listing Rules or as is known to Cockatoo Coal, and in Cockatoo Coal's opinion, is otherwise material to the decision of Shareholders on how to vote on the Resolution.

You should read this document in its entirety before making a decision on how to vote on the Resolution.

Defined terms

Capitalised terms used in this document are defined in the Glossary on page 17 of this document.

All amounts are in Australian dollars unless otherwise stated.

ASIC and ASX

A copy of this document has been lodged with ASX. Neither ASX, nor any of its officers takes any responsibility for the contents of this document.

Investment decisions

Nothing in this document constitutes investment, legal, tax or other advice. This document does not take into account the individual investment objectives, financial situation or particular needs of each Shareholder or any other person, and should not be relied on as the sole basis for any investment decision relating to Shares.

Shareholders should seek independent financial, legal and taxation advice before making a decision on how to vote on the Resolution.

Forward- looking statements

This document contains both historical and forward-looking statements in connection with Cockatoo Coal, including statements of current intention or expectation.

Any such forward-looking statements relate to future matters and are subject to various inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied by any forward-looking statements.

None of Cockatoo Coal, its officers, any person named in this document or any person involved in the preparation of this document makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. The forward-looking statements in this document reflect views held only as at the date of this document.

Subject to any obligations under law or the Listing Rules, Cockatoo Coal does not give any undertaking to update or revise any forward-looking statements after the date of this document to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Input from others

Grant Thornton has prepared the Independent Expert's Report in relation to the Transaction in final section of this document and takes responsibility for that Independent Expert's Report. Grant Thornton is not responsible for any other information contained within this document. Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Other than in respect of the information identified above, the information contained in the remainder of this document has been prepared by Cockatoo Coal and is the responsibility of Cockatoo Coal. Cockatoo Coal does not assume responsibility for the accuracy or completeness of any part of this document other than the information identified above for which it is solely responsible.

Electronic document

This document may be viewed online at www.cockatoocoal.com.au.

Date

This Explanatory Statement is dated 12 September 2014. The Notice of Meeting is dated 12 September 2014.

Key Dates

Event	Date
Date of this Explanatory Statement	12 September 2014
Latest date and time for receipt of proxy forms or powers of attorney	11 October 2014, 10:00am (Brisbane time)
Date and time for determining eligibility to vote	10 October 2014, 6:00pm (Brisbane time)
Date and time of the General Meeting	13 October 2014, 10:00am (Brisbane time)

Please note that the above dates are indicative only and subject to change. Subject to the Corporations Act and Listing Rules, the above dates may be varied. Any changes to the above timetable will be announced to ASX. The Company reserves the right to the right to amend or withdraw the Transaction and/or the Resolution, subject to applicable legal requirements.

Unless otherwise stated all references to time in this document are references to Brisbane time.

What you need to do

1. Read this document

The Notice of Meeting and Explanatory Statement set out the details of the Resolution being put to Shareholders. This information is important. You should read this document carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

2. Vote at the General Meeting or by proxy

If you are registered as a Shareholder on the Share Register at 6.00pm (Brisbane Time) on 10 October 2014 you will be entitled to vote at the General Meeting, subject to the Voting Exclusions. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the General Meeting.

In the case of Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one Shareholder votes in respect of jointly held Shares, only the vote of the Shareholder whose name appears first in the Register will be counted.

Voting is not compulsory.

The key details of the General Meeting are:

Location: The General Meeting will be held at Minter Ellison, Level 22 Waterfront Place, 1 Eagle Street, Brisbane, QLD, 4000 on 13 October 2014, commencing at 10:00 am (Brisbane Time).

Voting in person: Shareholders (with the exception of those subject to a Voting Exclusion) wishing to vote in person (other than under a power of attorney) should attend the General Meeting in person and can cast their votes at that meeting. Please note that you should:

- bring a suitable form of personal identification (such as your driver's licence); and
- arrive (if possible) at the venue 20 minutes prior to the time designated for the commencement of the General Meeting (so that your Shareholding may be checked against the Share Register and attendance noted).

Voting by attorney: If a Shareholder proposes that an attorney is to vote at the General Meeting the instrument conferring the power of attorney or a certified copy of it must be produced to the Share Registry by no later than 10:00 am (Brisbane Time) on 11 October 2014 in the same way as a proxy.

Voting by proxy: Shareholders (with the exception of those subject to a Voting Exclusion) wishing to vote by proxy at the General Meeting must complete and sign the personalised proxy form which is enclosed with this Explanatory Statement. A person appointed as a proxy may be an individual or a body corporate. Completed proxy forms must be delivered by no later than 10:00 am (Brisbane Time) on 11 October 2014 and in any of the following ways:

By post:

Computershare Investor Services Pty Limited

GPO Box 242 Melbourne

Victoria 3001 Australia

By facsimile to: (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555

Online:

Visit www.investorvote.com.au and logging in using the control number, SRN/HIN and post code located on the front of your accompany proxy form. Or scanning the QR code located on the front of the proxy from with your mobile device and inserting your postcode.

Intermediary Online Subscribers (Institution/Custodians) may lodge their proxy instruction online by visiting www.intermediaryonline.com.

Voting by corporate representative: A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the General Meeting in accordance with section 250D of the Corporations Act. The appropriate 'Certificate of Appointment of Corporate Representative' should be produced prior to admission.

3. Seek further information if required

If you have any queries about any matter contained in this document please contact the Company Secretary on +617 3640 4700.

If you are in doubt as to how to deal with this document or how to vote on the Resolution, please consult your financial or other professional adviser.

Notice of Meeting

Notice is hereby given that a General Meeting of the Shareholders of Cockatoo Coal Limited ACN 112 682 158 will be held at Minter Ellison, Level 22 Waterfront Place, 1 Eagle Street, Brisbane at 10:00 am (Brisbane Time) on 13 October 2014 for the purpose of considering and if thought fit passing the following proposed resolution as an ordinary resolution.

The Explanatory Statement which accompanies and which forms part of this Notice of Meeting should be considered by Shareholders prior to voting on the business to be considered at the General Meeting. Terms used in this Notice of Meeting will, unless the context otherwise requires, have the meaning given to them in the Glossary in the Explanatory Statement.

Ordinary Business

Resolution – Approval of Transaction

To consider and, if thought fit, pass, with or without amendment, the following Resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 10.1 and all other relevant purposes, the Shareholders approve the Company, Cockatiel, Baralaba and Wonbindi (as applicable to the relevant agreement):

(a) entering into; and

(b) performing their obligations under,

each of:

(c) the Noble Offtake Agreement and the SK Networks Offtake Agreement; and

(d) the Security Agreements, and the Deed of Subordination and Priority,

and such other agreements as are required under any of those agreements or deeds."

In accordance with the Listing Rules, the Company will disregard any votes cast on the Resolution by each of Noble and SK Networks, and any of their respective Associates.

However, the Company need not disregard a vote cast on the Resolution if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Other business

To transact any other business which may legally be brought before the General Meeting.

BY ORDER OF THE BOARD

Lee O'Dwyer

Company Secretary

Date: 12 September 2014

Summary

		Further Information
1. Transaction		
What is the Transaction?	The Transaction will allow the release of approximately $37 million of the Company's cash, which is currently held by ANZ Bank as security. Two of the Company's major shareholders, Noble and SK Networks, will each procure a Bank Guarantee in favour of ANZ Bank, as replacement security for guarantees supporting certain infrastructure entitlements of the Company, including its three million tonne per annum 'take or pay' agreement with the new Wiggins Island Coal Export Terminal. The infrastructure guarantees are currently secured by approximately $37 million of the Company's cash, and the replacement security will allow the release of this cash to the Company. As part of the arrangements Noble and SK Networks will each be granted second ranking security over the Baralaba Complex assets. ANZ has also granted an option to both SK Networks and Noble Group to replace the existing guarantee facility provided by ANZ, which has first ranking security. In order to obtain Noble's and SK Networks' agreement to procure the bank guarantees, Cockatoo Coal has agreed to enter into coal offtake agreements with each of Noble and SK Networks. Noble and SK Networks will each be entitled to offtake 5.85Mt tonnes of ULV PCI coal from the Baralaba Complex (approximately 390,000 tonnes each per annum for 15 years).	
Why is the Company proposing the Transaction?	The Transaction will allow the release of approximately $37 million of the Company's cash, which is currently held by ANZ Bank as security. This is an important step in the Company's funding plan.	
What approvals are required for the Transaction?	The Transaction is conditional upon, amongst other things, approval by a simple majority of Shareholders at the General Meeting.	
What are the key advantages?	The Transaction will allow the release of approximately $37 million of the Company's cash, which is currently held by ANZ Bank as security. This is an important step in the Company's funding plan. The release of this cash will enable the Company to fund its current commitments. Without the release of this cash, there is a material risk that the Company would soon be insolvent.	

		Further Information
	The proposed offtake entitlement of 5.85Mt tonnes of ULV PCI coal contributes towards satisfying a key condition precedent of the Company's proposed A$255 million ANZ project finance facility, which is another important step in the Company's funding plan.	
What are the key disadvantages?	The Company will have to pay Noble and SK Networks guarantee fees charged at 12.5% per annum plus expenses (capped at 1% per annum), which will be capitalised and paid on termination of the replacement security arrangements. The proposed offtake entitlement of 5.85Mt tonnes of ULV PCI coal reduces the amount of coal available for sale to other customers. It is possible that coal may in future be sold to other customers at a higher price than will be received under the proposed offtake.	
Independent Expert's Opinion	The Independent Expert has concluded that the Transaction is fair and reasonable to the Shareholders (excluding Noble, SK Networks and their Associates). The final section of this document includes a complete copy of the Independent Expert's Report. Shareholders are urged to read the Independent Expert's Report in full.	
Director's Recommendation	The Independent Directors each recommend that, in the absence of a superior proposal, shareholders vote in favour of the resolution to approve the Transaction.	
Timing	An initial release of approximately $18.5 million of restricted cash occurred on 1 September 2014. If the Resolution is passed at the General Meeting, the second tranche of approximately $18.5 million will be released promptly after the General Meeting. If the Resolution is not passed at the General Meeting, the approximately $18.5 million already released will be required to be repaid within 3 months of the General Meeting.	

Section 1 – Overview of the Transaction

1.1 What is the Transaction?

Two of the Company's major shareholders, Noble and SK Networks, will each procure a Bank Guarantee in favour of ANZ Bank, as replacement security for guarantees supporting certain infrastructure entitlements of the Company, including its three million tonne per annum 'take or pay' agreement with the new Wiggins Island Coal Export Terminal.

These infrastructure guarantees are currently secured by approximately $37 million of the Company's cash, and the replacement security will allow the release of this cash to the Company.

As part of the arrangements Noble and SK Networks will each be granted second ranking security over the Baralaba Complex assets. ANZ has also granted an option to both SK Networks and Noble Group to replace the existing guarantee facility provided by ANZ which has first ranking security.

In order to obtain Noble's and SK Networks' agreement to procure the Bank Guarantees, Cockatoo Coal has agreed to enter into coal offtake agreements with each of Noble and SK Networks. Noble and SK Networks will each be entitled to offtake 5.85Mt tonnes of ULV PCI coal from the Baralaba Complex (approximately 390,000 tonnes each per annum for 15 years).

In order to give effect to the Transaction, Cockatoo, Baralaba, Wonbindi and Cockatiel have entered into (or received the benefit of) the following material agreements:

- Bank Guarantee Facility Agreements between Cockatoo, Baralaba, Wonbindi and Cockatiel and each of Noble and SK Networks;
- Offtake Agreements between Baralaba, Wonbindi and Cockatoo and each of Noble and SK Networks;
- a Security Trust Deed between AET, Cockatoo, Baralaba, Wonbindi, Cockatiel, Noble and SK Networks;
- a General Security Deed between AET, Baralaba, Wonbindi and Cockatiel; and
- a Deed of Subordination and Priority between Cockatoo, Baralaba, Wonbindi, Cockatiel, ANZ, AET Noble and SK Networks (or a security trustee or agent on their behalf).

1.2 What are the Bank Guarantee Facilities?

Under the Bank Guarantee Facilities, each of Noble and SK Networks, two of Cockatoo Coal's major Shareholders, have agreed to procure the issue of a Bank Guarantee in favour of ANZ, totalling approximately A$37 million (approximately $18.5 million each).

The terms of the Bank Guarantee Facilities are described in more detail at section 3.2.

1.3 What are the Offtake Agreements

The Offtake Agreements provide that each of Noble and SK Networks will each be entitled to offtake 5.85Mt tonnes of ULV PCI coal from the Baralaba Complex (approximately 390,000 tonnes each per annum for 15 years).

The terms of the Offtake Agreements are described in more detail at section 3.3.

1.4 What are the General Security Deed and Security Trust Deed?

Cockatoo Coal and its subsidiaries Cockatiel, Baralaba and Wonbindi have each agreed to grant Noble and SK Networks security interests over certain assets of the Cockatoo Coal Group in order to secure Cockatoo Coal's commitment to repay the Bank Guarantee Facilities.

The terms of the General Security Deed are described in more detail at section 3.4.

1.5 What is the Deed of Subordination and Priority?

The Deed of Subordination and Priority provides the terms and conditions on which the debt owing to Noble and SK Networks under the Bank Guarantee Facilities is subordinated to the debt owned to ANZ under the ANZ Bank Guarantee Facility

The terms of the Deed of Subordination and Priority are described in more detail at section 3.5.

1.6 Is the Transaction conditional?

Completion of the Transaction is dependent upon approval of the Resolution by Shareholders at the General Meeting.

If the Resolution is not passed, the Transaction will not proceed and there is a material risk that the Company would soon be insolvent.

1.7 What is the financial effect of the Transaction on the Company?

The Transaction will allow the release of approximately $37 million of the Company’s cash, which is currently held by ANZ Bank as security. This is an important step in the Company's funding plan.

The release of this cash will enable the Company to fund its current commitments. Without the release of this cash, there is a material risk that the Company would soon be insolvent.

The Company will have to pay Noble and SK Networks guarantee fees charged at 12.5% per annum plus expenses (capped at 1% per annum), which will be capitalised and paid on termination of the replacement security arrangements.

1.8 What will the proceeds of the Transaction be used for?

At present, approximately $37 million of the Company's cash is held in a bank account beyond the Company's control, being used solely as security for guarantees supporting certain infrastructure entitlements of the Company, including its three million tonne per annum ‘take or pay' agreement with the new Wiggins Island Coal Export Terminal.

The Transaction will allow the release of approximately $37 million of the Company's cash by providing replacement security for the guarantees.

1.9 Who is Noble?

Noble is a Singapore listed manager of a portfolio of global supply chains covering a range of agricultural and energy products, as well as metals, minerals and ores and has a market capitalisation of approximately A$5.8 billion.

Noble facilitates the marketing, processing, financing and transportation of a multitude of products across a multitude of locations and for many customers. Noble reports across three different segments; agriculture (platform, sugar and softs), energy (oil, gas & power, energy coal & carbon) and metals, minerals & ores (iron ore, aluminium, special ores & alloys).

Noble is currently the equal largest Shareholder, holding approximately 23.14% of all Shares.

1.10 Who is SK Networks?

SK Networks is a South Korean company with a market capitalisation of approximately A$1.6 billion that operates across resources, energy, chemicals, steel, mobile phones and apparel industries.

SK Networks is currently the equal largest Shareholder, holding approximately 23.14% of all Shares.

1.11 What happens to my shares and what do I receive?

The Transaction will not cancel or otherwise deal with any Shares held by any Shareholders.

Shareholders will not receive (and will not be required to pay) any cash consideration under the Transaction.

1.12 Effect of the Transaction on control of the Company

The Transaction will not give rise to any change in the control of the Company.

1.13 What approvals are required for the Transaction to proceed?

Listing Rule 10.1 requires that any disposal of a substantial asset to a substantial holder be approved by shareholders.

A holder of at least 10% of all Shares is a "substantial holder" for the purposes of the Listing Rules. An asset is a "substantial asset" for the purposes of the Listing Rules if its value is more than 5% of the equity interests of Cockatoo Coal as set out in its last Annual Report.

As each of Noble and SK Networks hold more than 10% of all Shares on issue, they are each a "substantial holder".

The coal that may be produced by the Cockatoo Coal Group and disposed of under each of the Noble Offtake Agreement and the SK Offtake Agreement accounts for more than 5% of the equity interests of Cockatoo Coal as set out in its last Annual Report, meaning that it is a "substantial asset".

The Security Agreements provide for the disposal of assets in the event of any default by the Company which triggers the security enforcement rights of Noble and SK Networks. In addition, the definition of "disposal" under the Listing Rules includes using an asset as collateral, as is the case under the Security Agreements. The assets of the Cockatoo Coal Group that are subject of the Security Agreements account for more than 5% of the equity interests of Cockatoo Coal as set out in its last Annual Report, meaning that they are a "substantial asset" for the purposes of the Listing Rules.

Accordingly, the Resolution seeks the approval of Shareholders (other than each of Noble, SK Networks, and their respective Associates) for the entry into and performance of the Noble Offtake Agreement and the SK Networks Offtake Agreement, as well as the Security Agreements, as required under Listing Rule 10.1.

1.14 What happens if the Resolution is not passed?

The initial release of approximately $18.5 million of restricted cash which occurred on 1 September 2014 would be repayable in full within 3 months if the Resolution is not passed.

The second tranche of approximately $18.5 million will not be released to the Company if the Resolution is not passed.

The need for the Company to make the repayment of approximately $18.5 million, as well as to meet its other commitments, and the unlikelihood that the Company could arrange alternative sources of funding, mean that there is a material risk that the Company would soon be insolvent if the Resolution is not passed.

Section 2 – Rationale for the Transaction and Directors' Recommendation

2.1 Directors' Recommendation

The Independent Directors have considered the potential advantages, and the potential disadvantages, of the Transaction and the Independent Expert's conclusions.

The Independent Directors each recommend that, in the absence of a superior proposal, the Shareholders vote in favour of the Resolution to approve the Transaction.

Tim Gazzard is a Director and is a nominee of Noble. Accordingly, Mr Gazzard considers it inappropriate for him to make a recommendation to Shareholders in respect of the Transaction.

Hyeondong (Henry) Cho is a Director and is a nominee of SK Networks. Accordingly, Mr Cho considers it inappropriate for him to make a recommendation to Shareholders in respect of the Transaction.

Each of the Independent Directors intend to vote their Shares, if any, or open proxies they hold, in favour of the Resolution.

2.2 Independent Expert's Opinion

The Independent Directors commissioned the Independent Expert, Grant Thornton, to prepare a report on the Transaction to ascertain whether it is fair and reasonable to Shareholders (other than each of Noble, SK Networks, and their respective Associates).

The Independent Expert has concluded that the Transaction is *fair and reasonable* to the Shareholders (other than each of Noble, SK Networks, and their respective Associates).

The final section of this document contains a complete copy of the Independent Expert's Report. Shareholders are urged to read the Independent Expert's Report in full.

2.3 Why is the Company proposing the Transaction?

The Company is continuing development of the Baralaba Expansion project, and needs significant funding for this purpose. At present, approximately $37 million of the Company's cash is held in a bank account beyond the Company's control, being used solely as security for guarantees supporting certain infrastructure entitlements of the Company, including its three million tonne per annum ‘take or pay' agreement with the new Wiggins Island Coal Export Terminal.

The Transaction will allow the release of approximately $37 million of the Company's cash, which is currently held by ANZ Bank as security. This is an important step in the Company's funding plan.

The cash cannot be released unless replacement security can be provided. The Company does not have the capacity to provide replacement security. Under the transaction, two of the Company's major shareholders, Noble and SK Networks, have agreed to provide replacement security.

In order to obtain Noble's and SK Networks' agreement to procure the bank guarantees, the Company agreed to the proposed offtake entitlement of 5.85Mt tonnes of ULV PCI coal from the Baralaba Complex (approximately 390,000 tonnes each per annum for 15 years) by each of Noble and SK Networks.

2.4 What are the key advantages?

- The Transaction will allow the release of approximately $37 million of the Company's cash, which is currently held by ANZ Bank as security. This is an important step in the Company's funding plan.
- The release of this cash will enable the Company to fund its current commitments. Without the release of this cash, there is a material risk that the Company would soon be insolvent.

- The proposed offtake entitlement of 5.85Mt tonnes of ULV PCI coal contributes towards satisfying a key condition precedent of the Company's proposed A$255 million ANZ project finance facility, which is another important step in the Company's funding plan.

2.5 What are the key disadvantages?

- The Company will have to pay Noble and SK Networks guarantee fees charged at 12.5% per annum plus expenses (capped at 1% per annum), which will be capitalised and paid on termination of the replacement security arrangements.
- The proposed offtake entitlement of 5.85Mt tonnes of ULV PCI coal reduces the amount of coal available for sale to other customers. It is possible that coal may in future be sold to other customers at a higher price than will be received under the proposed offtake.
- Security must be given to secure Cockatoo's obligations in respect of the Bank Guarantees, however, this security will be over the same assets as the ANZ Security and rank behind the ANZ security.

