

COCKATOO COAL LIMITED

A.B.N. 13 112 682 158

and its controlled entities

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2014**

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

Your Directors submit their report together with the consolidated interim financial report of the Group, being Cockatoo Coal Limited and its controlled entities, for the half year ended 31 December 2014 and the review report thereon.

DIRECTORS

The names of the Directors of the Company in office during or since the end of the half year are:

Peter Richards – Independent Chairman

Director since 15 January 2014.

Peter Richards has over 30 years of experience in the mining services and industrial sectors with global companies including BP plc, Wesfarmers, Dyno Nobel Limited and, most recently, Norfolk Group Limited where he served as Managing Director. In his time at Dyno Nobel, where he was Managing Director and CEO, Peter held a number of senior executive positions in both North America and Asia Pacific.

Mr Richards currently serves as a Director with several ASX-listed companies, namely Sedgman Limited, Emeco Holdings Limited, Bradken Limited, and NSL Consolidated Limited. He has a Bachelor of Commerce, Accounting and Economics, from the University of WA.

Andrew Lawson - Managing Director

Director since 24 April 2012.

Andrew Lawson has 16 years of experience in the coal sector, including 13 years as a member of Glencore International's coal division, based variously in Australia, Singapore and the USA, during which time he was actively involved in acquisitions, investment, operations and marketing.

Mr Lawson has a Masters of Science in Management from Stanford Graduate School of Business, California, USA and also has a Bachelor of Laws and a Bachelor of Economics from Sydney University.

Hyeondong (Henry) Cho – Non-executive Director

Director since 18 December 2013.

Henry Cho is the Head of Resources Development for SK Networks Co., Ltd and has more than 25 years' experience in investing in and administration of coal projects in Australia, Indonesia, and China.

Mr Cho has been responsible for SK Group's investments in various mining projects, including coal, iron ore, copper, lead/zinc and uranium in Australia, China, Indonesia, Brazil, Kazakhstan, Turkey, Mexico and Colombia. Mr Cho holds a Bachelor of Economics from Seoul National University.

Tim Gazzard – Non-executive Director

Director since 18 December 2013.

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

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

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

Rod Ruston – Independent Director

Director since 15 January 2014.

Rod Ruston is an Australian mining engineer with nearly 40 years' experience in the resources industry, where he has had a wide range of roles including managing coal mining companies in Australia, building a heavy minerals (titanium) business in South Africa and leading a heavy construction and mining contractor in the Alberta oil sands in Canada.

He is currently CEO of County Coal Ltd, an ASX listed company that is working to build a coal business sourcing coal from the Powder River Basin in Wyoming, USA for sale to Asian markets. Rod is also on the board of AngloGold Ashanti, one of the world's largest gold miners, where he is Chairman of the Risk and Information Integrity Committee. Rod has a Bachelor of Engineering from the University of New South Wales and a Masters of Business Administration from The University of Wollongong.

Kenneth Scott Andrew Thompson - Non-executive Director

Director since 27 November 2009.

Scott Thompson is a Director of PT Harum Energy Tbk with close to 25 years of coal industry experience. Prior to joining the Tanito Coal Group in 2003, he worked with various international mining organisations including Anglo American and PT Adaro Indonesia. Mr Thompson holds a Bachelor of Engineering (Honours) from Camborne School of Mines and a MBA from the University of Cape Town. He is Professionally Chartered and a member of the Australian Institute of Mining and Metallurgy.

Robert Ainslie Yeates – Independent Director

Director since 25 July 2005.

Rob Yeates is a graduate of the University of NSW, completing a Bachelor of Engineering (Honours 1) in 1971 and a PhD in 1977 and then an MBA in 1986 from Newcastle University. He began his career with Peko Wallsend working in a variety of roles including mining engineering, project management, general mine management and marketing.

He became General Manager Marketing for Oakbridge Pty Limited in 1989 following a merger with the Peko Wallsend coal businesses and went on to become Managing Director of Oakbridge, which was the largest coal mining company in NSW at that time, operating the Bulga Open Cut, South Bulga, Ellalong, Gretley, Baal Bone and Clarence coal mines.

Dr Yeates has gained operating, business development and infrastructure experience as a director of Port Waratah Coal Services (Newcastle Port), Port Kembla Coal Terminal, Great Northern Mining Corporation NL and Cyprus Australia Coal and for the past 15 years has been principal of his own mine management consultancy, providing a wide range of technical, management and strategic planning services to the mining industry. From 2010 to early 2014 he was also CEO of NCIG, which is constructing and operating the new coal export facility in Newcastle.

Rob Yeates and Associates Pty Limited has entered into a consultancy agreement with the Company, which may be terminated with one month's written notice, to provide consultancy services to the Group as required from time to time by the Group. These services will be carried out by, amongst others, Rob Yeates.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

William James Randall, Alternate Director for Tim Gazzard

Alternate Director since 22 January 2014.