Section 3 – Key Transaction documents

3.1 Transaction documents

In order to give effect to the Transaction, Cockatoo, Baralaba, Wonbindi and Cockatiel have entered into (or received the benefit of) the following material agreements:

- Bank Guarantee Facility Agreement between Cockatoo, Baralaba, Wonbindi and Cockatiel and each of Noble and SK Networks;
- Offtake Agreements between Baralaba, Wonbindi and Cockatoo and each of Noble and SK Networks;
- Security Trust Deed between AET, Cockatoo, Baralaba, Wonbindi, Cockatiel, Noble and SK Networks;
- General Security Deed between AET, Baralaba, Wonbindi and Cockatiel; and
- Deed of Subordination and Priority between Cockatoo, Baralaba, Wonbindi, Cockatiel, ANZ, AET Noble and SK Networks (or a security trustee or agent on their behalf).

Sections 3.2 to 3.5 set out a summary of the material terms of each of these agreements.

3.2 Terms of Bank Guarantee Facilities

Each Bank Guarantee Facility provides that Noble and SK Networks (as applicable) will procure the issue of Bank Guarantees of up to A$18,540,000.

The Bank Guarantee Facilities have a term of 3 years, and an interest rate of 12.5% per annum plus expenses (capped at 1% per annum) will be capitalised and paid to Noble and SK Networks on termination of the arrangements.

Noble has agreed to procure its Bank Guarantee prior to the grant of the Security Agreements (the entry into which requires approval under the Resolution). However the Noble Bank Guarantee Facility is repayable in full within 3 months if the Resolution is not passed.

Each of Baralaba, Wonbindi and Cockatiel provides a cross-guarantee of the Bank Guarantee Facilities

3.3 Terms of Offtake Agreements

The Offtake Agreements provide that each of Noble and SK Networks will each be entitled to offtake 5.85Mt tonnes of ULV PCI coal from the Baralaba Complex (approximately 390,000 tonnes each per annum for 15 years).

The buyers are entitled to receive any marketing fees due to them under other contracts in respect of any coal bought by them under an Offtake Agreement.

There are several clauses dealing with base price and adjustments under the Offtake Agreements. The base price under the Offtake Agreements is either:

- in the case of the SK Networks Offtake Agreement, a base price determined by reference to a quoted index price with adjustments for differences between Baralaba Complex coal and the standard index specification or, if the parties so agree, another agreed price may apply for an agreed period or for specified tonnages. There are price adjustments to the price if the delivered coal quality is outside agreed specifications.; or
- in the case of the Noble Offtake Agreement, negotiated for each calendar quarter. There are price adjustments to the price if the delivered coal quality is outside agreed specifications. Noble is not required to accept delivery of any coal if the price has not been agreed for the relevant

calendar quarter and any quantity of coal not delivered due to a failure to agree the price will be postponed, not cancelled.

3.4 Terms of Security Trust Deed and General Security Deed

Under these deeds:

- each of Baralaba and Wonbindi will grant security over all of its assets
- Cockatiel will grant security over the shares it owns (or will own) in Baralaba and Wonbindi and any shareholder loans it has made to Baralaba and Wonbindi.

The Company's subsidiaries Cockatiel, Baralaba and Wonbindi have each agreed to grant Noble and SK Networks security interests over certain assets of the Cockatoo Coal Group in order to secure Cockatoo Coal's commitment to repay the Bank Guarantee Facilities.

Each of Baralaba and Wonbindi will grant security over all of its assets. Cockatiel will grant security over the shares it owns (or will own) in Baralaba and Wonbindi. The grant of security is achieved in part by the establishment, under the Security Trust Deed, of a security trust, with AET as trustee.

The Company, Cockatiel, Baralaba and Wonbindi (**Obligors**) have also agreed to procure that additional security is granted by an Obligor (other than the Company) or any of its subsidiaries if required to ensure that each of Noble and SK Networks have the benefit (on a second ranking basis) of any security provided to financiers under the project finance arrangements, which may include:

- an Obligor (other than the Company) or any of its subsidiaries granting security over all of its assets;
- each of Baralaba, Wonbindi, BCMC or Cacatua granting a real property mortgage over any real property held by it; and
- each of Wonbindi and Baralaba granting a tenement mortgage over any tenements held by it.

3.5 Terms of Deed of Subordination and Priority

The Deed of Subordination and Priority provides the terms and conditions on which the debt owing to Noble and SK Networks under the Bank Guarantee Facilities is subordinated to the debt owed to ANZ under the ANZ Bank Guarantee Facility.

It also sets out the priorities of the securities between ANZ (first ranking) and Noble and SK Networks (second ranking) and the circumstances in which Noble and/or SK Networks may exercise enforcement rights under their securities (other than with ANZ's consent).

Noble and SK Networks each have the right to 'buy out' ANZ's position (and assume its rights under the ANZ Bank Guarantee Facility and ANZ Security) in a default scenario.

ANZ has also granted an option, subject to the prior written consent of Cockatoo, to both SK Networks and Noble Group to replace the existing guarantee facility provided by ANZ (and for which has first ranking security).

Glossary

The following terms used in this Explanatory Statement (including the Notice of Meeting) have the meaning given to them below, unless the context otherwise requires.

Definition	Meaning
AEST	Australian Eastern Standard Time
AET	AET Structured Finance Services Pty Limited ABN 12 106 424088
ANZ or ANZ Bank or Australia and New Zealand Banking Group	Australia and New Zealand Banking Group Limited ACN 005 357 522
ANZ Bank Guarantee Facility	the bank guarantee facility provided by ANZ to Cockatoo, Baralaba and Wonbindi, secured by the ANZ Security
ANZ Security	means: • a general security agreement by each of Cockatoo, Baralaba and Wonbindi over all assets in favour of ANZ; and • a specific security agreement by Cockatiel in favour of ANZ over all shares owned, or which will be owned, by Cockatiel in Baralaba and Wonbindi.
ASIC	the Australian Securities and Investments Commission
Associate	has the meaning given to that term in Division 2 of Part 1.2 of the Corporations Act, as the context requires
ASX	ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it
Bank Guarantees	a form of on-demand guarantee from a bank (in form and substance acceptable to ANZ) procured by Noble or SK Networks under the Bank Guarantee Facilities
Bank Guarantee Facility	each facility agreement dated 26 August 2014 between Cockatoo, Baralaba, Wonbindi and Cockatiel and each of Noble and SK Networks under which Noble or SK Networks agrees to procure Bank Guarantees in favour of ANZ for Cockatoo for approximately A$18.5 million each up to an aggregate amount of approximately A$37 million, referred to at section 3.2
Baralaba	Baralaba Coal Pty Limited ACN 009 805 029
Baralaba Complex	the Cockatoo Coal Group's Baralaba Central, Baralaba North and Baralaba South mine projects
Baralaba Expansion project	the development project at the Baralaba Complex and nearby infrastructure corridors, to enable the Baralaba Complex to produce and sell 3.5 million tonnes per annum of ULV PCI coal.
BCMC	Baralaba Coal Management Company Pty Ltd (ACN 167 035 449)
Board	the board of directors of Cockatoo Coal

Definition	Meaning
Cacatua	Cacatua Pastoral Pty Ltd (ACN 149 959 688)
Cockatiel	Cockatiel Coal Pty Limited ACN 096 909 634
Cockatoo Coal or Company or Cockatoo Coal Group	Cockatoo Coal Limited ACN 112 682 158, itself or with its subsidiaries
Corporations Act	*Corporations Act 2001* (Cth)
Deed of Subordination and Priority	a deed dated 26 August 2014 between Cockatoo, Baralaba, Wonbindi, Cockatiel, ANZ, AET, Noble and SK Networks (or a security trustee or agent on their behalf) under which the debt owing to Noble and SK Networks under the Bank Guarantee Facilities is subordinated to the debt owed under the ANZ Bank Guarantee Facility, referred to at section 3.5
Director	a director of Cockatoo Coal
Explanatory Statement	this explanatory statement
General Meeting	the meeting of Shareholders to be convened in respect of the Resolution proposed to be held on or around 13 October 2014, and any adjournment of that meeting. The notice convening the General Meeting is set out on page 7
General Security Deed	a deed dated 26 August 2014 between AET, Baralaba, Wonbindi and Cockatiel under which the Cockatoo Coal Group entities grant AET a security interest over certain assets of the Cockatoo Coal Group (for the benefit of Noble and SK Networks), referred to at section 3.4
Independent Directors	the Directors other than each of Tim Gazzard and Hyeondong (Henry) Cho (being nominees of Noble and SK Networks, respectively)
Independent Expert or Grant Thornton	Grant Thornton Australia Pty Ltd (ACN 127 556 389)
Independent Expert's Report	the report of the Independent Expert expressing an opinion as to whether the Transaction is fair and reasonable for Shareholders (other than each of Noble, SK Networks, and their respective Associates). The Independent Expert's Report is set out in the final section of this document
Listing Rules	the listing rules of ASX
Notice of Meeting	the notice convening the General Meeting dated 12 September 2014, as set out on page 7
Noble or Noble Group	Noble Group Limited, incorporated in Bermuda and listed on the Singapore Stock Exchange, and its subsidiaries
Noble Offtake Agreement	an offtake agreement dated 25 August 2014 between Wonbindi, Baralaba, Cockatoo Coal and Noble, referred to at section 3.3
Offtake Agreements	the Noble Offtake Agreement and the SK Networks Offtake Agreement

Definition	Meaning
Option	an option over an unissued Share
Resolution	means the proposed resolution set out in the Notice of Meeting
Section	a section of this document
Security Agreements	the Security Trust Deed and General Security Deed
Security Trust Deed	a deed dated 26 August 2014 between AET, Cockatoo, Baralaba, Wonbindi, Cockatiel, Noble and SK Networks under which the Cockatoo Coal Group entities appoint AET as trustee of a security trust over certain assets of the Cockatoo Coal Group, so that they can grant Noble and SK Networks security interests over those assets, referred to at section 3.4
Share	a fully paid ordinary share in Cockatoo Coal
Shareholder	the holder of one or more Shares, being a person registered in the Share Register as a member of Cockatoo Coal
Share Register	the register of members of Cockatoo Coal maintained by or on behalf of Cockatoo Coal
Share Registry	Computershare Investor Services Pty Limited
SK Networks or SKN	SK Networks, Co., Ltd
SK Networks Offtake Agreement	an offtake agreement dated 25 August 2014 between Wonbindi, Baralaba, Cockatoo Coal and SK Networks, referred to at section 3.3
Transaction	the release of approximately $37 million of the Company's cash, by the provision of replacement security for guarantees, pursuant to the Transaction Documents
Transaction Documents	the agreements listed in section 3.1
ULV PCI coal	ultra low volatile pulverized coal injection coal
Voting Exclusion	the exclusion of particular Shareholders from voting on a particular Resolution, as specified under that Resolution in the Notice of Meeting
Wiggins Island Coal Export Terminal	the Wiggins Island Coal Export Terminal is located, and will form part of the Port of Gladstone, in Queensland, Wiggins Island Coal Export Terminal Pty Ltd CAN 131 210 038 or its parent, WICET Holdings Pty Ltd ACN 131 210 001, as the context requires
Wonbindi	Wonbindi Coal Pty Limited ACN 114 668 941

Independent Expert's Report in respect of the Transaction

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Cockatoo Coal Limited

Independent Expert's Report and Financial Services Guide

5 September 2014

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5 September 2014

Dear Sirs

Independent Expert's Report and Financial Services Guide

Introduction

Cockatoo Coal Limited ("COK" or "the Company") is an Australian public company listed on the Australian Securities Exchange ("ASX"). COK has a large portfolio of producing, development and exploration coal assets in the Bowen, Surat and Galilee Basins of Queensland. As at 25 August 2014, COK's market capitalisation was approximately A$114.0 million. COK is currently focused on ramping up its Baralaba North ultra-low volatile pulverised coal injection ("ULV PCI") mine ("Baralaba North Expansion Project") and winding down its Baralaba Central ULV PCI mine ("Baralaba Central Mine") located in Baralaba, Bowen Basin (collectively the "Baralaba Complex").

On 26 August 2014, COK announced it had entered into the following agreements with its substantial shareholders[1], Noble Group Ltd ("Noble") and SK Networks Co., Ltd ("SK") (together "the Proposed Transaction"):

- *Bank Guarantee Facility* – Noble and SK (together "the Financiers") will each procure the issue of A$18.5 million in bank guarantees (together A$37.0 million, the "Bank Guarantee Facility") from an issuer ("the Issuer") acceptable to COK's existing bank guarantee facility provider, the Australia and New Zealand Banking Group Limited ("ANZ"). The Bank Guarantee Facility will have the following key terms:
  - Term of 3 years.
  - Issuance fee of 12.5% per annum ("pa") capitalised and paid on maturity if the Bank Guarantee Facility is not called upon/drawn ("Issuance Fee").

[1] Each Noble and SK hold circa 23.14% interest in COK as at the date of this Report

- Interest of 25.0% pa capitalised and paid on maturity on the portion of the Bank Guarantee Facility that is drawn ("Drawdown Rate").

- Capitalised fees and charges, and taxes incurred by the Financiers in procuring the Bank Guarantee Facility from the Issuer to be payable by COK and capped at 1% pa ("the Issuer Rate").

- Second-ranking security ("the Security") over all the assets ("Secured Assets") held by COK's subsidiaries, Baralaba Coal Pty Ltd ("BCPL") and Wonbindi Coal Pty Ltd ("WCPL"), and COK's shares in BCPL and WCPL. The key asset of BCPL and WCPL is the Baralaba Complex. First-ranking security over the Secured Assets is currently held by ANZ under COK's existing bank guarantee facility of approximately A$80.2 million to ANZ ("the ANZ Guarantee Facility")[2] which has a first-ranking general security over all current and future COK assets ("the ANZ Security).

As a result of the Financiers procuring the Bank Guarantee Facility, ANZ will release A$37.0 million in cash currently provided as security by COK under the ANZ Guarantee Facility. As at the date of this Report, approximately A$45.7 million of the ANZ Guarantee Facility is 100% cash-backed by COK.

- *Offtake Agreement* – in conjunction and interdependent with the approval of the Bank Guarantee Facility, the Financiers have each entered into offtake agreements with COK for a total of 5.85 million metric tonnes ("Mt") of the ULV PCI coal (together 11.7 Mt, the "Offtake Agreement") to be produced from the Baralaba Complex under the following pricing arrangements:

  - SK Offtake Agreement: base price is determined by reference to a quoted index price with adjustments for differences between Baralaba Complex coal and the standard index specification, or as negotiated from time to time ("SK Base Price").

  - Noble Offtake Agreement: base price to be negotiated for each calendar quarter. Noble is not required to accept delivery of any coal if the price has not been agreed for the relevant calendar quarter ("Noble Base Price").

  The SK Offtake Agreement and Noble Offtake Agreement are collectively referred to as the "Offtake Agreement". Whilst the Offtake Agreement was required by Noble and SK in order to agree to the procurement of the Bank Guarantee Facility, the Offtake Agreement also contributes towards satisfying one of the key conditions precedent to allow draw down on a A$255 million project finance loan and guarantee facility from ANZ for the Baralaba North Expansion Project ("ANZ Financing Package"). For further details on the ANZ Financing Package refer to section 4.4.3.

In addition to the Proposed Transaction, we note that in July 2014 COK entered into agreements with its Baralaba Complex joint venture partner, JFE[3] to acquire the minority interest in the

[2] The ANZ Guarantee Facility consist of A$45.7 million in 100% cash backed guarantees provided to secure COK's take or pay arrangement for 3.0 Mtpa of coal export port facility capacity and other infrastructure entitlements, and A$34.5 million in guarantees for environmental bond purposes. For further details refer to Section 1.2

[3] JFE participates in the Baralaba Complex joint venture with COK through its wholly owned subsidiary, JS Baralaba Wonbindi Pty Ltd

Baralaba Complex ("JFE Transaction") (For further detail refer to Section 4.4.1). Consideration for the JFE Transaction includes the following:

- A$1 in cash.
- Existing unsecured shareholder loans of circa A$63.1 million to JFE ("JFE Loan") to remain in place. The JFE Loan will be subordinated to any new funding contributed by COK up until completion of the Baralaba North Expansion Project and will be repaid from Baralaba Complex cash flows after debt service on an equal dollar per dollar basis with existing shareholder loans that COK has advanced.
- Amend the existing PCI coal offtake agreement with JFE ("JFE Offtake Agreement") from 300,000 to 500,000 tonnes pa from 1 April 2015 and extend the term of the agreement to 31 March 2022.

The completion of the JFE Transaction is dependent on the completion of the Bank Guarantee and the Offtake Agreement but not vice versa. The Bank Guarantee and the Offtake Agreement are interdependent between each other. The terms of the Bank Guarantee and the Offtake Agreement are further discussed in Section 1.

Purpose of the report

Given both Noble and SK each hold in excess of 10% interest in COK, the granting of the Security for the Bank Guarantee Facility and future sale of coal under the Offtake Agreement to Noble and SK are considered the disposition of material assets to a substantial shareholder. Accordingly, the independent directors of COK[4] ("Independent Directors") have commissioned Grant Thornton Corporate Finance to provide an independent expert's report to assess whether the Proposed Transaction is fair and reasonable to the shareholders of COK not associated with Noble and SK ("Non-Associated Shareholders") for the purposes of Chapter 10 of the ASX Listing Rules.

We note that we have been advised that Noble and SK are not acting in concert and they are not related parties or associates of each other for the purpose of the Proposed Transaction. However, given the terms of the Bank Guarantee Facility and Offtake Agreement are predominately equivalent for the Financiers, and the two agreements are interdependent between each other, in forming our opinion we have had regard to the Proposed Transaction as a whole.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR AND REASONABLE to the Non-Associated Shareholders.

Fairness Assessment

In forming our opinion in relation to the fairness of the Proposed Transaction, Grant Thornton Corporate Finance has had regard to the Proposed Transaction as a whole. In this regard, whilst the

[4] Mr. Henry Cho, a director of COK nominated by SK, and Mr. Timothy Gazzard, a director of COK nominated by Noble, have considered it inappropriate to participate in recommendation/vote of the Proposed Transaction.

granting of the Security and the Offtake Agreement are the only related party components of the Proposed Transaction which require an independent expert's report, in forming our opinion, we have also considered the terms of the Bank Guarantee Facility. We have concluded that the Proposed Transaction is FAIR as a whole after considering the following:

- We have assessed the granting of the Security as fair given, in our opinion, the potential proceeds from the sale of the assets under the Security will potentially be equal to or less than the value of the outstanding liability which will be owing to the Financiers in the event of a drawdown of the Bank Guarantee Facility by ANZ. This is mainly due to the following:

  – If the Financiers call upon the Security, the disposal of the Secured Assets are required to be dealt with in a manner which attempts to realise market value as at the time of the sale having regard to the state of the assets at that time.

  – The Financiers will only receive a maximum amount equal to the total amount owing under the Bank Guarantee Facility.

- In considering the fairness of the terms of the Bank Guarantee Facility we have had regard to the economic substance of the transaction, which is effectively the provision of funding to the Company. Accordingly, we have assessed the fairness of the Bank Guarantee Facility by comparing its terms to alternative sources which result in similar benefits to COK and which are acceptable to the Company. If the Proposed Transaction completed, COK will receive A$37 million from the release of restricted cash on the 100% cash-backed ANZ Guarantee 1. Substantially, the same outcome could have been achieved through alternative funding sources.

  In particular, we have identified unsecured convertible notes as the most likely source of alternative funding given it is the most widely used form of funding for other coal companies listed on the ASX and the fact that the existing first-ranking ANZ Guarantee Facility will likely present an impediment to COK's ability to raise additional senior debt and/or secured debt.

  We have assessed the key terms of Bank Guarantee Facility to be fair and at arm's length given the following:

  – The Issuance Fee of 12.5% pa is within the range of comparable funding alternatives observed in the Australian coal industry over the last few years.

  – The Drawdown Rate of 25.0% pa is circa 3% pa below the average one-year corporate default rates for junk bonds[5] of 28% pa observed in the last 5 years.

  – The Issuer Rate of 1% pa is to recompense the Financiers for actual costs incurred in procuring the Bank Guarantee Facility from the Issuer.

- We have assessed the terms of the Offtake Agreement to be fair and at arm's length, given the following:

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[5] Junk rated bonds are for companies considered to be very high risk, which will likely be the case for COK if it is unable to source funding/ develop the Baralaba North Expansion Project in time to meet its take or pay obligations under WICET, resulting in ANZ drawing on the Bank Guarantee Facility.

- The SK Base Price is consistent with the historical pricing achieved by COK in its dealings with other parties.

- Whilst the Noble Base Price determination is different from the SK Base Price, for the purpose of our fairness assessment, we have considered that the Noble Base Price should not be materially different from the SK Base Price due to the following:

  i) The Noble Base Price determination method is consistent with the method under the JFE Offtake Agreement.

  ii) The negotiations in relation to the terms of the Offtake Agreement were undertaken simultaneously with Noble and SK, whom are both equal substantial shareholders. As a result, it is unlikely that more favourable terms would have been offered to any one of them.

  iii) If the Noble Base Price is materially different from the SK Base Price, it would be expected that SK and Noble will be seeking to renegotiate their base price.

  iv) Under the Offtake Agreement, SK has the right to be supplied coal by COK on an equal basis to Noble (includes both tonnage and quality of coal). As a result, it is unlikely the negotiated Noble Base Price will be materially different from the SK Base Price.

  Accordingly, in our assessment of the fairness of the Noble Offtake Agreement, we have assessed that the Noble Base Price will not be materially different from the SK Base Price.

- Other key terms of the Offtake Agreement are not substantially different from the terms under the JFE Offtake Agreement, particularly in relation to quality adjustments to the base price and periodic pricing negotiations.

Reasonableness Assessment

Consistent with our fairness assessment, we have assessed the reasonableness of the Proposed Transaction as a whole.

ASIC RG111 establishes that an offer is reasonable if it is fair. Given that our assessment of the Proposed Transaction is fair it is also reasonable. However, we have also considered the following advantages, disadvantages and other factors.

Advantages

Release of restricted cash

The provision of guarantee through the Bank Guarantee Facility will result in the release of approximately A$37 million in restricted cash which will enable COK to fund its current commitments. Without the release of this cash and given COK's current financial position, in our opinion and as indicated by the Independent Directors in the Notice of Meeting, there is a material risk that the Company may not be able to continue as a going-concern (i.e. COK may become insolvent).

Additional progress towards the drawdown on the ANZ Financing Package

The ANZ Financing Package has a term of 7 years and will provide the majority of the funding required for the ramp-up of the Baralaba North Expansion Project. In particular, we note the drawdown of the ANZ Financing Package is subject to:

- COK entering into offtake agreements for at least 75% of its anticipated saleable production for the Baralaba North Expansion Project for at least a 3 year period in aggregate.
- COK being fully funded for the equity component of the upfront capital expenditure.

Completion of the Proposed Transaction will contribute to satisfying the first condition precedent relating to offtake agreements through the following:

- Completion of the Offtake Agreement for circa 11.7 Mt of ULV PCI coal (on average 0.78 Mtpa for 15 years).
- Satisfying a key condition precedent to the JFE Transaction with includes the extension of the JFE Offtake Agreement from 0.3 Mtpa to 0.5 Mtpa of ULV PCI coal for 7 years.

Also, the Proposed Transaction is an important step in COK's plan to achieve fully funded status in the short term through release of the A$37 million in cash. We note COK also intends to pursue mezzanine financing subsequent to completion of the Proposed Transaction as part of its funding plans.

Avoidance of material delays to ramp-up of the Baralaba North Expansion Project

The release of approximately A$37 million in restricted cash is a key element to the Company's funding plan for the ramp-up of the Baralaba North Expansion Project. If the Proposed Transaction is not completed, alternative funding would be required. Given the current state of the coal market and financial market conditions, it may be difficult to raise the required level of funding, particularly within the short time frame that COK requires. Accordingly, the Company is likely to experience material delays in the ramp-up of the Baralaba North Expansion Project which are likely to have the following adverse consequences for the Non-Associated Shareholders.

In particular, we note COK has entered into take-or-pay agreements for stage 1 of the new proposed Wiggins Island Coal Export Terminal ("WICET")[6] to enable the export of its coal to overseas markets. If COK in unable to access the required funds to complete the ramp-up of the Baralaba North Expansion Project in the short term, COK may incur adverse financial consequences under its take or pay arrangements. We note stage 1 of WICET is expected to be completed by the second quarter of 2015 which is also COK's target completion period for ramp-up of the Baralaba North Project.

[6] WICET is located at Golding Point, to the west of the existing RG Tanna and Barney Point Terminals, and will form part of the existing Port of Gladstone. WICET is owned and being developed by existing and potential coal exporters located in Queensland to provide increased long term export coal capacity.

Major shareholder support

As at the date of our Report, both Noble and SK have participated in the recent recapitalisation of COK ("COK Recapitalisation") contributing circa A$93 million in equity funding together. Each holds approximately 23.14% interest in COK and have existing coal marketing agreements with COK. The Proposed Transaction will increase Noble and SK's involvement in the Company further through the Bank Guarantee Facility and Offtake Agreement, which is likely to increase major shareholder support in the future.

Secured offtake for the Company's coal products

The Offtake Agreement provides increased certainty for the Company's mining operations, particularly given the current subdued conditions in the coal market. COK will also bear minimal and known counterparty risks if it sells its coal products to SK and Noble under the Offtake Agreement, as they are major shareholders of the Company and have existing coal marketing agreements with the Company ("Marketing Agreements").

Alternative transactions

Based on discussion with Management, we understand that over the last year COK has considered a number of alternative funding possibilities. However, due to low commodity prices and poor market sentiment, the Proposed Transaction has emerged as the most immediate and achievable source of funding. Management also believe the Proposed Transaction will increase the probability of COK raising further funds (i.e. mezzanine debt) given the release of cash without increasing debt or equity and the increased offtake coverage of COK's ULV PCI coal.

Accordingly, in our opinion it is unlikely a more favourable alternative proposed transaction will become available to the Non-Associated Shareholders in a timely manner.

Certain terms of the Proposed Transaction appear beneficial

The Proposed Transaction contains some terms which appear to be particularly beneficial to COK and which may not be available in other debt markets without incurring significant additional costs. In particular, COK:

- Will not be required to pay the Issuance Fee or Drawdown Fee until the Bank Guarantee Facility matures. Instead these amounts will be capitalised which will enable COK to apply its available capital to developing the Baralaba North Expansion Project, rather than funding the Issuance Fee or Drawdown Fee payments.

- Does not include any equity conversion options and will not give rise to any change in control of the Company. As discussed in section 7.1.1, the most likely alternative sources of funding available to COK are in the form of equity or hybrid (i.e. convertible notes or mezzanine) financing. Such forms of financing could potentially significantly dilute the shareholding of the Non-Associated Shareholders when converted to equity.

Repayment of Bank Guarantee Facility portion already received

Noble has already issued its portion of the Bank Guarantee Facility of A$18.5 million (prior to the grant of the Security). If the Proposed Transaction is not successful, COK will be required to repay Noble in full (including any accrued interest, fees and costs payable) by 31 January 2015. In this regard, we note that the audited financial statement of COK as at 30 June 2014 included an emphasis of matter in relation to the uncertainty on the ability of the Company to continue as a going concern. As a result, if COK is required to repay Noble, this could potentially undermine the ability of COK to continue as a going concern.

Disadvantages

Reduction in amount of coal available for sale to other customers

The proposed offtake of 11.7 of ULV PCI coal under the Offtake Agreement reduces the amount of coal available for sale to other customers. It is possible that COK may obtain a higher price from other customers than that will be received under the Offtake Agreement.

The Proposed Transaction may reduce COK's flexibility to raise additional debt funding

The granting of the second-ranking Security over the Secured Assets of COK may reduce COK's flexibility in raising debt funding in the future. However, it is our opinion that even in the absence of the granting of the Security, the most likely available sources of alternative funding to COK is in the form of equity or unsecured hybrid financing (i.e. convertible notes and mezzanine).

Other factors

Risk that the Security may be enforced by the Financiers

If ANZ provides consent, the Financers may exercise their rights pertaining to the Security granted under the Bank Guarantee Facility including the appointment of a liquidator to COK, BCPL and/ or WCPL for the sale of the Secured Assets.

However, we note the following in relation to the Security:

- The Financiers will be unable to enforce their rights until ANZ has settled their position or provides consent. Given that ANZ has a first ranking security over all COK's assets for the ANZ Guarantee Facility, and the costs associated with disposal of the Secured Assets, it is unlikely the Financiers will look to/ receive consent to subrogate ANZ's rights under the ANZ Security.

- Given the Bank Guarantee Facility is in relation to securing a vital infrastructure component of the Baralaba North Expansion Project, the drawdown/ default of the Bank Guarantee Facility by ANZ is likely to only occur if COK is unable to continue development of the Baralaba North Expansion Project. Under such circumstances, COK's ability to continue as a viable going-concern and the value of the Secured Assets may be limited.

- We understand that ANZ has granted an option to both the Financers to acquire the ANZ Guarantee Facility in full at face value in the event that COK defaults on either ANZ or the

Financiers. Upon completion of such an acquisition by either of the Financers, ANZ will assign its rights, including its first ranking security, under the ANZ Guarantee Facility to the applicable Financier.

Accordingly, we are of the opinion that the value of the Security to the Financiers in securing the Bank Guarantee Facility is limited.

The implications if the Proposed Transaction is not completed

If the Proposed Transaction is not completed, it would be the current Directors' intention to continue operating the Company in line with its objectives and proceed with alternative funding strategy (i.e. mezzanine financing as already announced). Shareholders of COK would continue to share in any benefits and risks in relation to COK's ongoing business. However, we note that given the current financial position of the Company, if COK is unable to receive the release of A$37 million in cash under the Proposed Transaction, there is a material risk that the Company will become insolvent.

Independent Directors' recommendations and intentions

In the absence of a superior proposal and subject to the Independent Expert's opinion that the Proposed Transaction is fair and reasonable, the Independent Directors unanimously recommend that all Non-Associated Shareholders vote for the Proposed Transaction.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Transaction is reasonable to the Non-Associated Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

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Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the Proposed Transaction is a matter for each Non-Associated Shareholder to decide based on their own views of value of COK and expectations about future market conditions, COK's performance, risk profile and investment strategy. If Non-Associated Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN	LIZ SMITH
Director	Director

5 September 2014

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by COK to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Transaction. This report is included in the Company's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from COK a fixed fee of approximately $55,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of COK in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with COK (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

We note that Grant Thornton Corporate Finance was engaged in September 2013 as an independent expert by COK in relation to the following:

- Equity raising to recapitalise COK in order to extinguish existing debt obligations and fund the Baralaba North Expansion Project.
- To form an opinion whether or not Noble is receiving a net benefit as a result of the above transaction.
- Off-market takeover of Blackwood Corporation Ltd ("BWD") by COK.

In our opinion, the above engagements do not impact on our ability to provide an independent and unbiased opinion in the context of the Proposed Transaction. In our opinion, Grant Thornton Corporate Finance is independent of COK, its Directors and all other parties involved in the Proposed Transaction.

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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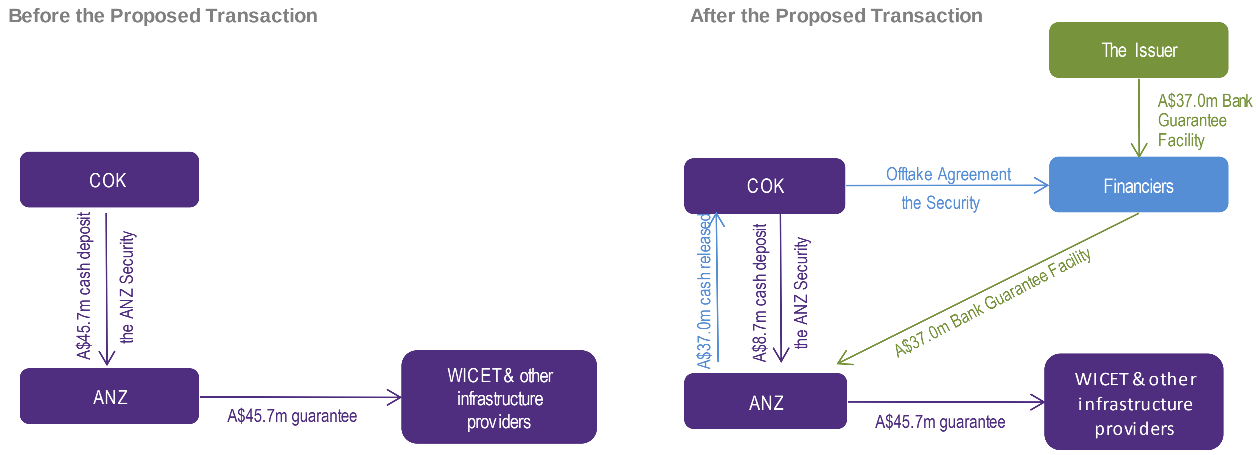
1 Background of the Proposed Transaction

The graph below provides a simplified illustration of the Proposed Transaction.



Source: Management

For further details, refer to the sections below.

1.1 Brief overview of the parties involved

SK Networks Co. Ltd (SK)

SK is primarily engaged in resources and energy, chemicals, steel, and mobile phone businesses in South Korea and internationally. SK is listed on the South Korean stock exchange and had a market capitalisation of approximately A$2.6 billion as at 29 August 2014. SK holds a 23.14% interest in COK and Mr. Henry Cho is the SK nominee director on the Board of COK.

Noble Group Limited (Noble)

Noble is a global supply chain manager of agricultural and energy products, metals and minerals. Noble is listed in Singapore, with headquarters in Hong Kong and operates from over 140 locations. As at 29 August 2014, Noble's market capitalisation was approximately A$7.9 billion. Noble holds a 23.14% interest in COK and Mr. Timothy Gazzard is the Noble nominee director on the Board of COK.

1.2 Bank Guarantee Facility

On 18 December 2013, COK executed the ANZ Guarantee Facility consisting of the following:

- A standby letter of credit or indemnity/guarantee (domestic) facility 1 ("ANZ Guarantee 1") for circa A$45.7 million. The ANZ Guarantee 1 is provided predominately in relation to a take or pay arrangement for COK's allocation of 3.0 million tonnes ("Mt") p.a. of coal export port facility capacity at stage 1 of the new proposed WICET. The ANZ Guarantee 1 is 100% cash backed. Accordingly, COK has deposited A$45.7 million on a set-off ANZ term deposit.

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- A standby letter of credit or indemnity/guarantee (domestic) facility 2 ("ANZ Guarantee 2") for A$34.5 million. The ANZ Guarantee 2 is provided to support the Queensland Government's environmental bond requirement for the Company's current 1.0 Mt p.a. coal mining operations at the Baralaba Mine. The ANZ Guarantee 2 is non-cash backed.

The ANZ Guarantee Facility has first-ranking security ("the ANZ Security") over:

- Restricted cash deposits of A$45.7 million currently held by COK for ANZ Guarantee 1.

- General security over all assets held by COK currently and in the future (including the Baralaba Complex).

In order to release the cash held by ANZ as security for the ANZ Guarantee 1, COK has entered into the Bank Guarantee Facility agreement with the Financiers. Details of the Bank Guarantee Facility are outlined below:

- The Financiers have agreed to procure and provide a bank guarantee of up to A$18.5 million each (totalling A$37.0 million) from an Issuer acceptable by ANZ.

- The Bank Guarantee Facility will mature on the earlier of:

  - 3 years from the date the first guarantee is provided.

  - If certain conditions subsequent are not satisfied by 31 October 2014, and 31 January 2015.

  - Termination or cancellation of the Bank Guarantee Facility by COK with full repayment of any amounts owing.

- The Financiers will charge an Issuance Fee equal to 12.5% pa of the portion of face value of the Bank Guarantee Facility not drawn on by ANZ, to be accrued daily, capitalised and payable on maturity.

- If the Bank Guarantee Facility is drawn on by ANZ, the amount called will be regarded as a loan and the Financiers will charge a Drawdown Rate of 25.0% pa to be accrued daily, capitalised and payable on maturity.

- COK will recompense all fees and charges, and taxes incurred by the Financiers in procuring the Bank Guarantee Facility from the Issuer capped at 1% pa capitalised and payable on maturity (i.e. the Issuer Rate).

- The Bank Guarantee Facility will have a second ranking security over all the assets held by COK's subsidiaries, BCPL and WCPL, and COK's shares in BCPL and WCPL (i.e. the Secured Assets). The key asset of BCPL and WCPL is the Baralaba Complex. First-ranking security over the Secured Assets is currently held by ANZ under ANZ Guarantee Facility (the ANZ Security) and the ANZ Financing Package (when drawn on) which have a first-ranking general security over all current and future COK assets. Based on discussions with Management, we understand that when the ANZ Financing Package is drawn (subject to conditions being satisfied), ANZ Guarantee 2 will be replaced by the ANZ Financing Package and the Bank Guarantee Facility will be subordinate to the ANZ Financing Package.

- Furthermore, we understand that ANZ has granted an option to both the Financers to acquire the ANZ Guarantee Facility (or ANZ Financing Package if drawn) in full at face value in the event that COK defaults on either ANZ or the Financiers. Upon completion of such an acquisition by either of the Financers, ANZ will assign its rights, including its first ranking security, under the ANZ Guarantee Facility (or ANZ Financing Package if drawn) to the applicable Financier.

- Conditions precedent to issuing the Bank Guarantee Facility include:

  - The Financiers are satisfied that ANZ will release an amount of cash under the ANZ Guarantee Facility equivalent to the face value amount of the Bank Guarantee Facility upon provision of such Bank Guarantee Facility. Based on discussion with Management, we understand this condition has been satisfied.

  - All fees and expenses (including taxes) due and payable to the Financiers in relation to the Bank Guarantee Facility have been paid or will be paid by COK.

- Conditions subsequent to issuing the Bank Guarantee Facility include:

  - COK undertakes to convene a meeting of its shareholders by 31 October 2014 for the purpose of Non-Associated Shareholders passing such resolutions (including to the extent required pursuant to ASX Listing Rule 10.1) in order to permit COK to:

    i) Grant the Security to the Financiers and enter into the relevant agreements.

    ii) Enter into the Offtake Agreement with each of the Financiers.

  - COK Independent Directors must unanimously recommend to the Non-Associated Shareholders that they vote in favour of the Proposed Transaction, subject to the independent expert stating that the Proposed Transaction is 'fair and reasonable'.

Additionally we note that Noble has already procured and issued its portion of the Bank Guarantee Facility of A$18.5 million (prior to the grant of the Security). If the Proposed Transaction is not successful, COK will be required to repay Noble in full (including any accrued interest, fees and costs payable) by 31 January 2015.

1.3 Offtake Agreement

The key terms of the Offtake Agreement are summarised below:

- The Offtake Agreement for Noble and SK have substantially equivalent and consistent terms in all material aspects except for the determination of the base price as summarised below:

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- SK Base Price: determined by reference to a quoted index price with adjustments for differences between Baralaba Complex coal and the standard index specification, or as negotiated from time to time.

- Noble Base Price: to be negotiated for each calendar quarter. Noble is not required to accept delivery of any coal if the price has not been agreed for the relevant calendar quarter.

- The base price is based on pre-determined quality specifications which reflect the typical quality of coal expected to be supplied from the Baralaba Complex. The base price (including the SK Base Price) is subject to adjustments if the quality of the actual coal supplied exceeds certain thresholds.

- The expiry date is when the total aggregate off-take volume of ULV PCI coal to be produced from the Baralaba Complex reaches 11.7 Mt (5.85 Mt each).

- Noble and SK have agreed pre-determined target annual base tonnage volumes for the next three years to be supplied by COK. We note that if there is a shortfall in coal supplied by COK, the Company is not required to acquire additional mining equipment to increase production capacity, or acquire coal from third parties to make up the shortfall. The shortfall will be made up in subsequent years when production exceeds the relevant target annual base tonnage volume.

- The Offtake Agreement will have priority over all other offtake agreements with exception to COK's existing coal sales agreement with JFE[7] for a maximum of 300,000 tpa ("JFE Offtake Agreement")[8] to the extent that the Bank Facility Guarantee has not matured or been terminated, and the guarantees are on issue under this facility.

- The right of SK (or Noble) to be supplied coal on a priority or equal basis to Noble (or SK) will only apply if SK (or Noble) has procured and issued its portion of the Bank Facility Guarantee, and prior to the maturity or termination of the Bank Guarantee Facility.

- SK and Noble will each be entitled to receive any marketing fees (equal to 2.5% of the final invoiced sales price per tonne) under existing coal marketing agreements with COK on the coal to be sold to each party under the Offtake Agreement. For further details on existing marketing agreements with SK and Noble refer to Section 4.2.2.

- SK will be limited to sell the coal in South Korea and Taiwan, and Noble to the rest of the world.

- The Offtake Agreement is subject to obtaining Non-Associated Shareholders' approval in accordance with the requirements of ASX Listing Rule 10.1 for entry into the Offtake Agreement and the Bank Guarantee Facility. Refer to section 1.2 for conditions precedent in relation to the Bank Guarantee Facility.

[7] JFE participates in the JFE Offtake Agreement through its wholly owned subsidiary, JFE Steel Corporation

[8] As a part of the Proposed JFE Transaction agreement, the JFE Offtake Agreement will be extended from 300,000 tpa to 500,000 tpa and from March 2018 to March 2022. However, we note the finalisation of the JFE Transaction is subject to the successfully completion of the Proposed Transaction.

We note that one of the conditions precedent to draw down the ANZ Financing Package is for COK to have entered into offtake agreements for no less than 75% of its anticipated annual sales for at least a 3 year period in aggregate. We understand that the terms of the Offtake Agreement will contribute towards meeting this condition precedent.