Mr Randall's career started with Noble Group in Australia in February 1997, transferring to Asia in 1999 where he established Noble's coal operations, mining and supply chain management businesses. He served as a Director of Noble Energy Inc before being appointed Global Head of Coal & Coke in 2006, and a member of the Noble Group internal management Board in 2008. He was appointed an Executive Director and Head of Hard Commodities in 2012, prior to which he was Head of Energy Coal & Carbon Complex. Mr Randall has also recently been appointed President of Noble Group.

Lee James O'Dwyer - Company Secretary

Company Secretary since 1 November 2011.

Lee O'Dwyer graduated with a Bachelor of Commerce degree and a Bachelor of Business Management degree from the University of Queensland, has a Graduate Diploma in Applied Corporate Governance, and is a member of the Institute of Chartered Accountants in Australia. He has worked as a Chartered Accountant in both Australia and in North America with a focus on the mining sector and has provided financial reporting, company secretarial and administration services to a range of publicly listed companies in Australia.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

REVIEW OF OPERATIONS

Overview

The half year ended 31 December 2014 has been a significant period in the development of Cockatoo Coal Limited ("Cockatoo" or "the "Company") and its controlled entities (the "Group").

Since the previous financial year, major achievements include:

Corporate and Financial highlights:

- \$125m recapitalisation and revised business plan to complete Baralaba Expansion project
- Sale of interest in North Surat Joint Venture for \$25 million, resulting in an impairment reversal of \$13 million
- Net profit of \$3.5 million caused by impairment reversal
- Acquisition of minority interests in Baralaba from JFE
- Release of \$37.0 million of restricted cash via agreements with Noble & SKN
- Exploration Joint Venture with JOGMEC
- New offtake agreements with JFE, Noble and SKN

Operational highlights:

- No Lost Time or Medical Treatment Injuries during the half year
- 387,087 tonnes of coal produced at the Baralaba mine during the half year
- 452,519 tonnes of coal sold during the half year
- Transition of mining operations to Baralaba North complete, with mining ceased at Baralaba Central
- Baralaba Expansion project EIS deemed adequate by DEHP
- Coal Haulage & Road Infrastructure Agreement executed
- Commencement of Train Load Out facility construction
- Resource upgrades at Baralaba and South Pentland Projects

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

CORPORATE and FINANCIAL ACTIVITIES

\$125M Recapitalisation and Revised Business Plan

Subsequent to the end of the period, the Directors of Cockatoo Coal Limited ("Cockatoo" or "the Company") announced a fully underwritten equity raise to recapitalise Cockatoo and provide funding for the Company's flagship Baralaba Expansion project.

The equity raising will provide Cockatoo with a fully funded business plan¹ to complete the Baralaba Expansion project, which will increase mine output to 3.5Mtpa of ultra-low volatile pulverized coal injection ("ULV PCI") coal. Cockatoo was able to materially reduce the capital required to complete the expansion to ~\$125m. This was achieved by realising additional revenue from the sale of non-core assets, coupled with extending the expansion project time lines to more closely align with operating cash inflows during the construction period. Further cost savings have been made via a reduction in required employees by more than 25%.

Cockatoo selected the Equity Raising path following an exhaustive process evaluating multiple alternatives to secure the Company's future and believes that it provides an appropriate response to the current coal sector challenges, which have placed significant pressure upon the Company's financing position. Cockatoo had investigated multiple alternatives to avoid cessation of the Baralaba Expansion project and any resulting consequences, with the announced Equity Raising being chosen as the preferred option.

The Equity Raising is comprised of a \$125 million accelerated renounceable pro-rata entitlement offer of new fully paid ordinary shares. The issue price is \$0.002 per share at an entitlement ratio of 13.7 new shares for each share held. The rights issue is fully underwritten by BBY Limited, supported through sub-underwriting by major existing shareholders Noble Group Limited ("Noble") and PT Harum Energy Tbk ("Harum"), as well as new investor Liberty Metals & Mining Holdings, LLC, a subsidiary of Boston based Liberty Mutual Insurance ("Liberty Metals & Mining").

The new funding will be sufficient to execute the revised mine development plan, will cover all associated transaction costs and will sustain the business during a period of forecast depressed coal prices prior to a period of forecast substantial demand growth in the ULV PCI over the next decade.

Significant challenges in the external coal environment, principally driven by the significant decline in coal prices and weak coal equity markets, made it appropriate for Cockatoo to terminate the Australia and New Zealand Banking Group Limited ("ANZ") Project Financing Facility. Covenant ratios linked to forecast coal prices adversely impacted likely facility debt sizing and availability. The facility also required Cockatoo to adhere to approval, construction & ramp up milestones, limiting flexibility regarding mine plan and capital deployment.

As part of the recapitalisation, Cockatoo intends to restructure its Board of Directors ("Board") to reflect the changes in the key stakeholders of Cockatoo, whilst also maintaining a balanced set of skills. The new Board will comprise of the following:

- An independent Chairman;
- A Director independent of the major shareholders;
- Noble and Liberty Metals & Mining each having the right to appoint a Director to the extent an individual equity holding above 9.99% is held and an additional Director to the extent an individual equity holding above 19% is held;
- Harum has the right to appoint a Director to the extent an equity holding above 4.99% is held;
- SK Networks has the right to appoint a Director, to the extent an equity holding above 9.99% is held.

The Company will update shareholders on the Director appointments when finalised.

¹ Concept of fully funded business plan assumes coal price based on equity research consensus, FX forecasts based on the forward curve and cost and capital assumptions as per current business plan.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

During the half year ended 31 December 2014, the Company carried out an array of corporate activities.

Acquisition of Minority Interests in Baralaba

During the half year, Cockatoo announced that it had reached agreement with JS Baralaba Wonbindi Pty Ltd, a subsidiary of JFE Shoji Trade Corporation ("JFE Shoji") to acquire its minority shareholdings in Baralaba Coal Pty Ltd and Wonbindi Coal Pty Limited (collectively Baralaba JV) for A\$1 with existing loans from JSBW of approximately A\$60m to remain in place following completion of the sale. Repayment of the JSBW shareholder loans will be subordinated to any new funding contributed by the Company up until completion of the Baralaba Expansion project, and will then be repaid from Baralaba JV cashflows on an equal dollar per dollar basis with the existing shareholder loans that the Company has advanced to the Baralaba JV.

JSBW has a 37.5% interest in Baralaba Coal Pty Ltd, and a 20% interest in Wonbindi Coal Pty Ltd. As part of the recapitalisation transactions, Noble will acquire a non-funding 5% equity stake in the Baralaba JV for a nominal amount. The current value in Baralaba and Wonbindi is in the shareholder loans owing to the Company and JFE Shoji, which Noble will not benefit from

Cockatoo expects the transactions above to be completed prior to 30 June 2015.

Release of \$37.0 million in restricted cash

During the half year, Cockatoo announced that it had finalised agreement with ANZ and two of its major shareholders, Noble and SK Networks Co., Ltd (SKN) to release \$37.0 million of restricted cash. Under the arrangements, Noble and SKN each procured a bank guarantee in favour of ANZ, as replacement security (previously cash backed) for guarantees supporting infrastructure entitlements, including the 3.0 million tonne per annum 'take or pay' agreement with Wiggins Island Coal Export Terminal.

The arrangements have a term of 3 years, with guarantee fees charged at 12.5% per annum plus expenses (capped at 1% per annum) that will be capitalised and repaid on termination of the facility.

Off-take arrangements

As part of the above transactions, the Company has agreed the following off-take arrangements:

- the current PCI coal offtake tonnage with JFE Steel Corporation ("JFE Steel") has been increased from 300,000 to 500,000 tonnes per annum and the term of the off-take agreement has been extended to 31 March 2022;
- Noble and SKN agreed to each offtake 5.85Mt of ULV PCI coal from the Baralaba JV. These arrangements were approved by shareholders on 13 October 2014;
- Subsequent to 31 December 2014, Noble has agreed a new off-take agreement for approximately 28.5Mt subject to shareholder approval. The Company will also soon issue a notice of general meeting to approve the new off-take agreement. If Shareholders do not approve the new off-take arrangements the off-take agreement will be terminated and the Company would be required to pay Noble a break fee of \$3.5 million.

The new off-take arrangements helps secure the sale of Cockatoo's future production. The agreements provide greater certainty on the ability to sell the Company's scheduled production of 3.5Mtpa for the next 20 years.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

Sale of interest in North Surat Joint Venture for \$25 million

During the half year, Cockatoo announced that it had completed the sale of its 51% interest in the North Surat Joint Venture, consisting of the Collingwood, Taroom and Woori coal projects, for consideration of \$25 million to North Surat Coal Pty Ltd (a wholly owned subsidiary of New Hope Corporation Limited). The sale of these non-core assets aligns with Cockatoo's strategy of focusing on the expansion of its flagship metallurgical coal mine at Baralaba.

Net profit of \$3.5 million

The Company recorded a \$3.5 million profit for the half year ended 31 December 2014. Despite making an operating loss, the profit was achieved due to the \$13.3 million impairment reversal associated with the North Surat Joint Venture sale. No dividends have been declared by the Company.

Exploration Joint Venture with JOGMEC

During the half year, Cockatoo and Japan Oil, Gas and Metals National Corporation ("JOGMEC"), a Japanese Government owned corporation, entered into a Joint Exploration Agreement ("JEA") to undertake an extensive exploration program on Cockatoo's wholly owned Dingo West project.

Under the terms of the JEA, JOGMEC will provide up to \$3.5 million to Cockatoo over a three year period for exploration expenditure on the Dingo West project. JOGMEC will earn up to 35% economic interest in the Dingo West project, whilst also possessing the right to assign that interest to a Japanese nominee company in the future. The JEA provides Cockatoo with funding for all planned exploration activities over three years, including drilling, coal quality analysis and feasibility studies within the Dingo West project area.