Additionally, we understand the JFE Transaction is dependent on the Proposed Transaction. Completion of the JFE Transaction will result in the extension of the JFE Offtake Agreement from 300,000 tpa to 500,000 tpa and extend the term of the agreement to 31 March 2022, which will further contribute towards meeting the above ANZ Financing Package condition precedent.

1.4 Effect of the Proposed Transaction

If the Proposed Transaction is approved by the Non-Associated Shareholders, then:

- ANZ will release a portion of the cash on security deposit backing the ANZ Facility 1 totalling A$37.0 million. We note A$18.5 million (Noble's portion) has already been released as at 1 September 2014, however if the Proposed Transaction is not approved, COK will be required to reinstate its guarantee arrangement with ANZ and repay Noble in full (including any accrued interest, fees and costs payable) by 31 January 2015.

- COK will be able to continue development of the Baralaba North Expansion Project in accordance with the planned timetable and to ramp-up the project in line with completion of the related port infrastructure.

- COK will provide a second ranking security over all the Secured Assets to Noble and SK under in relation to the Bank Guarantee Facility.

- Via the completion of the Offtake Agreement, COK will complete another step towards ensuring the ramp-up of the Baralaba North Expansion Project is fully funded.

- COK will significantly increase its ability to meet the key condition precedent for the drawdown of the ANZ Project Financing Package in relation to the offtake coverage of COK's coal production.

- One of the key conditions precedent for completion of the JFE Transaction will be met.

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2 Purpose and scope of the report

2.1 Purpose

Chapter 10 of the ASX Listing Rules

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if the company proposes to acquire or dispose a substantial asset from a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX ("Substantial Asset"). Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting and Explanatory Memorandum be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

It is noted that Noble and SK are substantial shareholders of COK as they each hold 23.14% interest in COK, and the Proposed Transaction involves the following:

- The potential sale of coal under the Offtake Agreement to Noble and SK is considered the sale of a Substantial Asset to substantial shareholders.

- Pursuant to ASX Listing Rule 19, the definition of 'dispose' includes using an asset as collateral. As a result, the granting of the Security under the Bank Guarantee Facility is considered the disposition of material assets to related parties. Whilst the Security is second ranking to the ANZ Security, subject to ANZ providing consent, the Financiers may exercise their rights in relation to the Bank Guarantee Facility and potentially affect the sale of the Secured Assets.

  Furthermore, we note that ANZ has granted each SK and Noble a right to 'buy out' ANZ's position and assume its first-ranking security rights under the ANZ Guarantee Facility in the event COK defaults, and the option to replace the ANZ Guarantee Facility prior to the drawdown of the Bank Guarantee Facility.

Accordingly, the Independent Directors have requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

2.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of independent expert's report and RG76 in relation to related party transactions. RG76 largely refers to RG111 in relation to the approach to related party transactions.

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the

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purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 also regulates IER prepared for related party transactions in clauses 52 to 63. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG111 clause 56 states the following:

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions (RG 76) at RG 76.106–RG 76.111 for further details).

Accordingly, in the consideration of the Proposed Transaction, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages for the Non-Associated Shareholders.

RG 111 notes that a related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.

- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

In considering the fairness to the Non-Associated Shareholders we have had regard to the Proposed Transaction as a whole. As the Bank Guarantee Facility and Offtake Agreement are interdependent between each other we have assessed the fairness of the terms of the Bank Guarantee Facility in addition to the granting of the Security and the Offtake Agreement as detailed below:

- We have assessed the fairness of the granting of the Security by completing a comparison between the proceeds from the sale of the assets under the Security which would be provided to the Financiers and the value of the outstanding liability which would be owing to the Financiers in the event of a default.

- When assessing the fairness of the Bank Guarantee Facility we have taken into consideration the economic substance of the transaction, which effectively results in the release or 'provision' of cash funding to the Company for the development of its projects. Accordingly, we have compared the key terms (i.e. Issuance Fee and Drawndown Rate) of the Bank Guarantee Facility to alternative funding sources (such as equity, senior debt and convertible notes) to ensure the terms of the Bank Guarantee Facility are fair to the Non-Associated Shareholders and no net financial benefits are accrued to Noble and SK.

- In considering the fairness of the Offtake Agreement, we have analysed the key terms of the Offtake Agreement against historical terms achieved by COK to ensure they are fair to the Non-Associated Shareholders and no net financial benefits are accrued to Noble and SK.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to COK and the Non-Associated Shareholders if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Reports" ("RG 112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

We note that Grant Thornton Corporate Finance was engaged in September 2013 as an independent expert by COK in relation to the following:

- Equity raising to recapitalise COK in order to extinguish existing debt obligations and fund the development of the Baralaba Complex.
- To form an opinion whether or not Noble is receiving a net benefit as a result of the above transaction.
- Off-market takeover of Blackwood Corporation Ltd ("BWD") by COK.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around insert in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual Non-Associated Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for each Non-Associated Shareholder based on their own views of value of COK and expectations about future market conditions, COK's performance, risk profile and investment strategy. If Non-Associated Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

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3 Profile of the industry

3.1 Introduction

COK is mainly engaged in the production, development and exploration of PCI coal (a form of metallurgical coal) in the Bowen, Surat and Galilee Basins of Queensland. Accordingly, in the section below we have provided an overview of the coal sector in Australia with a focus on metallurgical coal ("the Coal Industry").

Australia is the leading exporter of black coal globally, with black coal being Australia's second-highest value export commodity. There are two main types of black coal: metallurgical coal and thermal coal.

Metallurgical coal

Metallurgical coal is a high carbon content coal used mostly for the manufacturing of coke which is a key ingredient in the production of iron and steel. Metallurgical coal is further categorised broadly into hard coking coal, semi-hard coking coal, semi-soft coking coal and PCI coal in order of carbon content.

Metallurgical coal with higher levels of carbon content, i.e. hard coking coal is more favoured in the production of coke and therefore trades at a premium to lower grade metallurgical coal i.e. semi-soft coking coal. PCI coal is used to reduce the amount of coke consumed in the steel production process.

PCI coal with low ash and low sulfur, high carbon content, and low volatiles are generally more preferred. COK currently produces a premium ultra-low volatile PCI coal with a relatively low volatile content of approximately 12%.

Thermal coal

Thermal coal is a relatively lower carbon content coal and is predominately used in the generation of electricity at power stations.

3.2 Coal production

The following graph shows the top coal producing countries in the world. In 2013, Australia was the third largest producer globally. Coal produced in the United States ("US") and China is mainly used for domestic consumption. As a result, Australia is the world's largest exporter of black coal.

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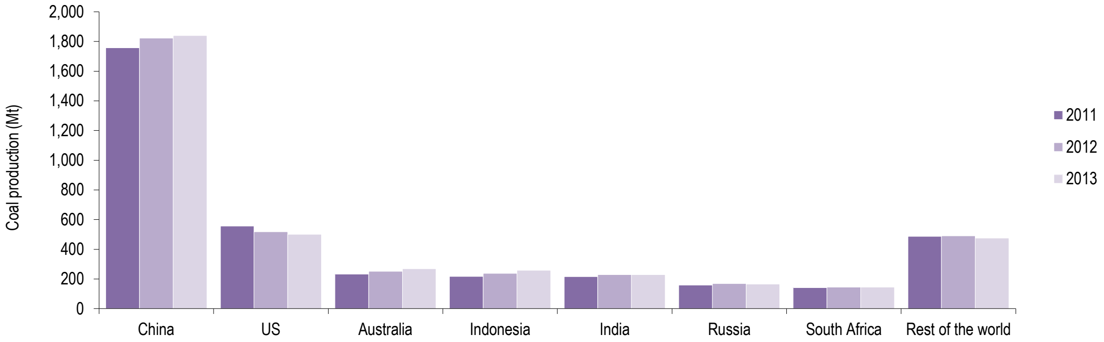
World annual coal production



Source: BP, (June 2014) Statistical Review

The Coal Industry in Australia derives over 75% of total revenue from export sales. Australia's black coal exports account for over 20% of the seaborne trade in thermal coal and nearly 60% of the seaborne trade in metallurgical coal.[9]

We note that Australia's ability to increase coal exports in the future is largely limited by the availability of port and rail capacity and therefore is dependent on the timing of development of infrastructure projects.

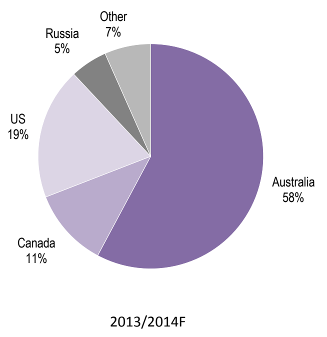
3.3 Metallurgical Coal

Demand for metallurgical coal (including both coking coal and PCI coal) is dependent on levels of steel production. Trends in the demand for and output of pig iron and steel are prime determinants of global demand for coke, and hence for metallurgical coal. Shifts in steel production methods also influence demand. Changes in the relative prices of electricity and coking coal, and the availability of steel scrap influence the switching between blast furnaces and electric arc furnaces. The latter are primarily scrap recycling operations, and require only minimal amounts of coke.

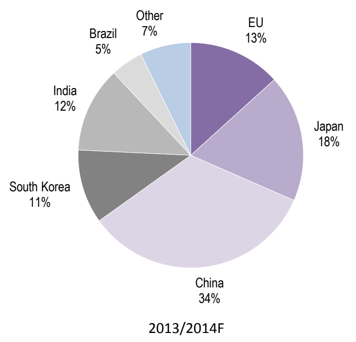
Metallurgical coal is expected to account for approximately 43% of Australia's coal output by volume in 2013-14F and for 46% of the volume of Australian coal exports[9].

The charts below show the world metallurgical coal imports and export in 2013/2014F.

World Metallurgical Coal Exports



World Metallurgical Coal Imports



Source: BREE, Resources and Energy Quarterly – March 2014

[9] IBIS World, Black Coal Mining in Australia - Industry Report – February 2014.

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China and Japan are two of the largest importers of metallurgical coal, together importing a forecast 52% of the world's metallurgical coal for 2014F[10]. Australia is the largest exporter of metallurgical coal. Australia's proximity with the emerging Asian countries provides a competitive advantage. However, the increase of coal exports in the medium term is constrained by the availability of port and rail infrastructure. The production of metallurgical coal in Australia is forecast to increase at a compounded annual growth rate of 7.1% from FY13 to FY17.

PCI coal

PCI coal is used to reduce the consumption of coke. As a result, the demand for PCI coal is affected both by the demand for steel production and the relative price of coking coals (i.e. hard coking coal, semi hard coking coal and semi-soft coking coals). In periods of rising coking coal price, the PCI coal price tends to trade at a lower discount to hard coking coal.

Currently, the bulk of global seaborne ULV PCI coal[11] is produced and exported from Queensland, Australia. There are expectations that future demand of PCI coal will continue to be satisfied mainly out of Australia.

We understand that the level of volatile content in the coal produced at the Baralaba Mine is the second lowest in Australia, and that the Baralaba North Expansion Project is the only large scale ULV PCI expansion in stage 1 of the new proposed WICET. The PCI coals exported from Newcastle are typically of lower quality.

Coal prices

The hard coking coal price benchmark is usually set by Australia's largest suppliers such as the BHP Billiton Mitsubishi Alliance ("BMA Alliance")[12]. Other hard coking coal, including PCI coal and semi-soft coking coal are then sold at a discount to the benchmark price. Since 1 April 2010, hard coking coal contract prices are settled on a quarterly basis.

The graph below shows historical quarterly metallurgical coal prices (nominal).

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[31] IBIS World, Black Coal Mining in Australia - Industry Report – February 2014
[10] BREE, Resources and Energy Quarterly – March 2014
[11] Volatile matter content below 14 % and which is the most favoured type of PCI coal for steel production
[12] The BHP Billiton Mitsubishi Alliance is Australia's largest metallurgical coal producer and accounts for more than 28% of the world's seaborne trade in metallurgical coal

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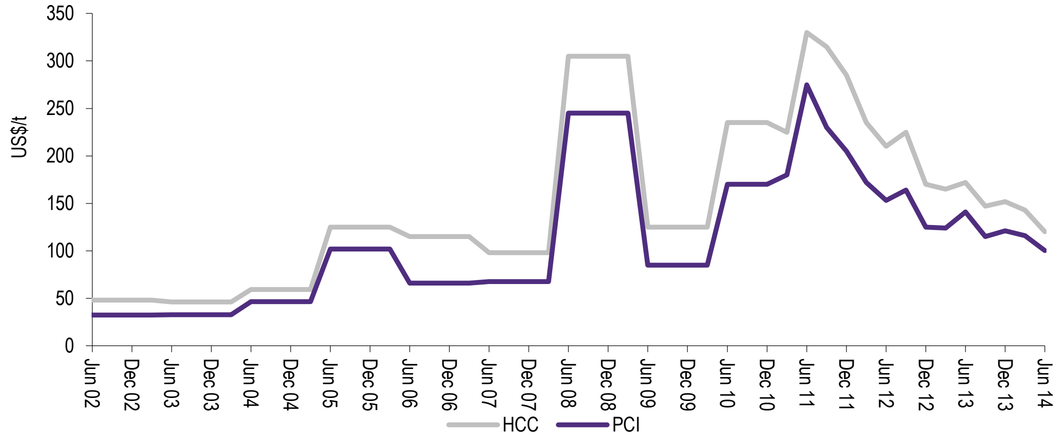
Historical HCC and PCI coal prices



Source: Credit Suisse and Wood Mackenzie

As set out in the graph above, metallurgical coal prices spiked before the global financial crisis ("GFC") and then sharply decreased as the reduced demand for steel reverberated through the supply chain, decreasing demand for coking coal.

The increased demand for hard coking coal from Asian countries on the back of government stimulus implemented during the global financial crisis pushed demand and prices up to US$235/t for hard coking coal by the end of 2010. In addition, Queensland experienced significant flooding in early 2011, causing further supply constraint. As a result, the price of hard coking coal spiked in 2011 to about US$330/t. In 2012, the supply constraint eased, causing the price of hard coking coal to decrease during the year.

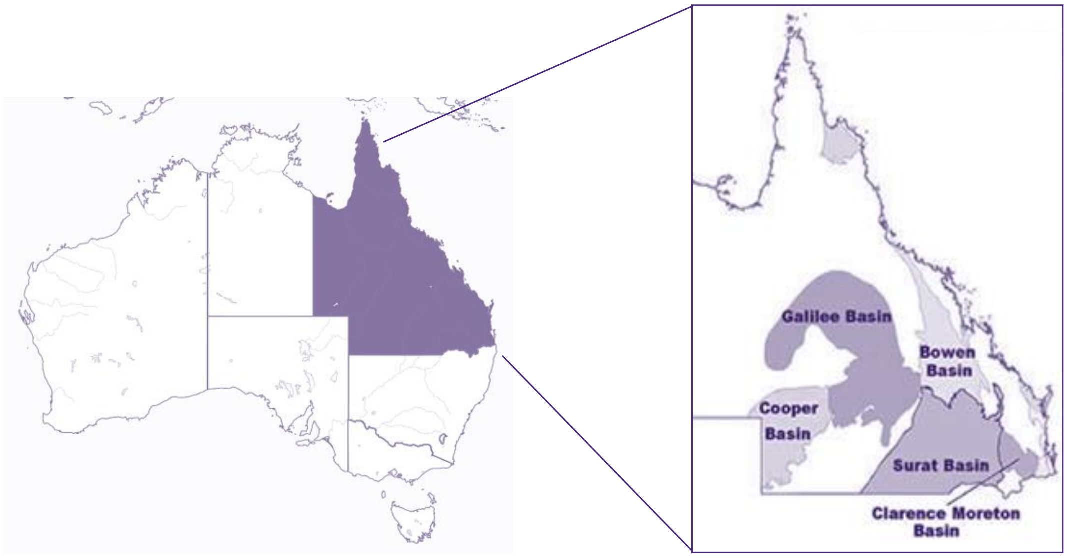
Historically, PCI coal has traded at 70% - 80% of hard coking coal prices. However, the gap between PCI coal and hard coking coal has widened over the last 12 months as the price of hard coking coal has declined and become more affordable.

Although thermal coal and coking coal have separate markets, some product substitution does occur. This substitution is largely confined to low quality coking coal and high quality thermal coal. This is the reason why, historically, high volatile PCI and semi-soft coal prices have been related to thermal coal prices. Producers tend to switch between high-volatile coal, low-volatile coal and thermal depending on the relative attractiveness of the end market, i.e. steel demand and power generation.

3.4 Queensland Coal Basins

Queensland has a rich endowment of high-quality coal resources, with more than 34 billion tonnes (raw coal in-situ) having been identified by drilling operations.

Identified resources of coking coal amount to approximately 8.7 billion tonnes, of which about 4 billion tonnes are suitable for open-cut mining[13]. The map below shows the major Queensland coal basins.



Source: Queensland Government

The Bowen Basin, which contains virtually all of the state's hard coking coal, is the most important source of export coal in Queensland. Coal deposits in the Bowen Basin of central Queensland include extensive resources of low and medium volatile semi-soft coking, hard coking coals and PCI coal. The Callide, Clarence-Moreton, Tarong and Surat basins are important sources of thermal coal suitable for export and for domestic power generation.

The Surat Basin, with its large resources of potentially open-cut thermal coal, continues to attract interest both nationally and internationally and is set to emerge as a major source of high quality thermal coal for export in the future. Large scale open-cut mining is expected to commence in the Surat Basin in the region around Chinchilla and north-west to Wandoan and Taroom in the medium term, subject to establishment of new rail and port infrastructure.

3.4.1 Infrastructure supporting the coal mining industry in Queensland

Over the last decade seaborne coal trade has been adversely impacted by inadequate infrastructure which has hindered the growth of coal exports. There are a number of stranded resource assets, in particular in the Surat and Galilee Basins, that are non-operational as it is not feasible to develop them without the appropriate supporting rail and port infrastructure. To help meet increasing demand from international buyers, the Queensland Government is working with the coal industry and private enterprise to facilitate mine expansions, the development of new coal mining projects and provision of adequate coal export infrastructure.

[13] Queensland Government, Queensland Coal Fact Sheet July 2012.

Rail infrastructure

The table below provides a summary of the current key Queensland rail infrastructure in place.

Rail	Description
Newlands	The Newlands coal system is Queensland's northern-most coal system. It incorporates part of the North Coast Line between Durroburra and Kaili as well as the line to the port of Abbot Point. The system services 3 mines conveying export coal to Abbot Point Coal Terminal and domestic coal to the Queensland Nickel Refinery and the Bowen Coke Works.
Goonyella	The Goonyella system is located in Central Queensland, and services the Bowen Basin coal region. It carries coal to the Hay Point Coal Terminal, and Dalrymple Bay Coal Terminal, as well as products to other destinations by way of connections to the North Coast Line at Yukan and the Central Line via Gregory to Burngrove. The Goonyella Coal Chain services 30 mines.
Blackwater	The Blackwater system is the largest of the four coal systems and carries the second highest tonnages on the Queensland network, after the Goonyella system. It is located in Central Queensland, and services the Bowen Basin coal region. This system links mines to the two export terminals at the Port of Gladstone; RG Tanna Coal Terminal, and Barney Point Coal Terminal. The Blackwater system also services a number of domestic users including Stanwell and Gladstone Power Station, Cement Australia and the Comalco Refinery (Rio Tinto Alcan).
Moura	The Moura system is coupled with the Blackwater system to form the Capricornia Coal Chain. It is located in Central Queensland, south west of Gladstone. The system's coal is transported to Gladstone Power Stations, Comalco Refinery (Rio Tinto Alcan), Queensland Alumina Limited (QAL) and Cement Australia and the RG Tanna and Barney Point coal terminals at the Port of Gladstone. There are five mines in the Moura system.
Western System	The Western system is located in Southern/South Western Queensland, stretching from Quilpie in the west to Rosewood in the east (the extent of the Brisbane Metropolitan Area). The system caters for all types of traffic.

The table below provides a summary of the current key Queensland rail infrastructure developments in progress.

Development	Description
Wiggins Island Rail Project ("WIRP")	WIRP is the staged development of new rail lines and upgrading of existing lines to service the new WICET at the Port of Gladstone. WIRP will create a vital link between the new WICET and mines in the Southern Bowen and Surat Basins. The development of WIRP is important to support the expansion plans of COK's Baralaba Mine in the Bowen Basin.
Goonyella	Aurizon is currently investing A$130 million in the Goonyella Rail Expansion Project. The projects will lift coal haulage capacity from 129 Mtpa to 140 Mtpa on the Goonyella System, the single largest export coal rail network in the country.
CQIRP	Central Queensland Integrated Rail Project ("CQIRP") - Aurizon is investigating an integrated rail network from the Galilee and Bowen Basins to all Central Queensland coal ports.
Surat Basin Rail ("SBR")	SBR is a proposed 204 kilometre railway that will boost economic development of regional Queensland, enhance the existing coal rail network and unlock more than six billion tonnes of coal reserves in the Surat Basin. In September 2013, Glencore Xstrata put on hold its A$6 billion Wandoan thermal coal project, which includes putting on hold the long awaited SBR as the project was being privately funded by a joint venture comprising ATEC Rail Group, Xstrata Coal and Aurizon. This has a direct effect on Cockatoo as it has significant tenements in the Surat Basin that remain stranded.