Termination of Management Agreement of Bylong Project

During the half year, Cockatoo reached mutual agreement with KEPCO Bylong Australia Pty Ltd ("KEPCO") to terminate the agreement between Cockatoo and KEPCO to manage the 100% KEPCO owned Bylong project in New South Wales. Cockatoo had delivered the final milestone required under the management agreement, with the termination aligning with Cockatoo's strategy of focusing on the Baralaba Expansion project.

OPERATING ACTIVITIES

The Company is a coal mining, exploration and development company with projects in the Bowen, Galilee and Surat Basins in Queensland, Australia. The Company has a significant tenement portfolio with an interest in projects which have reported a total of 69 million tonnes of JORC compliant Marketable Reserves and 1,877 million tonnes of JORC compliant Resources.

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

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

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

The Company's Surat Basin projects cover an area of approximately 4,000 km². The Juandah and Taroom Coal Measures of the Walloon Sub-Group both sub-crop within the Surat project area. The Tin Hut Creek and Davies Road projects are located in the Juandah Coal Measures and the Bottle Tree, Bushranger and Krugers projects are located within the Taroom Coal Measures.

The Company's Galilee Basin projects cover an area in excess of 960 km² located approximately 150km SW of Charters Towers. The Galilee Basin in central Queensland contains resources of high volatile, thermal coal, found within the seams of the Permian Age, Betts Creek Beds coal measures.

A summary of the Company's JORC compliant Reserves and Resources is as follows:

Project	Ownership (%)	Tenement	Depth of Resource (m)	JORC Classification				
				Reserves	Resources			
				Marketable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Baralaba North	100.0	MLs 80169, 80170 & 80200. MDLs 184 and 416. EPC 1047 and MLA 80201	<200	32.0	35.8	33.8	23	92
Baralaba Central (closed)	100.0	MLs 5605, 5580, 5581, 5590 & 80157	<200	0.0	4.3	8.4	4	17
Baralaba South	100.0	MDL 352 and EPC 1047 (MLA 80193)	<200	37.0	35.5	17.2	114	167
	100.0	EPC 1047	<200	0	0	0	25	25
Lochinvar	100.0	EPC 1047	<200	0	0	4.0	60	64
		Bowen Basin Total		69.0	75.6	63.4	226	365
Tin Hut Creek	100.0	MDL 430	<150	0	0	206.6	137	344
Bottle Tree	100.0	MDL 433	<125	0	0	29.5	6	36
Krugers	100.0	EPCs 796 and 1041 (MDLA 441)	<150	0	0	33.2	130	163
Davies Road	100.0	EPCs 813 and 1041 (MDLA 437)	<150	0	0	14.4	35	49
Bushranger	100.0	EPC 813 (MDLA 451)	<150	0	0	18.8	126	145
Kingaroy	100.0	EPC 882	<150	0	35.5	87.4	85	208
		EPC 882	150-300	0	0	40.9	29	70
Broadmere	100.0	EPC1465	<150	0	0	0	52	52
		Surat Basin Total		0	35.5	430.8	600	1,067
South Pentland	100.0	EPC 1486	200-650	0	0	94	351	445
		Galilee Basin Total		0	0	94	351	445
		Group Total		69.0	111.1	588.2	1,177	1,877

Note: The Company owns less than a 100% interest in the companies that own the Baralaba North, Baralaba Central, Baralaba South and Lochinvar projects. The Company however consolidates 100% of the assets and liabilities of these companies in its financial statements.

Safety

Cockatoo reported zero Lost Time Injuries or Medical Treatment Injuries during the half year. As at 31 December 2014 Cockatoo's 12 month rolling TRIFR was 4.91, compared to the 2014 financial year Queensland Open Cut Mines average of 13.3.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

Baralaba Complex

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

During the half year, operations transitioned completely from the Baralaba Central mine to the Baralaba North mine, with Baralaba Central ceasing production following extraction of all economic coal Reserves early in October 2014. Coal production at the Baralaba North mine began in May 2014.

Baralaba Mine Production

Coal production for the half year ended 31 December 2014 was as follows:

	September 2014 Quarter	December 2014 Quarter	Half Year Ended 31 December 2014
ROM coal (tonnes)	209,165	177,922	387,087
Overburden (bcm)	4,185,981	3,095,133	7,281,114

Coal sales and marketing for the half year ended 31 December 2014 was as follows:

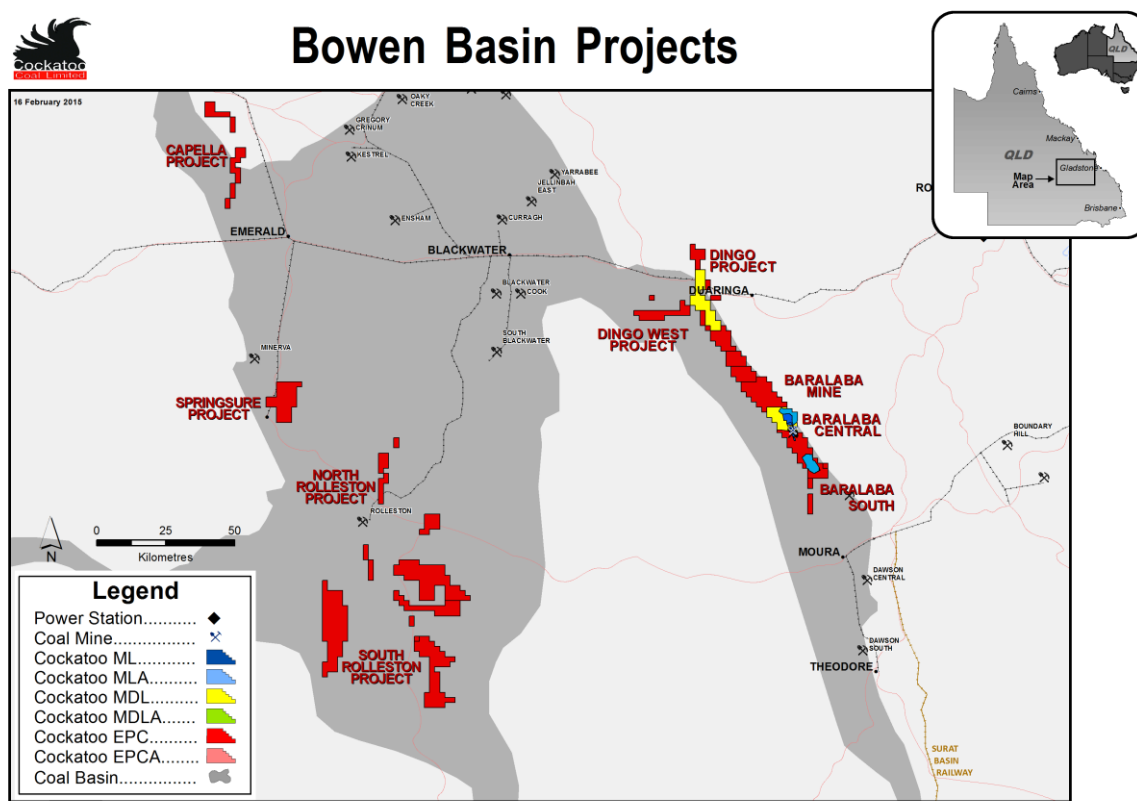
Shipments	September 2014 Quarter	December 2014 Quarter	Half Year Ended 31 December 2014
Tonnes	196,693	255,826	452,519

The strip ratio during the half year was high due to pre-stripping in the outrigger pit at Baralaba North. The strip ratio at Baralaba North is expected to decrease as the Company implements its revised business plan. Mining operations at Baralaba were suspended for a period of 4 weeks during the holiday period. Sales of coal continued during that period with only minimal interruption to haulage and railing of coal from existing stockpiles. Mining operations resumed at Baralaba on 14 January 2015.

As part of the revised business plan involving a more gradual increase in mining operations, the Company made an adjustment to the size of the required workforce at Baralaba. This has resulted in redundancies for approximately 25% of the workforce subsequent to the end of the half year. A comprehensive information session was provided for employees and contractors in January regarding the current state of the coal market and the necessity to make changes due to changes in the business plan. All employees were invited to participate in these sessions, and a majority of personnel did attend. Approximately a week after these sessions, and following a thorough review, the redundancies were put into effect. The Company regrets the need to make these redundancies, but advises that it needs to optimise the size of its operations to ensure they are appropriate for the current market environment.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Directors' Report



Bowen Basin Projects

Approvals and Development

Stage 1 of the Baralaba Expansion project capital works were completed at the beginning of the half year on time, and under budget. During the same period, Cockatoo continued to progress approvals for Baralaba North Continued Operations Project ("BNCOP"). The Company received correspondence from the Department of Environment and Heritage Protection ("DEHP") during the period that the EIS was deemed adequate for the BNCOP and the EIS was subsequently approved in November 2014. The Company has since commenced the Environmental Authority application process which is the final stage of approval for the BNCOP Project.

Cockatoo also received final construction approvals for its Train Load Out Facility ("TLO") during the half, in the form of a Material Change of Use Application and an Operational Works Permit being granted for the TLO site. Work continues to progress at this site. Finally, the Company executed a Coal Haulage & Road Infrastructure Agreement with Banana Shire Council which allows for the scheduled increase in road haulage activities by Cockatoo to the TLO.