Port infrastructure

The table below provides a summary of the current key Queensland port infrastructure in place.

Port	Description
Hay Point	The Port of Hay Point is one of the largest coal export ports in the world. It comprises two coal export terminals, Dalrymple Bay Coal Terminal ("DBCT") and Hay Point Coal Terminal ("HPCT"). HPCT is owned by BHP Billiton Mitsubishi Alliance-owned and operated by Hay Point Services. Together these coal terminals service the mines in the Bowen Basin in central Queensland. The mines are linked to the port terminals through an integrated rail-port network.
Gladstone	The Port of Gladstone is located 525 kilometres north of Brisbane. The Port of Gladstone is the fifth largest coal export terminal in the world and the largest multi-commodity port in Queensland. There are two coal terminals at Gladstone port: Barney Point Coal Terminal and RG Tanna Coal Terminal.
Abbot Point	Located 25 km north-west of Bowen on Queensland's north coast, Coal is currently supplied to the Abbot Point Terminal 1 ("T1") by rail from the Newlands, Collinsville and Sonoma mines and following the completion of the Goonyella Abbot Point Expansion by QRN earlier this year also a number of Goonyella customers. Current export capacity from T1 is 50 Mtpa.
Brisbane	Queensland Bulk Handling Pty Ltd ("QBH") operates the 10 Mtpa capacity export coal loading facility at the Port of Brisbane.

The table below provides a summary of the current key Queensland port infrastructure developments in progress.

Development	Description
WICET	WICET is located at Golding Point, to the west of the existing RG Tanna and Barney Point Terminals, and will form part of the existing Port of Gladstone. WICET is owned and being developed by existing and potential coal exporters located in Queensland to provide increased long term export coal capacity. Once fully commissioned, the multi-billion dollar industry-owned and privately funded terminal will provide over 80 Mtpa in additional export coal capacity through the Port of Gladstone[14]. In October 2011, COK entered into a Take or Pay Agreement for the securing of a 3 Mtpa allocation for Stage 1 of the WICET project. In June 2014, COK announced that WICET stage 1 is 80% complete.

[14] Wiggins Island Coal Export Terminal website, accessed 26 September 2013.

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4 Profile of COK

4.1 Introduction

COK is an ASX listed company mainly engaged in the production, development and exploration of coal assets in the Bowen, Surat and Galilee Basins of Queensland as summarised below:

- The Baralaba Complex consisting of the following:
  - Baralaba Mine – operating ULV PCI and thermal coal mine located in the Bowen Basin. This project is held by COK's 62.5% owned subsidiary, BCPL[15].
  - Baralaba North Expansion Project – consist of tenements to the North ("Baralaba North") and South ("Baralaba South") of the Baralaba Mine mainly prospective for PCI coal. The tenements to the Baralaba North Expansion Project are mainly held by COK's 80% owned subsidiary, WCPL[15] with the balance held by BCPL. The first phase of the Baralaba North Expansion Project was recently completed with the commencement of production at Baralaba North.
- North Surat JV projects – consist of three thermal coal projects located in the Surat Basin (Collingwood, Taroom and Woori). The North Surat JV is 51% owned and managed by COK.
- Other exploration assets in the Bowen, Galilee, Surat and Clarence-Moreton Basins of Queensland.

The table below summarises COK's JORC compliant Mineral Resources and Ore Reserves:

				Resources			Toal		Reserves		Total		Marketable		Total	
Project	Location	Coal type	Ownership (%)	Inferred	Indicated	Measured	100% basis	COK share	Proven	Probable	100% basis	COK share	Proven	Probable	100% basis	COK share
Baralaba Mine	Bowen Basin	PCI/T	100.0%	12	11	13	35	35	4	1	5	5	4	1	4	4
Baralaba North	Bowen Basin	PCI	100.0%	16	21	17	54	54	16	16	31	31	15	14	29	29
Baralaba South	Bowen Basin	PCI	100.0%	139	17	36	192	192	-	45	45	45	-	37	37	37
Lochinvar Project	Bowen Basin	PCI/T	100.0%	60	4	-	64	64	-	-	-	-	-	-	-	-
Total Bowen Basin projects				**227**	**53**	**65**	**345**	**345**	**20**	**61**	**81**	**81**	**19**	**52**	**70**	**70**
North Surat JV	Surat Basin	T	51.0%	195	230	322	747	381	261	134	396	202	195	106	301	153
Other Surat Basin assets	Surat Basin	T	100.0%	548	431	36	1,014	1,014	-	-	-	-	-	-	-	-
Broadmere	Surat Basin	T	100.0%	52	-	-	52	52	-	-	-	-	-	-	-	-
Total Surat Basin projects				**795**	**660**	**358**	**1,813**	**1,447**	**261**	**134**	**396**	**202**	**195**	**106**	**301**	**153**
South Pentland	Galilee Basin	T	100.0%	322	-	-	322	322	-	-	-	-	-	-	-	-
Total Galilee Basin projects				**322**	**-**	**-**	**322**	**322**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total COK				**1,344**	**713**	**423**	**2,480**	**2,114**	**281**	**196**	**477**	**283**	**213**	**157**	**371**	**223**

Note (1): Numbers may not add due to rounding

Note (2): Assuming COK owns 100% of BCPL and WCPL

Source: ASX announcements and GTCF calculations

In the remaining of this document, we have focussed our attention on the Baralaba Complex given both the Bank Guarantee Facility and the Offtake Agreement are in relation to the brownfield expansion of the Baralaba Complex.

[15] On 11 July 2014, COK announced that it had reached agreement with JFE for the acquisition of its minority shareholdings in BCPL and WCPL.

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4.1.1 Baralaba Mine

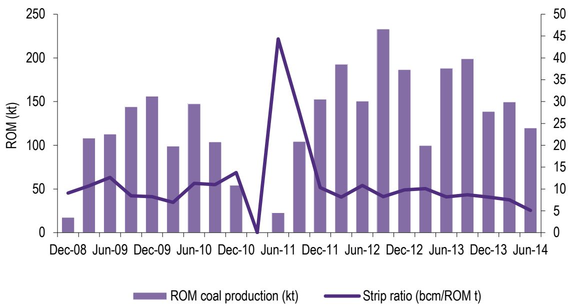
Introduction

The Baralaba Mine is a small-scale, open-cut mine located in the Bowen Basin of central Queensland, approximately 150km west of Rockhampton and 210km west of the Port of Gladstone. COK acquired 62.5% interest in BCPL in December 2008 from a subsidiary of Peabody Energy Corporation. At the time of acquisition, the Baralaba Mine had already been in operation for 3 years. COK currently manages the operations of the Baralaba Mine under a joint venture agreement with JFE, however we note that COK and JFE have entered into agreements for COK to acquire the remaining 37.5% of BCPL from JFE (i.e. the JFE Transaction, refer to Section 4.4.1 for further details).

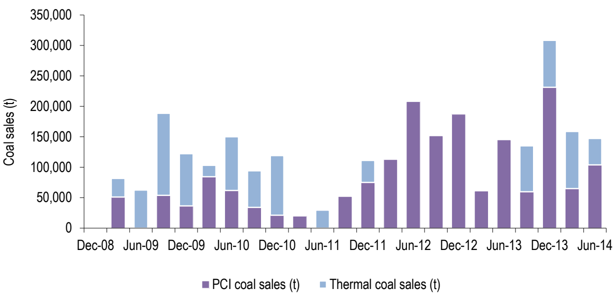
Historical performance

The graphs below illustrate Baralaba Mine's quarterly historical production and coal shipments from the last quarter of 2008 (when COK first acquired its majority interest in Baralaba Coal) to second quarter of 2014:

Historical production profile



Historical coal shipments profile



Note (1): For the period 12 December 2008 to 30 December 2008 when COK took over operations at the Baralaba Mine from Peabody Energy Australia Pty Limited after its acquisition of the Baralaba Mine.
Source: COK quarterly activities updates, COK annual reports and GTCF calculations

In relation to the graphs above we note the following:

- Under the management of COK, the Baralaba Mine has produced in total approximately 2.9 Mt of saleable coal which has all been exported from the RG Tanna coal export terminal at the port of Gladstone via the Moura Rail system. COK has a port allocation of 0.50 Mtpa.
- The run of mine/ raw ("ROM") coal is screened and crushed to produce ULV PCI coal and thermal coal. We understand the coal is sold unwashed.
- The Baralaba Mine achieved record coal sales of 308,459 t in the December 2013 quarter at an average price of US$115.2 for PCI and US$84.00 for thermal coal. In the June 2014 quarter, coal sales decreased to 146,206 t with the scale down of operations within the Baralaba Central Mine in line with Management expectations.

4.1.2 Baralaba North Expansion Project

Introduction

The Baralaba North Expansion Project consists of three tenements to the North of the Baralaba Mine and separated by the Dawson River Anabranch (Baralaba North), and 5 tenements to the South of the Baralaba Mine, 10km from the township of Baralaba (Baralaba South). The Baralaba North Expansion Project is currently being developed to extend the mining operations at the current Baralaba Mine to Baralaba North.

Key milestones recently achieved by the Company in relation to the Baralaba North Expansion Project include:

- In October 2011, COK entered into a take or pay agreement for a 3.0 Mtpa allocation for Stage 1 of the new proposed WICET in the process of being constructed at Gladstone, Queensland ("WICET Stage 1").

- In September 2011, COK finalised an agreement with QR Network Pty Limited ("QRN") to help fund the construction of a A$900 million rail line to WEXP1 and upgrades to existing rail lines.

- In September 2012, COK completed a Bankable Feasibility Study ("Initial BFS") in relation to the Baralaba North Expansion Project confirming increased production from 0.75Mtpa to 3.5Mtpa of saleable ULV PCI coal supporting a project life of in excess of 20 years.

- In April 2013, COK completed a Supplementary BFS ("SBFS") for the proposed 3.5Mtpa Baralaba North Expansion Project. The SBFS has significantly reduced the capital expenditure and operating costs outlined in the Initial BFS.

- In August 2013, the Baralaba North Expansion Projects were declared by the Queensland Minister for State Development, Infrastructure and Planning ("QSDIP") as a 'Prescribed Project'. The Prescribed Project status means that the QSDIP may intervene in the approval processes for construction, maintenance and operation of the Baralaba North Expansion Project to ensure 'timely decision making'.

- In September 2013, COK was granted two mining leases in relation to the Baralaba North Expansion Project for mine rate of up to 1 Mtpa for a term of 30 years.

- In April 2014, COK lodged the EIS for the Baralaba North Expansion Project with the DEHP.

- In May 2014, the first phase of the Baralaba North Expansion Project was completed and coal production to 1 Mtpa at Baralaba North commenced. In the first half of 2014, COK produced circa 81,682 t (ROM) from the Baralaba North Expansion Project.

- In July 2014, COK enter into agreements to acquire the minority interest of 20% in WCPL and 37.5% in BCPL from JFE (for further details refer to Section 4.4.1).

Feasibility studies

In September 2012, COK completed the Initial BFS which confirmed the economics of a simple open-cut brownfield expansion of the existing operations of the Baralaba Mine from 0.75 Mtpa to 3.50 Mtpa of saleable coal production. The Baralaba North Expansion Projects were estimated to support a mine life of over 20 years, average operating costs of A$105/t FOB (excluding royalties) and have a development capital expenditure requirement of A$413 million (COK share of A$330 million).

However, in response to falling coal prices, delay of key infrastructure capacity developments and a difficult funding environment, COK re-evaluated the Initial BFS and released a supplementary BFS in April 2013 (SBFS). The SBFS mainly involved the reconfiguration of the mine plan to focus solely on the Baralaba North Expansion Project and re-negotiations with suppliers and contractors over operating costs. The table below provides a summary of the key elements of the Initial BFS compared to the SBFS:

Key elements	Initial BFS	SBFS
Expansion	North and South	North only
Product mix	100% ULV PCI coal	100% ULV PCI coal
Saleable production (Mtpa)	3.5	3.5
Life of mine (LOM) (years)	20	20
LOM strip ratio (bcm/ ROM t)	10.5	9.7
Product yield (%)	85%	90%
Average LOM cash cost (excluding royalties) (A$ FOB/t)	105	96
Development capital expenditure (A$m)	413	311

Source: COK ASX announcements and GTCF calculations

As outlined in the table above, the SBFS materially improved the economics of the expansion project in particular with an improved strip ratio and product yield.

Management have advised that circa A$35 million to $40 million in initial development capital expenditure has already been incurred for the development of the Baralaba North Expansion Project to produce ROM coal at 1.0 Mtpa. The remaining A$270 million to A$275 million development capital expenditure will be required to ramp up the Baralaba North Expansion Project to reach production levels of 3.5 Mtpa.

Infrastructure

Infrastructure capacities are a key component of the successful development of the Baralaba North Expansion Project. Currently, COK has secured the following infrastructure entitlements for the Baralaba North Expansion Project:

Infrastructure	COK's entitlement	Description
Moura Rail system RG Tanna coal export terminal	0.5 Mtpa	The Moura Rail system and RG Tanna coal export terminal are currently being used for the transport and export of coal from the operating Baralaba Mine. It is expected that COK will be able to continue to utilise the existing rail and port capacities for the Baralaba North Expansion Project.

Infrastructure	COK's entitlement	Description
WICET	3.0 Mtpa	The WICET is a privately funded coal export terminal currently under construction, located to the west of the existing RG Tanna coal export terminal at the Port of Gladstone. The WICET is scheduled to be constructed and expanded in stages, and once fully commissioned, the WICET is expected to provide over 80 Mtpa of export coal capacity. Based on discussions with Management of COK, we understand that construction of WICET is 90% completed and completion is expected in first/ second quarter of 2015. In October 2011, COK entered into a Take or Pay Agreement for the securing of a 3 Mtpa allocation of stage 1 of the WICET expansion (WICET Stage 1) ("WICET Agreement") with seven other users. Initially WICET Stage 1 was expected to commence coal shipments in 2014. However, in November 2012, due to the timing of various approvals, adverse conditions in the construction market and other project issues, the WICET Stage 1 completion date was revised to the second quarter of 2015. We note that the ramp up of the Baralaba North Expansion Project to 3.5 Mtpa is expected to be completed in the second quarter of 2015, in line with completion of the WICET Stage 1. The Company has also made an application for a further 4.2 Mtpa allocation for WICET stage 2 expansion ("WEXP2") and made an expression of interest to participate in the stage 3 development.
WIRP	3.0 Mtpa	In September 2011, COK as part of a consortium of coal companies entered into an 10 year agreement with QRN for the construction and utilisation of stage 1 of the A$900 million Wiggins Island Rail Project (WIRP). The WIRP includes the construction of an additional 13 km rail loop near Gladstone and upgrades to the Moura Rail system to support the expected increase in coal to be transported as a result of increase in port capacity with the completion of WEXP1. Construction for the WIRP is currently underway and completion is targeted for March 2015, in line with completion of the WEXP1.
Dawson River Bridge	na	In March 2013, COK completed the joint construction of a A$16 million bridge over the Dawson River at Baralaba with the Queensland Department of Transport and Main Roads. The Dawson River Bridge will enable the transport of coal from the Baralaba Mine and Baralaba North Expansion Project to the Moura Rail loading facility.

Source: COK ASX announcements

Funding of the Baralaba North Expansion Project

The continued development of the Baralaba North Expansion Project from 1.0 Mtpa to 3.5 Mtpa is expected to require significant development capital expenditure. However, a large component of the capital expenditure is expected to be funded by way of debt.

It is the intention of COK to fund the further development of Baralaba North Expansion Project as summarised below:

- In October 2013, COK and JFE[16] signed a credit approved term sheet with ANZ for the A$255 million ANZ Financing Package (which is subject to a number of conditions for drawdown). For further details refer to section 4.4.3.
- If the Proposed Transaction is completed, A$37.0 million in restricted cash security deposits with ANZ will be released.
- Following completion of the Proposed Transaction, COK intends to seek proposals from potential investors to provide a mezzanine financing to ensure the condition precedent to the drawdown of the ANZ Financing Facility in relation to COK having sufficient financing to fund the development of Baralaba North is fully met.

[16] We note COK and JFE have since reached agreement for JFE to fully divest its minority interests in BCPL and WCPL to COK. Accordingly, JFE may no longer be a party to the ANZ Financing Package.

4.2 Key Agreements

4.2.1 JFE Transaction Agreement

In July 2014, COK entered into agreements with JFE to acquire JFE's minority interest in the Baralaba Complex (i.e. the JFE Transaction) which includes the following:

- 37.5% in BCPL, the holder of the Baralaba Central Mine and a portion of the Baralaba North Expansion Project.

- 20% interest in WCPL, the holder of the main portion of the Baralaba North Expansion Project.

Consideration for the JFE Transaction includes the following:

- A$1 in cash.

- Existing unsecured shareholder loans of circa A$63.1 million to JFE (i.e. the JFE Loan) to remain in place. The JFE Loan will be subordinated to any new funding contributed by COK up until completion of the Baralaba North Expansion Project and will be repaid from Baralaba Complex cash flows after debt service on an equal dollar per dollar basis with existing shareholder loans that COK has advanced to WCPL and BCPL.

- Amend the existing PCI coal offtake agreement with JFE ("JFE Offtake Agreement") from 300,000 to 500,000 tonnes pa from 1 April 2015 and extend the term of the agreement to 31 March 2022.

Based on discussion with Management, we understand the completion of the JFE Transaction is dependent of the Bank Guarantee and the Offtake Agreement but not vice versa.

4.2.2 Noble and SK Marketing Agreements

In October 2013, COK announced a proposed equity raising ("COK Recapitalisation") to recapitalise the Company in order to extinguish existing A$95 million in debt obligations to KEB Australia Limited ("KEBA Loan") and fund the development of the Baralaba North Expansion Project. The COK Recapitalisation comprised a share placement of A$50.0 million to SK, A$43.3 million to Noble, A$60.0 million to institutional investors, and a share purchase plan of A$3.6 million. In conjunction with the COK Recapitalisation which completed in April 2014, COK granted exclusive worldwide (excluding South Korea and Taiwan) coal marketing rights to Noble ("Noble Marketing Agreement") and exclusive coal marketing rights to SK for South Korea and Taiwan ("SK Marking Agreement").

The terms of the Noble Marketing Agreement and SK Marketing Agreement are substantially on the same and equivalent terms except for area of exclusivity. The key terms of the marketing agreements are summarised below:

- *Marketing fee* – marketing fee equal to 2.5% of the final invoiced sales price per tonne (this will be reduced to take into account marketing fees payable by COK to third parties under certain existing agency agreements)("Marketing Fee"). However, no marketing fee will be payable for coal acquired by Noble/SK as principal or any coal supplied under the JFE Offtake Agreement.

- *Marketing services* – Noble/SK is required to provide certain on-going marketing services including assisting with procuring and executing offtake agreements.

- *First and last right of refusal* – If COK enters into a long-term off-take agreement in relation to the supply of coal to end-users[17], COK must provide Noble/SK with a first right of refusal and a last right of refusal to acquire the coal that is subject of the long-term off-take agreement.

- *Sale of coal* – Noble/SK is not authorised to enter into any contracts for the sale of coal without prior approval of COK.

- Other terms and conditions customary for an agreement of this type.

4.2.3 ANZ Financing Package

In October 2013, COK and JFE[18] signed a credit approved term sheet with ANZ for a fully underwritten A$255 million senior secured project finance loan and guarantee facility package, comprising:

- A$180 million ANZ Project Finance Facility.

- A$20 million Cost Overrun Facility.

- A$55 million Letter of Credit/Bonding Facility to provide environmental guarantees.

The ANZ Financing Package has a term of 7 years and is subject to parties entering into definitive documentation. The ANZ Financing Package will assist in the provision of funding required for the development of the Baralaba North Expansion Project. The drawdown of the ANZ Facilities is subject to:

- COK being granted Mining Leases for 3.5 Mtpa.

- COK entering into offtake agreements for at least 75% of its anticipated saleable production for the Baralaba North Expansion Project for at least a 3 year period in aggregate.

- COK being fully funded for the equity component of the upfront capital expenditure.

- Other conditions precedent typical of a project financing of this nature.

Based on discussions with Management, we understand that the ANZ Financing Package is expected to be drawn down in the second quarter of 2015 (subject to conditions being satisfied). Once drawn, the ANZ Guarantee 2 of A$34.5 million under the existing ANZ Guarantee Facility

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[17] We note that one of the conditions precedents for COK to drawdown the ANZ Financing Package for the development of the Baralaba Expansion Project is to enter into an off-take agreement(s) for 75% of the coal produced.
[18] We note COK and JFE have since reached agreement for JFE to fully divest its minority interests in BCPL and WCPL to COK. Accordingly, JFE will no longer be a party to the ANZ Financing Package.

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will be replaced by the ANZ Financing Package and the Bank Guarantee Facility will become subordinate to the ANZ Financing Package. For further information on the ANZ Guarantee 2 and ANZ Guarantee Facility refer to section 1.2.

4.3 Financial information

4.3.1 Financial performance

The following table summarises the audited consolidated statement of comprehensive income of COK for financial years ended 30 June 2012 ("FY12") and 30 June 2013 ("FY13") and 30 June 2014 ("FY14").

Consolidated statements of comprehensive income	30-Jun-12 A$'000	30-Jun-13 A$'000	30-Jun-14 A$'000
Coal Sales Revenues	83,822	66,110	81,532
Cost of Sales	(70,481)	(63,498)	(92,175)
Gross Profit	**13,341**	**2,612**	**(10,643)**
GP Margin	*16%*	*4%*	*-13%*
EBITDA	**4,940**	**(5,586)**	**(28,745)**
EBITDA Margin	*6%*	*-8%*	*-19%*
EBIT	**4,630**	**(6,153)**	**(29,212)**
EBIT Margin	*6%*	*-9%*	*-36%*
Interest Income	3,617	4,232	1,522
Finance Expense	(14,604)	(23,299)	(9,564)
Write Down of Inventory	-	-	-
Impairment Losses	(98)	(12,821)	(152,042)
Termination Fee - Marketing Rights	-	-	(3,072)
Gain on Sale of Assets	28,577	10	5
Gain on Sale of associate	-	-	1,043
Share of profit/(loss) in equity accounted investees	(49)	20	-
Earnings before Taxes	**22,073**	**(38,011)**	**(191,320)**
Income Tax Expense	(5,523)	5,486	(363)
NPAT	**16,550**	**(32,525)**	**(191,683)**
NPAT margin	*20%*	*-49%*	*-235%*

Source: Financial Reports and Management

We note the following in relation to COK's income statements:

FY12

- Revenue increased by approximately 197% to A$83.8 million in FY12 mainly due to:
  - Recovery from a poor year of production during FY11 due to flooding of the Baralaba Mine in late 2010.
  - 600,171 tonnes of coal were produced in the Baralaba Mine during FY12 compared to 181,081t produced during FY11. COK shipped and sold 447,528 tonnes of PCI coal during the year compared to 74,997 PCI coal in FY11.
  - Increase in the average PCI sales price during the year from A$107 per tonne in FY11 to A$173 per tonne in FY12.
- Increase in administration and consultant's expenses by approximately A$6.0 million is in relation to COK's financing activities.

- Other income increased by A$5.2m during FY12 to A$8.2m consisting mainly of management and consulting income in relation to the operations of the various joint ventures.

- Financing costs increased by A$14.4 million in FY12 mainly due to an increase in facility fees as part of the A$150 million short term loan facility entered into with KEBA.

- Gain on sale of tenements during FY12 of A$28.6 million relates to the sale of COK's 49% interest in the Woori project for $37.25 million.

FY13

- Whilst production increased from 600,171t (447,528t PCI) in FY12 to 707,381t (544,406t PCI) in FY13, revenue decreased by approximately 21.1% to A$66.1 million in FY13 mainly due to:

  - Decrease in PCI coal prices from A$173 per tonne in FY12 to A$121.42 per tonne in FY13.

  - Adverse weather conditions in the March quarter disrupting production and shipping. Production in the Baralaba Mine fell to 99,687t for the quarter with 60,828t of PCI coal shipped and sold.

- Financing expenses increased by approximately A$8.7 million to A$23.2 million during FY13 mainly due to an increase in facility fees by approximately A$6.2 million paid to KEBA in relation to the renegotiation of the loan facility. Other finance costs include approximately A$8.6 million in interest expenditure.

- Impairment loss of A$12.8 million recognised during the year relate to the Hume Project sold to POSCO on 30 May 2013.

FY14

- Revenue for FY14 totalled $81.5 million, an increase of 23.3% on FY13 mainly due to record annual coal sales of 748,368 t (460,006 t PCI and 290,532 t thermal coal).

- FY14 EBITDA margin deteriorated to -19% (-8% for FY13) mainly as a result of continual decline in the PCI coal price. We note that the average PCI sale price for COK declined by circa 10% from US$125/t in FY13 to US$112/t in FY14.

- Impairment loss of A$152.0 million were in relation to:

  - Impairment of circa A$137.8 million on certain non-core exploration and evaluation assets, and land located in the Surat Basin following review by the directors of COK on the assets' estimated fair value and expected development plan.

  - Full impairment of COK's investment interests in non-listed companies, Ambre Energy Limited and ATEC Rail Group Pty Ltd of circa A$5.5 million due to uncertainty in the recoverability of the investments.

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- Capitalised refundable infrastructure expenditure of circa A$8.7 million as a result of uncertainty in the timing of the development of the WICET stage 2 or WEXP2 and COK's ability to receive the infrastructure refund.

- Gain on sale of associate of circa A$1.0 million relates to COK's sale of its 30% interest in Hume Coal Pty Limited ("Hume Coal") for A$9.72 million cash and cancellation of 134,807,307 shares in COK to POSCO Australia Pty Limited ("POSCO").

- Termination fee of marketing rights of circa A$3.1 million is the present value of the deferred cash consideration COK paid for the acquisition of the remaining interest in Cockatoo Coal Marketing Company Pty Ltd ("CCMC") which COK did not already own (i.e. 50%) in March 2014. CCMC held coal marketing rights which were terminated on acquisition to enable COK to enter into marketing arrangements with SK and Noble.

- Finance costs decreased significantly from A$8.5 million to A$4.5 million as a result of the full repayment of the A$100 million KEBA Loan.

4.3.2 Financial position

The audited consolidated statement of financial position of COK as at 30 June 2013 and 30 June 2014 are set out below:

Consolidated statement of financial position COK	30-Jun-13 Audited A$'000	30-Jun-14 Audited A$'000
Current Assets		
Cash, Cash Equivalents and Term Deposits	12,689	1,407
Trade and Other Receivables	5,334	10,733
Inventories	20,408	13,158
Assets held for sale	18,000	-
Other Assets	1,949	1,100
Total Current Assets	**58,380**	**26,399**
Non Current Assets		
Term deposits	35,000	45,741
Exploration and Evaluation Expenditure	233,153	71,066
Property, Plant and Equipment	63,387	195,686
Investments	5,600	-
Intangible Assets	246	409
Other Assets	16,669	10,397
Total Non Current Assets	**354,055**	**323,298**
Total Assets	**412,435**	**349,697**
Current Liabilities		
Trade and Other Payables	16,775	40,578
Revenue received in advance – coal sales	-	11,161
Employee Benefits	654	1,291
Borrowings	100,423	1,219
Provisions	-	3,700
Total Current Liabilities	**117,852**	**57,948**
Non Current Liabilities		
Borrowings	39,566	64,026
Employee Benefits	96	87
Deferred Tax Liabilities	37	400
Provisions	2,952	7,221
Other	-	1,090
Total Non-Current Liabilities	**42,651**	**72,824**
Total Liabilities	**160,503**	**130,772**
Net Assets	**251,932**	**218,925**
Shareholders' Equity		
Share Capital	339,007	495,917
Option Premium Reserve	9,603	7,589
Accumulated Losses	(83,745)	(262,140)
Fair Value Reserves	104	-
Total Shareholders Equity	**264,969**	**241,366**
Non-controlling interest	(13,037)	(22,441)
Total Equity	**251,932**	**218,925**

Source: Financial Reports and Management

We note the following in relation to COK's balance sheets as at 30 June 2014:

- The balance sheets of COK as at 30 June 2014 incorporate the fair value of assets and liabilities of BWD recognised on acquisition (net identifiable assets of circa A$15.0 million).

- We note that the financial statements include an emphasis of matter in relation to material uncertainty on the ability of COK to continue as a going concern.

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- Exploration expenditure decreased by circa A$162.1 million mainly as a result of transfer of expenditures in relation to the Baralaba North Expansion Project to mining properties under property, plant and equipment of circa A$57.6 million, and impairment of A$134.2 million in non-core assets located in the Surat Basin. This was partially offset by additions of A$17.1 million from the acquisition of BWD.

- Investments decreased to nil with the full impairment of COK's investment interests in Ambre Energy Limited and ATEC Rail Group Pty Ltd.

- Term deposits of A$45.7 million are restricted cash deposits held as security for the ANZ Guarantee Facility as described in more detail in Section 4.5.2.1 below.

- Other non-current assets of A$10.4 million consists mainly of capitalised deferred facility fees of A$9.6 million in relation to the ANZ Financing Package, and A$0.8 million in security deposits. Accordingly, trade and other payables of A$40.6 million includes A$9.6 million of deferred facility fees in relation to the ANZ Financing Package.

- During FY14, COK repaid $100 million in KEBA Loan. Furthermore, we note non-current borrowings of A$64.0 million consists of mainly A$63.1 million in subsidiary shareholder loans (i.e. the JFE Loan). The JFE Loan is unsecured and has an interest rate of 8.0% pa. We understand that under the proposed JFE Transaction, the JFE Loan will remain in place and accrued interest will be capitalised (for further details refer to Section 4.4.1).

- The total number of fully paid ordinary shares increased from 1,021,101,465 as at 30 June 2013 to 4,560,196,928 as at 30 June 2014 due to the following:

  - Cancellation of 134,807,307 shares held by POSCO subsequent to year end as part of the sale of the Company's 30% shareholding in Hume Coal to POSCO.

  - Issue of 3,279,834,642 shares as part of the COK Recapitalisation.

  - Issue of 384,550,538 shares as consideration for the purchase of BWD.

  - Issue of 9,517,590 shares at A$0.045 per share as part of employee remuneration.

- The total number of options on issue increased from 188,483,333 as at 30 June 2013 to 205,000,000 as at 30 June 2014 as a result of granting of 50,000,000 options to SK as consideration for providing an extension of a guarantee supporting the KEBA loan. This was partially offset by expiry of 20,833,333 options (for further details on option terms refer to Section 4.6.3)

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4.3.2.1 Guarantees and security deposits

As at 30 June 2014, COK had A$80.2 million in bank guarantees (i.e. the ANZ Guarantee Facility) and A$45.7 million in security deposits (cash backing) mainly consisting of:

Company	Description	ANZ Facility	ANZ Guarantee (A$'000s)	ANZ deposit required (A$'000s)
QR Network Pty Ltd ("QRN")	Forms part of the underwriting cost of the upgrage of the Moura Rail system	ANZ Guarantee 1	3,330	3,330
WICET Holdings Pty Ltd ("WICET Holdings")	For the 'Take or Pay' agreement for WICET Stage 1	ANZ Guarantee 1	39,000	39,000
WICET Holdings	For WICET Stage 2 feasibility assessment and capacity commitment deed	ANZ Guarantee 1	370	370
Gladstone Ports Corporation	Required for the provision of port services under WICET Stage 1	ANZ Guarantee 1	3,041	3,041
State of Queensland	Environmental bond to provide for the rehabilitation/ potential loss attributable to mining operations at the Baralaba Complex	ANZ Guarantee 2	34,425	-
Total			**80,165**	**45,741**

Source: COK Annual Report, June 2014
For further details refer to Section 1.2.

4.4 Capital Structure

As at 27 August 2014, COK has on issue:

- 4,560,196,928 fully paid ordinary shares ("COK Shares").
- 205,000,000 Options ("COK Options").

4.4.1 COK share ownership

The top 10 shareholders of COK as at 27 August 2014 on an undiluted basis are set out below:

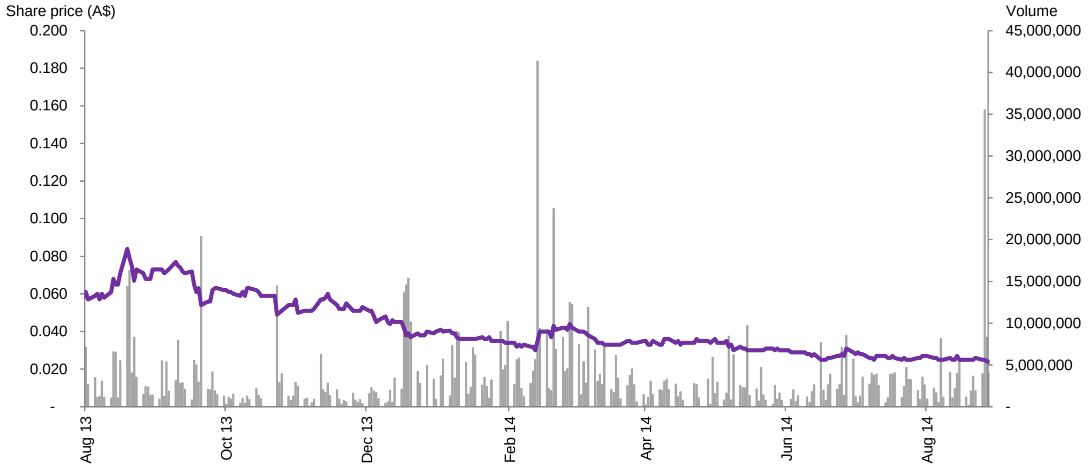
Shareholder	Number of shares	% of issued shares
SK Networks Resources Australia Pty Ltd	1,055,410,765	23.14%
Maylion Pty Limited[1]	866,031,245	18.99%
Harum Energy Australia Pty Limited	491,465,372	10.78%
HSBC Custody Nominees (Australia) Limited	232,931,801	5.11%
Janvel Pty Limited[1]	189,379,520	4.15%
HSBC Custody Nominees (Australia) Limited - A/C 3	164,946,618	3.62%
Citicorp Nominees Pty Ltd	107,286,096	2.35%
Kores Australia Pty Ltd	41,381,423	0.91%
J P Morgan Nominees Australia Limited	30,520,997	0.67%
Korea East-West Power Co Ltd	29,881,423	0.66%
Top 10 shareholders	**3,209,235,260**	**70.37%**
Others	1,350,961,668	29.63%
Total number of outstanding COK Shares	**4,560,196,928**	**100.0%**

Source: ASX Announcements

Note (1): Wholly owned subsidiaries of Noble

4.4.2 COK Share price

The daily movements in COK's share price and trading volumes for the period from 1 August 2013 to 29 August 2014 is set out below:



Source: Capital IQ

We note the following with regard to the share price history shown above:

Date	Comments
26-Aug-14	COK announced that it has finalised agreements with Noble, SK and ANZ for the Proposed Transaction. The share price closed at A$0.025.
1-Aug-14	COK released its June 2014 quarterly activities report in which it announced the completion of its initial 1 mtpa production ramp-up at Baralaba North and that work remains on track in regards to the mining lease application for increase of production levels to 3.5 Mtpa. The share price closed at A$0.027.
11-Jul-14	COK announced that it had reached agreement with JFE for COK to acquire JFE's minority shareholdings in BCPL and WCPL for A$1 with existing shareholder loans from JFE of circa A$60 million to remain in place, and extension of the existing offtake agreement with JFE from 300,000t pa to 500,000t pa and extend the term of the offtake agreement to 31 March 2022. The share price closed at A$0.027.
27-Jun-14	COK announced that it is in advanced stage discussions with major shareholders, ANZ and JFE regarding the future direction and funding of the Baralaba Complex including the release of up to A$37 million in restricted cash provided by COK for infrastructure guarantees to ANZ. The share price closed at A$0.028.
12-May-14	COK announced that it has completed the first phase of the Baralaba North Expansion Project and has commenced increasing coal production at Baralaba North to 1 Mtpa. The share price closed at A$0.032.
22-Apr-14	COK announced it had successfully completed the 100% acquisition of BWD. The share price closed at A$0.034.
16-Apr-14	COK announced it had lodged its EIS with the QLD DEHP. The share price closed at A$0.033.
28-Feb-14	COK announced 1HFY2014 results. Revenue up 26% for the period. The share price closed at A$0.043.
13-Feb-14	COK announced it had increased its interest in BWD to 90.02% and will be exercising its right to compulsorily acquire the remaining shares. The share price closed at A$0.035.
19-Dec-13	COK announced that it had acquired a controlling 62.18% interest in BWD. The Company also announced it had executed a $34.5 million non-cash backed bank guarantee facility agreement with ANZ and had restructured the board. The share price closed at A$0.039.
18-Dec-13	COK announced the completion of private placement for $153 million and the issue of approximately 3.2 million new COK shares. The share price closed at A$0.038.
12-Dec-13	COK announced that shareholders had approved the COK Recapitalisation. The share price closed A$0.046.
26-Nov-13	COK announced that the directors of BWD unanimously recommend to its shareholders that they accept COK's takeover offer, in the absence of a superior proposal. This is following the release of the bidder's and target's statements. The share price closed at A$0.051.
23-Oct-13	COK announced it had successfully completed the $60 million bookbuild to institutional investors and released the details of its Share Purchase Plan to accompany the COK Recapitalisation. The share price closed at A$0.049.
17-Oct-13	COK requested a trading halt pending the announcement of the COK Recapitalisation. The share price closed at A$0.059.

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Date	Comments
27-Sep-13	COK announced that it has entered into an agreement to extend the maturity of the KEB Australia Ltd (KEBA) A$95 million loan facility to 27 December 2013. SK has also agreed to extend its guarantee of the KEBA Loan. The share price closed at A$0.063 per share.
05-Sep-13	COK announced that it has been granted 2 mining leases with approval for 1.0 Mtpa to the north of the Baralaba Mine for a term of 30 years. The share price closed at $A0.072 per share.

Source: ASX Announcements

Set out below is the weekly and monthly share performance of COK to August 2014:

COK	Share Price			Average
	High	Low	Close	weekly volume
	A$	A$	A$	000'
Month ended				
Jul 2013	0.077	0.028	0.058	24,260
Aug 2013	0.093	0.055	0.073	21,789
Sep 2013	0.082	0.054	0.062	19,308
Oct 2013	0.065	0.045	0.057	8,585
Nov 2013	0.061	0.050	0.053	6,805
Dec 2013	0.054	0.036	0.040	19,779
Jan 2014	0.041	0.034	0.034	23,368
Feb 2014	0.045	0.030	0.042	41,573
Mar 2014	0.043	0.033	0.035	19,610
Apr 2014	0.036	0.033	0.035	9,191
May 2014	0.036	0.029	0.030	12,767
Jun 2014	0.034	0.024	0.029	13,112
Jul 2014	0.030	0.025	0.027	13,104
Week ended				
16 May 2014	0.033	0.030	0.030	18,093
23 May 2014	0.031	0.029	0.031	9,658
30 May 2014	0.031	0.029	0.030	6,079
6 Jun 2014	0.030	0.028	0.029	4,804
13 Jun 2014	0.029	0.025	0.028	6,080
20 Jun 2014	0.027	0.024	0.026	16,874
27 Jun 2014	0.034	0.025	0.031	21,610
4 Jul 2014	0.032	0.028	0.028	12,148
11 Jul 2014	0.029	0.025	0.027	16,835
18 Jul 2014	0.028	0.025	0.026	13,369
25 Jul 2014	0.027	0.025	0.025	14,687
1 Aug 2014	0.027	0.025	0.027	9,867
8 Aug 2014	0.027	0.025	0.025	13,607
15 Aug 2014	0.027	0.025	0.025	16,683
22 Aug 2014	0.026	0.025	0.026	8,670
29 Aug 2014	0.031	0.024	0.024	53,784

Source: Capital IQ and GTCF Calculations

4.4.3 COK Options

COK has 205 million existing Options on issue as summarised in the table below:

Options	No. of options	Issue Date	Expiry Date	Exercise price (A$)	Description
Option 1	5,000,000	03-Feb-12	30-Sep-15	0.7000	If employment of option holder is terminated, any options yet to reach vesting date will lapse and any options which have reached vesting date may be exercised within 2 months from the date of termination.
Option 2	150,000,000	16-Apr-13	15-Oct-14	0.1250	Issued as consideration for the extension of SK guarantee on KEBA Loan on 18 December 2012 to 28 June 2013.
Option 3	50,000,000	15-Oct-13	15-Apr-15	0.0593[1]	Issued as consideration for the extension of SK guarantee on KEBA Loan on 11 June 2013 to 28 September 2013.

Note (1): 20 day VWAP prior to 15 October 2013.

Source: COK announcements

We note that as at the date of this Report, SK holds 200 million unlisted Options.

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5 Valuation methodologies

5.1 Introduction

In accordance with our adopted valuation approach set out in section 2.2, our fairness assessment involves comparing:

- The potential proceeds from the sale of the assets under the Security which would be provided to the Financiers and the value of the outstanding liability which would be owing to the Financiers in the event of a default under the Bank Guarantee Facility.
- The terms of the Bank Guarantee Facility.
- The terms of the Offtake Agreement.

Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, approval of an issue of shares using item 7 of s611 of the Corporations Act, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

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RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Selected valuation methods

5.3.1 Granting of the Security

RG 111 suggests that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

The Bank Guarantee Facility will have a second ranking security over the Secured Assets. In other words, the Financers must first receive ANZ consent before exercising any of their rights pertaining to the Security such as sale of the Secured Assets and accepting payment towards the Bank Guarantee Facility.