Resource Upgrades at Baralaba and South Pentland

During the period, Cockatoo announced an increase of JORC compliant Resources at both the Baralaba North and the South Pentland projects. Baralaba North increased to 92.3 million tonnes, representing a 41% and 44% increase in Measured and Indicated Resources respectively. South Pentland was upgraded to 351 million tonnes of Inferred and 94 million tonnes of Indicated JORC compliant Resources.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Directors' Report

Dingo project

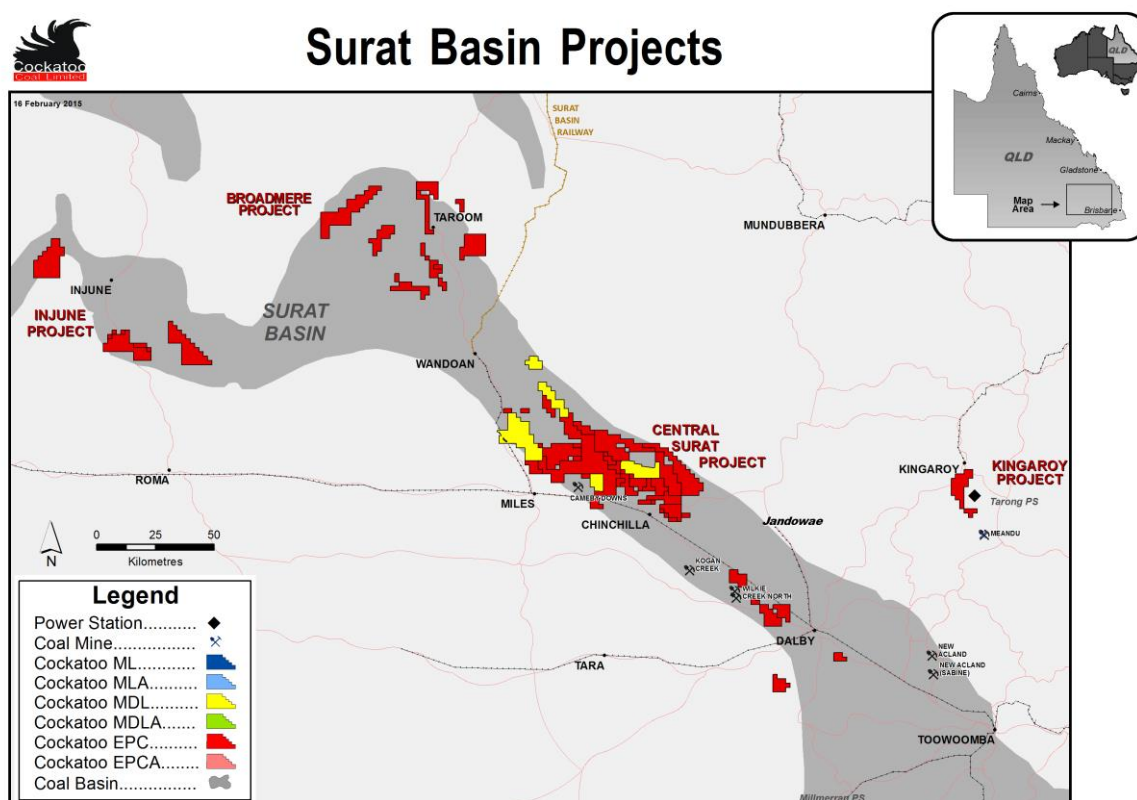
Rehabilitation works were completed at the Dingo project throughout the half year, inclusive of the grant of MDL 512 from the Queensland State Government, which reflects the future potential in this project. The Company's joint venture partner, Whitehaven Coal Limited, continues to manage the Dingo project.

Dingo West project

As mentioned above, Cockatoo has managed the exploration activities as part of the farm-in by JOGMEC under the JEA for the Dingo West project. Exploration activities undertaken during the half year included seismic surveys and drilling of 6 bore holes and 1 cored hole. This program was undertaken at no cost to the Company.

Surat Basin exploration

Minor drilling activities were also undertaken at the Central Surat projects during the half year.



Surat Basin Projects

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

COMPETENT PERSONS STATEMENT

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

- 'Baralaba North JORC Resource Upgrade', released to ASX on 9 October 2014
- 'Bowen Basin Projects Resource and Reserve Updated', released to ASX on 5 April 2013; and
- 'Surat Basin Projects Drilling and Resource Update', released to ASX on 16 January 2013; and
- 'South Pentland Project Resource Upgrade', released to ASX on 10 September 2014; and
- 'Maiden JORC Resource at the Taroom Project', released to the ASX by Blackwood Corporation on 12 September 2013.

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

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

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

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 35 and forms part of the directors' report for the half year ended 31 December 2014.

Signed at Brisbane this 24th day of February 2014
in accordance with a resolution of the Board of Directors:



Peter Richards
Chairman



Andrew C. Lawson
Managing Director

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

**Condensed interim statement of financial position
as at 31 December 2014**

	Notes	Consolidated	
		31 December 2014	30 June 2014
		\$	\$
Current assets			
Cash and cash equivalents		15,757,441	1,407,237
Trade and other receivables		5,021,014	10,732,875
Inventories	9	11,500,304	13,158,151
Other	10	1,039,641	1,100,410
Total current assets		33,318,400	26,398,673
Non-current assets			
Term Deposits		8,651,643	45,740,642
Exploration and evaluation expenditure	11	61,916,298	71,066,144
Property, plant and equipment	12	230,166,215	195,686,106
Intangible assets		360,425	408,996
Other	10	10,456,955	10,396,537
Total non-current assets		311,551,536	323,298,425
Total assets		344,869,936	349,697,098
Current liabilities			
Trade and other payables		32,042,918	40,578,017
Revenue received in advance		6,498,124	11,161,251
Borrowings	13	1,313,155	1,218,534
Employee benefits		1,800,591	1,290,828
Provisions	14	3,699,543	3,699,543
Total current liabilities		45,354,331	57,948,173
Non-current liabilities			
Borrowings	13	65,968,511	64,025,928
Employee benefits		93,354	86,863
Deferred tax liability		400,000	400,000
Provisions	14	9,219,025	7,221,181
Other		1,375,336	1,090,212
Total non-current liabilities		77,056,226	72,824,184
Total liabilities		122,410,557	130,772,357
Net assets		222,459,379	218,924,741
Equity			
Issued capital	8	495,916,878	495,916,878
Option premium reserve	8	2,060,910	7,588,554
Accumulated losses		(249,949,550)	(262,139,678)
Total parent entity interest		248,028,238	241,365,754
Non-controlling interest		(25,568,859)	(22,441,013)
Total equity		222,459,379	218,924,741

The condensed interim statement of financial position should be read in conjunction with the accompanying notes.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

**Condensed interim statement of profit or loss and
other comprehensive income
for the half year ended 31 December 2014**

	Notes	Consolidated	
		31 December 2014	31 December 2013
		\$	\$
Coal sales revenue		43,986,373	50,086,341
Cost of sales		(44,423,958)	(53,983,778)
Gross profit/(loss)		(437,585)	(3,897,437)
Other income		2,544,517	3,485,951
Gain on disposal of assets		-	1,043,475
Foreign exchange gain/(loss)		69,278	(37,124)
Administration expenses		(8,721,033)	(8,740,636)
Reversal of impairment	7	13,259,046	-
Impairment losses	7	-	(151,169,703)
Termination fee – marketing rights		-	(3,087,097)
Share based payments		-	(42,194)
Other expenses		(286,041)	(428,132)
Results from operating activities		6,428,182	(162,872,897)
Financial income		401,290	626,030
Financial expense		(3,294,834)	(7,407,648)
Net finance expense		(2,893,544)	(6,781,618)
Profit/(Loss) before income tax		-	(169,654,515)
Income tax expense		-	-
Profit/(Loss) for the period		3,534,638	(169,654,515)
Other comprehensive income			
Total items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		-	(104,000)
Total items that may be reclassified subsequently to profit or loss		-	(104,000)
Other comprehensive income for the period		-	(104,000)
Total comprehensive profit/(loss) for the period		3,534,638	(169,758,515)

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

**Condensed interim statement of profit or loss and
other comprehensive income
for the half year ended 31 December 2014**

		Consolidated	
		31 December 2014	31 December 2013
	Notes	\$	\$
Profit/(Loss) for the period attributable to:			
- Equity holders of the parent		6,662,484	(165,616,547)
- Non-controlling interest		(3,127,846)	(4,037,968)
Profit/(Loss) for the period		3,534,638	(169,654,515)
Total comprehensive profit/(loss) for the period attributable to:			
- Equity holders of the parent		6,662,484	(165,720,547)
- Non-controlling interest		(3,127,846)	(4,037,968)
Total comprehensive profit/(loss) for the period		3,534,638	(169,758,515)
Basic profit/(loss) per share attributable to ordinary equity holders	6	0.15 cents	(14.29) cents
Diluted profit/(loss) per share attributable to ordinary equity holders	6	0.14 cents	(14.29) cents

The condensed interim statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Condensed interim statement of changes in equity
for the half year ended 31 December 2014

		Attributable to equity holders of the Company					Non-controlling interest	Total equity
Note	Share capital	Option premium reserve	Fair value reserve	Ordinary shares to be issued	Retained losses	Total		
	\$	\$	\$	\$	\$	\$	\$	\$
For the half year ended 31 December 2014								
Balance at 1 July 2014	495,916,878	7,588,554	-	-	(262,139,678)	241,365,754	(22,441,013)	218,924,741
Total comprehensive income for the period								
Profit/(loss)	-	-	-	-	6,662,484	6,662,484	(3,127,846)	3,534,638
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Expiry of options	8	-	(5,527,644)	-	5,527,644	-	-	-
Balance at 31 December 2014		495,916,878	2,060,910	-	-	(249,949,550)	(25,568,859)	222,459,379
For the half year ended 31 December 2013								
Balance at 1 July 2013		339,007,453	9,603,242	104,000	-	(83,744,759)	264,969,936	251,932,729
Total comprehensive income for the period								
Loss		-	-	-	-	(165,616,547)	(165,616,547)	(169,654,515)
Impairment of available-for-sale financial assets		-	-	(104,000)	-	(104,000)	-	(104,000)
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Issue of shares	8	156,922,715	-	-	-	156,922,715	-	156,922,715
Costs of issue	8	(6,272,717)	-	-	-	(6,272,717)	-	(6,272,717)
Acquisition of controlled entity		-	-	-	9,251,940	9,251,940	5,745,530	14,997,470
Acquisition of non-controlling interest		-	-	-	957,470	35,363	(992,833)	-
Cancellation of shares	8	(8,762,475)	-	-	-	(8,762,475)	-	(8,762,475)
Issue of options		-	1,589,032	-	-	1,589,032	-	1,589,032
Expiry of options		-	(3,603,720)	-	-	3,603,720	-	-
Balance at 31 December 2013		480,894,976	7,588,554	-	10,209,410	(245,722,223)	(12,322,478)	240,648,239