In this case, the proceeds from the sale of the Secured Assets constitute the financial benefit to be provided to the Financiers. The consideration being provided by the Financiers to COK is the value of the Bank Guarantee Facility plus any accrued interests and fees at the time of sale in the event of drawdown.

Having regard to the above, we have assessed the fairness of the granting of the Security by comparing the proceeds from the sale of the Secured Assets (assuming the Financiers receive ANZ consent) to the value of the liability which would be owing to the Financiers in the event of default.

The granting of the Security is 'fair' if the value of the Security provided to the Financiers (i.e. the value of the proceeds from the sale of the Secured Assets) is equal to or less than the value of the liabilities to be settled in the event of drawdown under the Bank Guarantee Facility agreement.

5.3.2 Bank Guarantee Facility

As discussed in section 2.2, in considering the fairness of the Bank Guarantee Facility we have had regard to the economic substance of the transaction, which is effectively the provision of funding to the Company. If the Proposed Transaction completed, COK will receive A$37 million from the release of restricted cash on the 100% cash-backed ANZ Guarantee 1. Substantially, the same outcome could have been achieved through alternative funding sources. Accordingly, we have assessed the fairness of the Bank Guarantee Facility by comparing the cost of sourcing funding from alternative sources which result in similar benefits to COK and which are acceptable to the Company.

The alternative funding sources which we consider most likely available to COK (not exhaustive) include:

- Shareholder or equity financing.
- Secured and unsecured convertible notes/ loan.
- Senior debt financing.

Our assessment of fairness has not considered the execution risk associated with obtaining financing on satisfactory terms. Instead we have considered this factor in our assessment of the reasonableness of the Proposed Transaction.

If the key terms of the Bank Guarantee Facility (i.e. the Issuance Fee, Drawdown Rate and Issuer Rate) are equal or less than the terms of an alternative source of funding, the Bank Guarantee Facility is 'fair'.

5.3.3 Offtake Agreement

In relation to the fairness of the Offtake Agreement, as discussed above, RG111 requires the expert to compare the value of the financial benefit to be provided by COK to Noble and SK with the value of the consideration being provided to COK by Noble and SK.

The value of the consideration provided to COK by Noble and SK relates to the value of COK's coal to be sold to Noble and SK under the Offtake Agreement as determined mainly by the SK Base Price and Noble Base Price, and actual quantity sold. Similar to the Bank Guarantee Facility, we have assessed the fairness of the Offtake Agreement by comparing the value of sale proceeds (or sales price) that COK could obtain from alternative third-parties.

The Offtake Agreement is 'fair' if the value of the sale proceeds from coal sold under the Offtake Agreement is equal to or greater than the value of sale proceeds from coal sold to alternative parties.

6 Fairness of granting of the Security

If the Proposed Transaction is completed, the Company will grant the second-ranking Security to the Financiers to secure the Bank Guarantee Facility.

We note that the Financiers will be able to call upon the Security only if COK defaults and ANZ draws on the guarantee provided under the Bank Guarantee Facility, and ANZ consents for the Financiers to exercise their rights pertaining to the Security. Under such circumstances, COK's ability to continue as a viable going-concern and the value of the Secured Assets may be limited.

Furthermore, we understand that ANZ has granted an option to both the Financers to acquire the ANZ Guarantee Facility in full at face value in the event that COK defaults on either ANZ or the Financiers. Upon completion of such an acquisition by either of the Financers, ANZ will assign its rights, including its first ranking security, under the ANZ Guarantee Facility to the applicable Financier.

Accordingly, in analysing whether or not the granting of the Security to the Financiers as part of the Proposed Transaction is fair to the Non-Associated Shareholders we have considered the following:

- If the Financiers call upon the Security, the disposal of the Secured Assets are required to be dealt with in a manner which attempts to realise market value as at the time of the sale having regard to the state of the assets at that time. The Financiers will receive the following amounts under the following three alternative scenarios:
  - If the realised market value of the Secured Assets is **less than** the total amount owing to the Financier under the Bank Guarantee Facility, than the Financiers will receive the realised market value of the Secured Assets.
  - If the realised market value of the Secured Assets is **the same as** the total amount owing to the Financier under the Bank Guarantee Facility, than the Financiers will receive the realised market value of the Secured Assets.
  - If the realised market value of the Secured Assets is **more than** the total amount owing to the Financier under the Bank Guarantee Facility, than the Financiers will only receive the amount owing to them.
- If either of the Financiers acquire the ANZ Guarantee Facility and receive first ranking security over the Secured Assets, the applicable Financier will be required to pay the full face value including any relevant break costs of the facility.

6.1 Conclusion – granting of the Security

Based on the above considerations, we have assessed the value of the Security provided to be less than or equal to the value of the liabilities settled.

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7 Fairness of the Bank Guarantee Facility

As discussed in section 5.3.2, we have assessed the fairness of the Bank Guarantee Facility having regard to the cost of alternative funding sources obtained by comparable companies listed on the ASX and operating in the coal industry ("Comparable Companies"). We note the cost of the Bank Guarantee Facility is substantially in the form of the following:

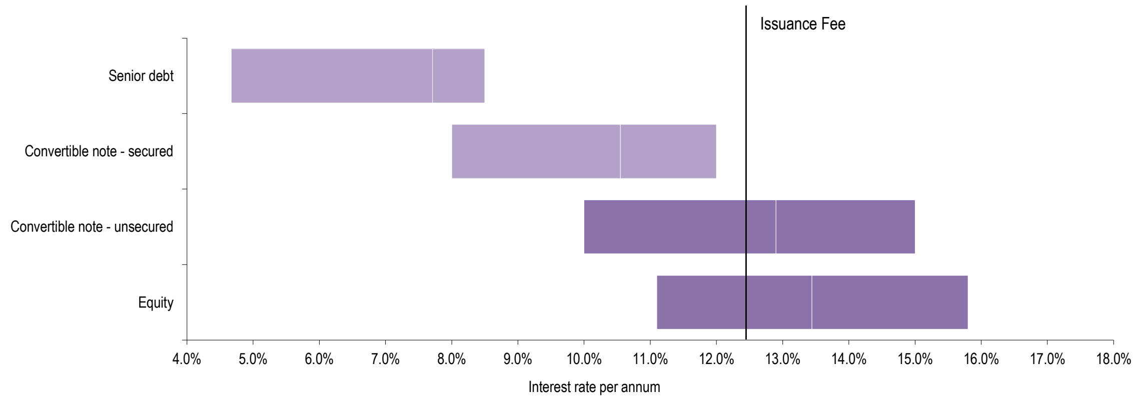
- Issuance Fee of 12.5% pa if the Bank Guarantee Facility remained undrawn by ANZ.
- Drawdown Fee of 25.0% pa if the Bank Guarantee Facility is drawn by ANZ.
- The Issuer Rate capped at 1% pa.

We have separately assessed the fairness of the Issuance Fee, Drawdown Fee and Issuer Rate in the sections below.

7.1 Issuance Fee

In order to test whether the Issuance Fee the Financiers will receive under the Bank Guarantee Facility is on commercial arm's length basis and fair to Non-Associated Shareholders, Grant Thornton Corporate Finance has observed and benchmarked the cost of alternative funding sources obtained by Comparable Companies as illustrated below.

Issuance Fee benchmarking



Source: ASX announcements, various independent expert reports and GTCF calculations
Note: For further details see below.

In relation to the above, we note that we have consider the raising of funding through unsecured convertible notes and equity to be the most likely sources of alternative funding available and suitable to COK due to the following:

- COK intends to draw down on the ANZ Financing Package of A$255 million in senior secured debt financing in the second quarter of 2015 (subject to meeting certain conditions). The relevant financial covenants and the security granted to ANZ will likely present an impediment to COK's ability to raise additional senior debt and/or secured debt. Accordingly, we have not discussed in the balance of this section the senior debt benchmark.

- Given the current subdued economic environment conditions and low coal prices, funding through issue of convertible notes and equity raisings (such as through private placements and right issues) have been observed to be the most common method utilised by Comparable Companies.

- Unsecured convertible notes and equity raisings will likely offer COK more flexible financing terms.

- Per COK's announcement on 27 June 2014, COK intends to source further funds from mezzanine financing. However, we note that there are limited ASX-listed companies operating in the coal industry which have sourced mezzanine financing. In our opinion, the terms observed on convertible notes will not be substantially different from the terms that would be applicable to mezzanine facilities.

7.1.1 Convertible *Notes*

The cost of funding (i.e. interest rates) observed on recent issues in relation to Comparable Companies average 10.5% and 12.9% for secured and unsecured convertible notes, respectively as summarised in the table below.

Issue date	Company name	Market capitalisation (A$'m)	Location	Stage	Coal type	Face value ($'m)	Term (Yrs)	Security	Interest rate	Main purpose
Secured convertible notes										
Jun-14	South East Asia Resources Limited	5.7	Indonesia	Exp/Dev	T, CC	1.9	1.0	First	12.0%	Exploration
Jan-14	Guildford Coal	5.6	Australia	Prod	T, CC	10.0	1.5	First	12.0%	Refinancing
Mar-13	Guildford Coal	258.1	Australia	Prod	T, CC	39.4	1.5	First	12.0%	Refinancing
Apr-13	Coalspur Mines Limited	253.7	Canada	Prod	T	30.0	8.0	Second	10.5%	Refinancing
Sep-13	MetroCoal Limited	9.4	Australia	Exp	T	1.0	2.0	First	10.0%	Project acquisition
Dec-12	Cuesta Coal Limited	26.8	Australia	Exp	T	10.0	1.5	First	9.3%	Project acquisition
Oct-12	Firestone Energy Limited	24.9	South Africa	Dev	T	40.7	4.0	First	8.0%	Refinancing
Average						**19.0**	**2.8**		**10.5%**	
Median						**10.0**	**1.5**		**10.5%**	
Unsecured convertible notes										
Aug-13	ZYL Limited[1]	5.4	South Africa	Exp/Dev	CC	1.0	1.0	No	15.0%	Project development
Jun-13	Ascot Resources Limited	2.0	Colombia	Dev	CC	0.5	2.0	No	14.0%	Project development
Dec-13	South East Asia Resources Limited	5.6	Indonesia	Exp/Dev	T, CC	1.3	1.2	No	13.0%	Exploration
May-14	Celsius Coal Limited	12.1	Kyrgyzstan	Prod	T, CC	5.0	10.0	No	12.5%	Exploration
Feb-11	Continental Coal Ltd[2]	210.0	Canada	Prod	T	10.0	3.0	No	10.0%	Working Capital
Average		**47.0**				**3.6**	**3.4**		**12.9%**	
Median		**5.6**				**1.3**	**2.0**		**13.0%**	

Source: ASX announcements and GTCF calculations
Note (1): ZYL was suspended from trading on the ASX in October 2013
Note (2): Continental Coal was suspended from trading on the ASX in January 2014
Note (3): Issue date included date of latest amendment to interest rate
Note (4): Market capitalisation as at issue date
Note (5): T (thermal coal) CC (coking coal)
Note (6): For a description of the companies refer to Appendix B

In relation to the above table we note:

- Interest rates on convertible notes incorporate consideration of the convertible feature/option and as a result, will typically have relatively lower interest rates compared to a similar bond. In this regard, we note the Bank Guarantee Facility does not incorporate any conversion features.

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- Unlike the Bank Guarantee Facility, the interest rates on the convertible notes observed above are not capitalised. The time value of money and higher levels of uncertainty associated with receiving interest at the end of the maturity term with capitalised interest is likely to demand higher levels of interest rates.

- Interest rates are relatively higher for smaller pre-production companies (i.e. exploration/ development stage) raising funds for project development purposes and companies holding lower value coal (i.e. thermal coal rather than coking coal). On this basis, we note that COK is a relatively larger company looking to access funds for the ramp-up of the Baralaba North Expansion Project and holds mainly ULV PCI coal which is generally valued between coking coal and thermal coal.

Overall, whilst none of the issuing companies are perfectly comparable to COK, we believe the selected comparable companies as a whole provides a good guidance for the interest rate available to COK in terms of convertible notes.

7.1.2 Cost of equity

The cost of equity observed in relation to comparable companies sourced from recent independent expert reports range from 11.1% to 15.8% with an average of 13.4% as summarised in the table below.

Date	Company name	Location	Value of asset (A$'m)³	Stage	Coal type	Cost of equity
Nov-13	Cockatoo Coal Ltd¹	Bowen & Surat Basin, QLD, NSW	257.2	Prod/Dev	PCI	14.3%
Nov-13	Xceed Resources Ltd	South Africa	78.3	Dev	T	13.5%
Aug-13	Gujarat NRE Coking Coal Ltd	Sydney Basin, NSW	935.0	Prod	CC	13.3%
May-13	Cuesta Coal Ltd²	Bowen, Surat and Galilee Basin, QLD	45	Exp	PCI,T	13.6%
Jan-13	Endocoal Ltd	Bowen Basin, QLD	28.5	Dev	PCI, T, CC	15.8%
Oct-12	Stanmore Coal Ltd	Bowen and Surat Basin, QLD	160.0	Dev	T	12.3%
Jul-12	Rey Resources Ltd	Southeast of Derby, WA	60.0	Dev	CC, T	12.2%
Apr-12	Gloucester Coal Ltd	Gloucester & Hunter Valley, NSW	1775.0	Prod	CC, T	14.0%
Mar-12	Whitehaven Coal Limited	Gunnedah Basin, NSW	3063.5	Prod	PCI,SSC,T	11.1%
Mar-12	Aston Resources Ltd	Gunnedah Basin, NSW	3123.3	Dev	SSC,T	14.1%
Oct-11	Coal & Allied Industries Ltd	Hunter Valley, NSW	10000.0	Prod	SSC,T	14.5%
Average						**13.4%**
Median						**13.6%**

Source: Independent expert's reports and GTCF calculations
Note (1): Based on GT's independent expert's report issued in November 2013. Note we have excluded this from the overall average and median.
Note (2): Cost of equity for Cuesta is based on a real internal rate of return of 11.4% and assumed 2.0% long term inflation based on assessments of the independent expert
Note (3): Value of asset assessed using the cost of equity calculated by the independent experts
Note (4): T (thermal coal), CC (coking coal), SSC (semi soft coking coal)
Note (5): For a description of the companies refer to Appendix B

In relation to the above table we note:

- The cost of equity is generally estimated using the capital asset pricing model and requires a level of judgment in relation to future direction of the company, growth rates, beta, optimal gearing structure and numerous other factors.

- In November 2013, Grant Thornton Corporate Finance issued an independent expert report for COK in which we assessed the cost of equity to be in the range of 13.9% to 14.6% with a midpoint of 14.3% for the Baralaba Complex.

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7.1.3 Conclusion – *Issuance Fee*

Based on the above analysis, we conclude that the Issuance Fee appears to be on arm's length and on terms not less favourable than alternative funding facilities potentially available to COK (i.e. unsecured convertible notes and equity).

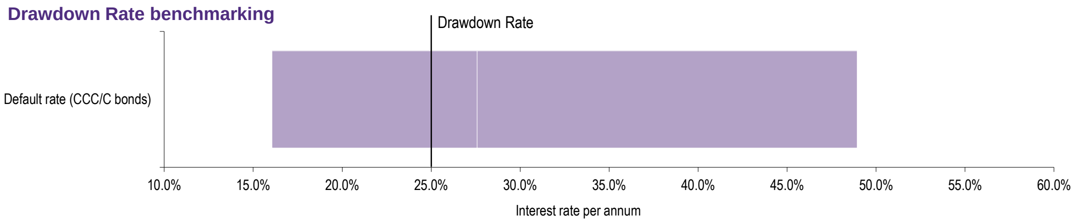
7.2 Drawdown Rate

The Drawdown Rate is applied if ANZ draws on the guarantee provided by the Financiers under the Bank Guarantee Facility. Based on discussions with Management and our understanding of the Company, this is only likely to occur if:

- COK is unable to develop the Baralaba North Expansion Project in time or in economic manner to meet the Take or Pay Agreement under COK's WICET Agreement; and
- COK does not have sufficient funds; or
- COK is unable to source further funding to make payments required under the Take or Pay Agreement until production and sales from the Baralaba North Expansion Project can support the Take or Pay Agreement.

Under such circumstances, given COK does not have any material cash generating assets or close to cash generating assets it is our opinion that COK will likely cease to be a viable going-concern.

Accordingly, in order to test whether the Drawdown Rate is on commercial arm's length basis and fair to Non-Associated Shareholders, Grant Thornton Corporate Finance has considered the one-year corporate default rate for junk bonds (i.e. CCC/C rated bonds for companies considered to be very high risk, which will likely be the case for COK if it is no longer considered a going-concern) for period from 2009 to 2013 as illustrated below.



Source: 2013 Standard & poor's Annual Global Corporate Default Study and Rating Transitions

In relation to the above, we note:

- The Drawdown Rate of 25% pa is circa 3% pa below the average default rate of 28% pa observed in the last 5 years.
- The default rate observed has been relatively volatile, ranging from 16.1% to 48.9%. We note the default rate peaked in 2009 as a result of the GFC before decreasing to 16.1% in 2011 with global economic recovery from the GFC. However, the default rate increased over 2012 to 27.0% mainly as a result of the deepening of the Eurozone sovereign debt crises. In 2013, the default rate decreased slightly to 23.4% reflecting improving global economic conditions.

7.2.1 Conclusion – *Drawdown Rate*

Based on the above analysis, we conclude that the Drawdown Rate appears to be on arm's length and on terms not less favourable than alternative funding facilities potentially available to COK (i.e. one-year corporate junk bonds).

7.3 Issuer Rate

The Issuer Rate of 1% pa is to recompense the Financiers for actual costs incurred in procuring the Bank Guarantee Facility from an Issuer acceptable by ANZ. We understand this is to satisfy ANZ's requirement for a bank guarantee rather than a company guarantee. Furthermore, we note the Issuer Rate is capped at 1% even if actual costs incurred by the Financiers are greater, and are capitalised and payable on maturity.

7.4 Conclusion – the Bank Guarantee Facility

Based on the above considerations and analysis, we are of the opinion that the key terms of the Bank Guarantee Facility (i.e. the Issuance Fee, Drawdown Rate and Issuer Rate) are on commercial and arm's length, and not worse than the terms of alternative funding.

8 Fairness of the Offtake Agreement

Under the Offtake Agreement, COK has granted Noble and SK to offtake up to a combined 11.7 Mt of ULV PCI coal from the Baralaba Complex. The Offtake Agreement for Noble and SK have substantially equivalent and consistent terms in all material aspects except for the determination of the base price (prior to adjustments for quality and quantity) as summarised below:

- SK Base Price: determined by reference to a quoted index price ("ULV PCI Benchmark") with adjustments for differences between Baralaba Complex coal and the ULV PCI Benchmark specification, or as negotiated from time to time.

- Noble Base Price: to be negotiated for each calendar quarter.

Further details of the Offtake Agreement are set out in Section 1.3.

Accordingly, as discussed in section 5.3.3 the main determinant of whether the Offtake Agreement is at arm's length and 'fair' is the SK Base Price and Noble Base Price.

8.1 SK Base Price

Given the SK Base Price is determined by reference to a quoted index price with adjustments for differences between Baralaba Complex coal and standard index specification, the main determinant of whether the SK Base Price is at arm's length and 'fair' are the adjustments to the index price.

In order to test the fairness of the SK Base Price, we have attempted to benchmark the Offtake Agreement against other publicly available comparable transactions involving offtake agreements in the coal mining industry, however we note that:

- Terms are typically not disclosed in detail due to commercial sensitivity and may not necessarily reflect the full material terms.

- There may be other net benefits accruing to the offtake party which are difficult to capture/ quantify. We note that several offtake agreements were entered into in conjunction with fund raising activities.

- Offtake agreements for different types of coal (i.e. thermal, hard-coking coal and PCI coal), different qualities of coal (i.e. ash content) and different conditions of coal (i.e. washed and unwashed coal) result in significantly different pricing mechanisms which are difficult to compare. In particular, we note that there is very limited publically available information of terms of offtake agreements involving PCI coal.

- In addition to the above offtake agreements in the public domain, we have also considered JFE Offtake Agreement currently in place. Given it is confidential and commercially sensitive, we have not disclosed the terms in this report. Whilst, we note that the base price terms are not directly comparable with those included in the Offtake Agreement, other key terms are not substantially different. In particular, terms in relation to quality adjustments to the base price are consistent between the Offtake Agreement and JFE Offtake Agreement.

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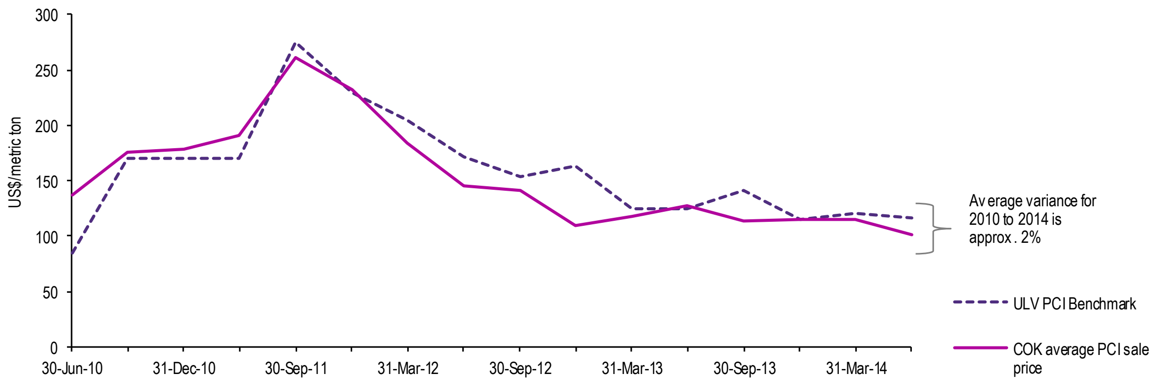
- Based on discussions with Management, the SK Base Price is based on an independent consultant pricing market study report commissioned by the Company in December 2013 and takes into account COK's ULV PCI having an ash content (10.5%) being slightly above the Australian ULV PCI average (9.6%).

Accordingly, in our fairness assessment of the SK Base Price, we have placed limited reliance on publicly available comparable transactions and have instead focused on the comparison of the SK Base Price with the price historically achieved by COK against the ULV PCI Benchmark.

8.1.1 Historical pricing premium/(discount)

The table below provides a graphical representation of the historical price of ULV PCI coal sold from COK's Baralaba Mine compared to the ULV PCI Benchmark.

Comparison of historical COK PCI sale prices to the ULV PCI Benchmark



Source: Management and calculations

In relation to the above, we note the following:

- We have assessed the historical premium/(discount) of COK's ULV PCI coal price to the ULV PCI Benchmark price based on historical average quarterly figures. COK's quarterly price is compared to the quarterly ULV PCI Benchmark price for the quarter immediately preceding (as set out in the Offtake Agreement).

- From June 2010 to June 2014, the historical price of COK's ULV PCI coal has been sold on average at approximately 2% discount to the ULV PCI Benchmark. Excluding outliers[19], the premium/(discount) range has been 12% to (15%) with a midpoint of (2.9%).

- On a more recent basis, the historical price of COK's ULV PCI coal has also been sold on average at approximately 6% discount to the ULV PCI Benchmark from December 2013 to June 2014.

- The price of COK's ULV PCI coal has historically been influenced by varying quality factors, volume of production and negotiations with buyers. As a result, as seen in the graph above, there has been significant volatility in the discount/premium which COK's ULV PCI coal

[19] Premiums/(discounts) to the ULV PCI Benchmark in excess of circa 20% has been considered outliers.

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trades to the ULV PCI Benchmark. We note the SK Base Price is applied prior to any adjustments for quality.

- Management have advised that going forward, the typical quality of ULV PCI coal to be mined from the Baralaba Complex (including from expansion areas) and which the SK Base Price is based on, is expected to be similar to the average quality of ULV PCI coal mined historically.

- A significant portion of COK's coal mined historically has been supplied to JFE under an existing JFE Offtake Agreement. We understand that as COK's joint venture partner to the Baralaba Complex, JFE is familiar with the Offtake Agreement and has not raised any concerns in relation to its terms in comparison with the JFE Offtake Agreement.

In addition, subject to COK consent, the SK Base Price may also be negotiated from time to time to apply an agreed fixed price or other price setting mechanism. We note that this is not inconsistent with the base price setting method adopted by Noble and JFE as discussed further below in Section 8.2. Use of this price setting method is expected to be limited as a formal amendment to the Offtake Agreement will be required.

Based on the analysis, procedures and limitations outlined above, we are of the opinion that the SK Base Price is commercial and on arm's length.

8.2 Noble Base Price

Given the Noble Base Price is to be renegotiated/ reset for each calendar quarter it is not possible to benchmark the Noble Base Price for the purpose of assessing fairness. However we note the following:

- The Noble Base Price determination method is consistent with the method under the JFE Offtake Agreement. The SK Base Price also allows for negotiations of the base price from time to time with COK.

- Under the Offtake Agreement, SK has the right to be supplied coal by COK on an equal basis to Noble (includes both tonnage and quality of coal). Accordingly, it is unlikely the negotiated Noble Base Price will be materially different from the SK Base Price.

- The Offtake Agreement was negotiated in conjunction with SK and Noble and each party is familiar with the terms offered to the other party. Neither Noble nor SK has raised concerns with the terms offered to the other party. Accordingly, it is reasonable to assume that both SK and Noble expect their respective base price setting methodologies will note result in materially different prices.

Accordingly, in our opinion if the SK Base Price is considered is at arm's length and 'fair' then the Noble Base Price in turn can be considered at arm's length and 'fair'.

8.3 Conclusion – the Offtake Agreement

Based on the above considerations and analysis, we are of the opinion that the key terms of the Offtake Agreement (i.e. the SK Base Price and Noble Base Price) are on commercial and arm's length terms.

9 Sources of information, disclaimer and consents

9.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Notice of Meeting and Explanatory Memorandum
- Bank Guarantee Facility Agreement
- Offtake Agreement
- ANZ Financing Package Agreements
- ANZ Guarantee Facility Agreements
- Annual reports and half-year financial reports of COK
- Releases and announcements by COK on the ASX
- IBISWorld Industry Report
- Other information provided COK
- Capital IQ
- Consensus Economics Forecast
- Various broker reports and independent expert reports
- Other publicly available information
- Discussions with Management of COK and other relevant documentation

9.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous Proposed Takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to COK and all other parties involved in the Proposed Transactions with reference to the ASIC Regulatory Guide 112 "Independence of experts" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to COK, its shareholders and all other parties involved in the Proposed Transaction.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with COK or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant

Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

We note that Grant Thornton Corporate Finance was engaged in September 2013 as an independent expert by COK in relation to the following:

- Equity raising to recapitalise COK in order to extinguish existing debt obligations and fund the development of the Baralaba Complex.
- To form an opinion whether or not Noble is receiving a net benefit as a result of the above transaction.
- Off-market takeover BWD by COK.

In our opinion, the above engagements do not impact on our ability to provide an independent and unbiased opinion in the context of the Proposed Transaction. In our opinion, Grant Thornton Corporate Finance is independent of COK, its Directors and all other parties involved in the Proposed Transaction.

9.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by COK and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by COK through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of COK.

This report has been prepared to assist the Independent Directors of COK in advising the Non-Associated Shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable of the Non-Associated Shareholders.

COK has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by COK, which COK knew or should have known to be false and/or reliance on information, which was material information COK had in its possession and which COK knew or should have known to be material and which COK did not provide to Grant Thornton Corporate Finance. COK will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

9.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting to be sent to COK Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

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Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

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Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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Appendix B - Description of comparable companies

Company	Description
Whitehaven Coal Limited	Whitehaven Coal Limited develops and operates coal mines in New South Wales. The company holds interests in the Gunnedah coal basin that comprises the Tarrawonga, Rocglen, and Sunnyside open cut mines; the Werris Creek mine; and the Narrabri mine. Its development projects include the Maules Creek coal project and the Vickery project. The company serves customers in China, India, Japan, Korea, the United Kingdom, Australia, and internationally. Whitehaven Coal Limited was founded in 1999 and is headquartered in Sydney, Australia.
Gujarat NRE Coking Coal Limited	Gujarat NRE Coking Coal Limited is engaged in mining, producing, selling, and exporting coal. It owns and operates two hard coking coal mines comprising the NRE No. 1 Colliery and NRE Wongawilli Colliery in the southern coal fields of New South Wales, Australia. The company was founded in 2004 and is based in Russell Vale, Australia. Gujarat NRE Coking Coal Limited is a subsidiary of Jindal Steel & Power Ltd.
South East Asia Resources Limited	South East Asia Resources Limited explores and develops resource projects in Southeast Asia. The company primarily has an interest in the Malala Molybdenum project covering a total area of approximately 23,747 hectares in Sulawesi, Indonesia. It also has interests in the thermal and coking coal projects in Indonesia. The company is based in Subiaco, Australia.
Coalspur Mines Limited	Coalspur Mines Limited operates as a thermal coal development company with approximately 55,000 hectares of coal leases located in the Hinton region of Alberta, Canada. Its flagship project is Vista coal project that covers approximately 10,000 hectares and provides thermal coal. The company was formerly known as Xenolith Resources Limited and changed its name to Coalspur Mines Limited in September 2009. Coalspur Mines Limited was incorporated in 1985 and is based in Vancouver, Canada.
Firestone Energy Limited	Firestone Energy Limited identifies, evaluates, and develops mineral exploration and mining projects in Africa. It primarily explores for coal. Firestone Energy principally holds a 60% interest in the Waterberg Coal Project that consists of 8 farms covering an area of 7,979 hectares in Limpopo Province, South Africa. The company was formerly known as Centralian Minerals Limited and changed its name to Firestone Energy Limited in December 2007. Firestone Energy Limited is based in West Perth, Australia.
Stanmore Coal Limited	Stanmore Coal Limited identifies, explores, and develops thermal, coking, and PCI coal deposits in the coal bearing regions of eastern Australia. It primarily holds 100% interests in the Belview underground coking coal project covering an area of 120 km2 located to the east of Blackwater, Bowen Basin; and the Range open cut thermal coal project covering an area of approximately 92 km2 located to the south-east of Wandoan, Surat basin. The company was founded in 2009 and is headquartered in Brisbane, Australia.
ZYL Limited	ZYL Limited engages in the exploration and development of metallurgical coal primarily in South Africa. Its flagship properties include the Mbila project located in the region of KwaZulu-Natal; and the Kangwane project located in the Mpumalanga province to produce anthracite coal for industrial consumers. The company, formerly known as Zylotech Limited, is based in West Perth, Australia.
Ascot Resources Limited	Ascot Resources Limited explores and develops coal properties. The company principally holds a 90% interest in the Titiribi coal project, which consists of three mining concessions located in the Department of Antioquia, Colombia. It also owns interests in the McPhees Gold Project located in the Marble Bar Mineral Field, Western Australia; and the Quartz Hill uranium and rare earth metal project located in the Northern Territory, Australia. The company was formerly known as Epic Resources Limited and changed its name to Ascot Resources Limited in December 2012. Ascot Resources Limited was incorporated in 2010 and is based in Subiaco, Australia.
Continental Coal Ltd	Continental Coal Limited is engaged in the acquisition, exploration, development, and operation of thermal coal projects primarily in South Africa and Botswana. The company primarily holds interests in the Vlakvarkfontein, Ferreira, and Penumbra mines located in South Africa. It also holds interests in pre-development projects, including De Wittekrans development project; and exploration projects, such as Vaalbank, Leiden, and Knapdaar in South Africa, as well as Kweneng and Serowe exploration projects in Botswana. The company was formerly known as Continental Capital Limited and changed its name to Continental Coal Limited in July 2009. Continental Coal Limited is based in Sandton, South Africa.
Guildford Coal Limited	Guildford Coal Limited engages in the exploration and extraction of coal in Australia and Mongolia. It holds coal exploration tenements that cover an area of approximately 21,000 square kilometers located in Queensland, Australia; and 7 exploration tenements in Mongolia. The company was incorporated in 2010 and is based in Spring Hill, Australia.
Celsius Coal Limited	Celsius Coal Limited is engaged in mining coking and thermal coal in the Kyrgyz Republic. It owns 80% interest in the Uzgen Basin coking project located in Central Kyrgyzstan; and 90% interest in Alai Range coal projects. The company also owns a 30% joint venture interest in the Carnilya Hill joint venture in Western Australia; and interest in nickel projects located in Western Australia. The company was formerly known as View Resources Limited and changed its name to Celsius Coal Limited in October 2012. Celsius Coal Limited is based in West Perth, Australia.
MetroCoal Limited	MetroCoal Limited, a coal based energy company, holds and explores thermal coal projects in the Surat Basin region in South East Queensland, Australia. The company holds coal exploration tenements covering approximately 3,500 square kilometers in the Surat Basin. MetroCoal Limited is based in East Brisbane, Australia.
Cuesta Coal Limited	Cuesta Coal Limited explores coal properties in Australia. The company's primary project is the Moorlands Project, an open cut thermal coal project located in the Western Bowen Basin in Queensland. Cuesta Coal Limited was founded in 2009 and is headquartered in Sydney, Australia.
Xceed Resources Ltd	Xceed Resources Limited is engaged in the exploration and development of coal projects in the Republic of South Africa. The company primarily focuses on the Moabsvelden thermal coal project located in the western portion of the Witbank coal field. It also has interest in the Roodepoort project situated in the Witbank coal field; and the Bankfontein project that is located in Ermelo coal basin. The company was formerly known as Xceed Capital Limited and changed its name to Xceed Resources Limited in March 2011. Xceed Resources Limited is based in Perth, Australia. As of February 19, 2014, Xceed Resources Limited operates as a subsidiary of Keaton Energy Holdings Limited.
Endocoal Ltd	Endocoal Limited engages in the exploration and development of hard-coking, thermal, and PCI coal projects in Australia. Its tenement portfolio includes 11 exploration permits for coal covering approximately 5,200 square kilometers in the Bowen Basin region, Queensland. The company was incorporated in 2008 and is based in Taringa, Australia. Endocoal Limited operates as a subsidiary of U & D Mining Industry (Australia) Pty Ltd.
Rey Resources Ltd	Rey Resources Limited, together with its subsidiaries, explores and develops coal properties in Canning Basin, Western Australia. The company primarily explores for thermal coal deposits in the Duchess Paradise project located on a pastoral station to the southeast of Derby. It also holds two petroleum exploration permits. The company was incorporated in 2005 and is based in West Perth, Australia.

Company	Description
Gloucester Coal Ltd	Gloucester Coal Limited engages in the production and marketing of coking and thermal coals primarily in Australia, Japan, Singapore, and the United Kingdom. It holds interests in the Stratford mine comprising the Bowens Road North pit and Roseville pits located in the Gloucester Basin; and the Duralie mine consisting of Weismantel and Clareval pits situated in the southern part of the Gloucester Basin. The company also holds interests in the Middlemount mine, a development mine located in Queensland's Bowen Basin; and Donaldson Open Cut mine situated near the Port of Newcastle. In addition, it owns interests in Tasman underground mine located in the south of Maitland; and Abel underground mine situated near the Port of Newcastle. The company is headquartered in Sydney, Australia. As of June 27, 2012, Gloucester Coal Ltd. operates as a subsidiary of Yancoal Australia Pty Limited.
Aston Resources Ltd	Aston Resources Limited engages in the coal mining, exploration, and development in Australia. It holds interest in the Maules Creek Project that contains reserves and resources of semisoft coking coal and premium thermal coal located in the Gunnedah Basin of New South Wales. The company was founded in 2008 and is based in Brisbane, Australia. As of May 2, 2012, Aston Resources Limited was acquired by Whitehaven Coal Limited.
Coal & Allied Industries Ltd	Coal & Allied Industries Limited engages in mining, preparing, and marketing coal products in Australia. The company holds interests in the Mount Pleasant, Lower Hunter Lands, Bengalla, and Carrington West Wing projects located in Mount Thorley Warkworth, Hunter Valley, and Bengalla areas in the Hunter Valley region of New South Wales. Its products include thermal coal, semi-soft coking coal, and pulverized injection coal. The company operates in Australia, Asia, and Europe. Coal & Allied Industries Limited was incorporated in 1960 and is based in Brisbane, Australia. Coal & Allied Industries Limited is a subsidiary of Australian Coal Holdings Pty Ltd.

Source: CapitalIQ

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Appendix C – Glossary

A$ or $	Australian dollar
ANZ	Australia and New Zealand Banking Group Limited
ANZ Financing Package	A$255 million project finance loan and guarantee facility from ANZ for the Baralaba North Expansion Project
ANZ Guarantee 1	A standby letter of credit or indemnity/guarantee (domestic) facility 1 for circa A$45.7 million
ANZ Guarantee Facility	COK's existing bank guarantee facility of approximately A$80.2 million to ANZ
ANZ Security	ANZ Guarantee Facility has first-ranking security over all current and future assets of COK
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Bank Guarantee Facility	Noble and SK will each procure and provide A$18.5 million in bank guarantees (together A$37.0 million from an Issuer acceptable by ANZ
Baralaba Complex	LV PCI mine and the Baralaba Expansion Project
Baralaba North Expansion Project	Brownfield expansion project of COK's Baralaba Central Mine held through COK's subsidiaries, WCPL and BCPL
Baralaba Central Mine	Operating ULV PCI and thermal coal mine located in the Bowen Basin
BCPL	Baralaba Coal Pty Ltd
BWD	Blackwood Corporation Limited
COK	Cockatoo Coal Limited
COK Board	Board of COK
COK Options	Existing 205,000,000 options in COK
COK Recapitalisation	Recent recapitalisation of COK completed in 2013
COK Shares	Fully paid ordinary share in COK
Company	Cockatoo Coal Limited
DCF	Discounted cash flow
DEHP	Department of Environment, Heritage and Protections
Drawdown Rate	25.0% pa on the portion of the Bank Guarantee Facility that is drawn
EIS	Environmental impact statement
Financiers	SK and Noble
FOB	Free on board
FSG	Financial Services Guide
FYXX or FY20XX	Financial year ended 30 June 20XX
Grant Thornton Corporate Finance or GTCF	Grant Thornton Corporate Finance Pty Ltd
Hume Coal	Hume Coal Pty Limited
Independent Directors	Directors of COK not associated with the Financiers (i.e. Noble and SK)
Initial BFS	Bankable Feasibility Study in relation to the Baralaba Expansion Project
Issuance Fee	12.5% fee pa if the Bank Guarantee Facility is not called upon/drawn
Issuer Rate	Capitalised interest rate and charges, and taxes incurred by the Financiers in procuring the Bank Guarantee Facility from the Issuer to be payable by COK and capped at 1% pa
JFE	JFE Holdings Inc. and all wholly owned subsidiaries including, JFE Steel Corporation, JFE Shoji Trade Corporation and JS Baralaba Wonbindi Pty Ltd
JFE Loan	Existing shareholder loan from JFE of circa A$63.1 million as at 30 June 2014

JFE Offtake Agreement	COK's existing PCI coal offtake agreement with JFE
JFE Transaction	COK entered into agreements with its Baralaba Complex joint venture partner, JFE to acquire JFE's minority interest in the Baralaba Complex
ULV PCI	Ultra-low volatile pulverised coal injection
ULV PCI Benchmark	A standard quoted index price
Marketing Fee	Marketing fee equal to 2.5% of the final invoiced sales price per tonne under the SK and Noble Marketing Agreements
Mt	Million tonnes
Noble	Noble Group Limited
Noble Base Price	Base price to be negotiated for each calendar quarter under the Offtake Agreement
Noble Marketing Agreement	Exclusive COK coal marketing rights to Noble for the world excluding Korea and Taiwan
Non-Associated Shareholders	Shareholders of COK not associated with Noble and SK
Offtake Agreement	Financiers have each entered into offtake agreements with COK for a total of 5.85 Mt each of ULV PCI coal to be produced from the Baralaba Complex
pa	per annum
POSCO	POSCO Australia Pty Limited
Proposed Transaction	The proposed (and interdependent) Bank Guarantee Facility and Offtake Agreement with Noble and SK
QRN	QR Network Pty Limited
RG 111	Regulatory Guide 111 "Content of expert reports"
RG 112	ASIC Regulatory Guide 112 "Independence of Expert's Reports"
ROM	Run of mine
SBFS	Supplementary Bankable Feasibility Study
Secured Assets	All the assets held by COK's subsidiaries, BCPL and WCPL, and COK's shares in BCPL and WCPL. The key assets of BCPL and WCPL is the Baralaba Complex
Security	Second-ranking security over the Secured Assets provided by COK to the Financiers for the Bank Guarantee Facility
SK	SK Networks Co., Ltd
SK Base Price	Determined by reference to a ULV PCI Benchmark with adjustments for differences between Baralaba Complex coal and the ULV PCI Benchmark specification, or as negotiated from time to time.
WBCL	Wonbindi Coal Pty Limited

Cockatoo Coal Limited
ABN 13 112 682 158

000001 000 COK
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

Vote and view the notice of meeting online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:00 am (Brisbane time) Saturday 11 October 2014

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Cockatoo Coal Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Cockatoo Coal Limited to be held at Minter Ellison, Level 22 Waterfront Place, 1 Eagle Street, Brisbane, QLD, 4000 on Monday, 13 October 2014 at 10:00 am (Brisbane time) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Ordinary Business	For	Against	Abstain
1 Approval of Transaction	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ Contact Daytime Telephone ____________________ Date / /

Cockatoo Coal Limited
ABN 13 112 682 158

000002 000 COKRM
MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SURBURB
SAMPLETOWN VIC 3030

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I ND

Proxy Form

Please mark ☒ to indicate your directions

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☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Cockatoo Coal Limited to be held at Minter Ellison, Level 22 Waterfront Place, 1 Eagle Street, Brisbane, QLD, 4000 on Monday, 13 October 2014 at 10:00 am (Brisbane time) and at any adjournment or postponement of that meeting.

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1 Approval of Transaction	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ Contact Daytime Telephone ____________________ Date / /