The condensed interim statement of changes in equity should be read in conjunction with the accompanying notes.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

**C o n d e n s e d i n t e r i m s t a t e m e n t o f c a s h f l o w s
f o r t h e h a l f y e a r e n d e d 3 1 D e c e m b e r 2 0 1 4**

		Consolidated	
		31 December 2014	31 December 2013
	Notes	\$	\$
Cash flows from operating activities			
Cash receipts from customers		33,749,702	43,880,728
Payments for production		(58,427,723)	(42,049,327)
Net cash flow generated from production activities		(24,678,021)	1,831,401
Other cash payments in the course of operations		(8,653,566)	(8,757,759)
Cash receipts from customers in advance of coal sales		6,498,124	-
Proceeds from joint venture partner		39,192	260,397
Proceeds from other income		2,544,517	3,585,069
Cash used in operations		(24,249,754)	(3,080,892)
Borrowing costs paid		(609,710)	(5,033,916)
Interest received		444,002	657,285
Net cash used in operating activities		(24,415,462)	(7,457,523)
Cash flows from investing activities			
Payments for exploration and evaluation	11	(1,704,160)	(7,540,574)
Payments for mining development	12	(21,549,035)	(11,141,459)
Payments for property, plant and equipment	12	(157,217)	(3,610,194)
Cash acquired from acquisition of subsidiaries		-	6,371,256
Proceeds from sale of investments		-	9,715,263
Net proceeds from the sale of exploration projects		25,446,360	-
Payments for security deposits	10	(161,000)	(7,265,364)
Refund of security deposits		37,252,500	2,419,368
Movement in loans from other entities		123,289	1,751,497
Net cash from/(used) in investing activities		39,250,737	(9,300,207)
Cash flows from financing activities			
Repayment of borrowings	13	(548,862)	(108,262,787)
Proceeds from borrowings		-	5,348,633
Proceeds from issue of shares	8	-	156,922,722
Payments for share issue costs	8	-	(6,137,264)
Net cash from/(used in) financing activities		(548,862)	47,871,304
Net increase in cash and cash equivalents		14,286,413	31,113,574
Cash and cash equivalents at 1 July		1,407,237	12,688,886
Effect of exchange rate adjustments on cash held		63,791	(20,898)
Cash and cash equivalents at 31 December		15,757,441	43,781,562

The condensed interim statement of cash flows should be read in conjunction with the accompanying notes.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

N o t e s t o t h e c o n d e n s e d i n t e r i m f i n a n c i a l s t a t e m e n t s

Note 1 - Reporting entity

Cockatoo Coal Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the half year ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2014 is available upon request from the Company's registered office at Level 4, 10 Eagle Street, Brisbane, QLD, 4000 or at www.cockatoocoal.com.au.

The financial report was authorised for issue by the directors on 26 February 2015.

Note 2 - Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2014.

Note 3 - Going concern

The interim financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

During the half year, the Company entered into agreements with its major shareholders and ANZ to release \$37 million in restricted term deposits. The arrangements were approved by the Company's shareholders in a General Meeting which was held on 13 October 2014. In addition, the Company sold its interest in the North Surat Joint Venture for \$25 million (refer Note 7).

Subsequent to the end of the half year, the Company announced an equity raising to recapitalise the Group and to provide funding for the Baralaba Expansion project (refer Note 19). The equity raising includes two components, an institutional component of \$83.5m and a retail component of \$41.5m to collectively raise \$125m.

The \$125 million equity raising is through an accelerated renounceable pro-rata entitlement offer of approximately 62.5 billion new fully paid ordinary shares. The equity raising is underwritten by BBY Limited, supported through sub-underwriting by major existing shareholders, Noble and Harum and a new US based investor Liberty Metals & Mining.

The Institutional Entitlement Offer component of the equity raising is complete and gross proceeds of approximately \$83.5 million were received on 18 February 2015. A further \$41.5 million is expected to be raised through the retail component of the equity raising. The Company expects to receive the gross proceeds from the retail component on 10 March 2015.

As a result of the revised business plan supporting the equity raising to recapitalise the Group, the Company terminated the ANZ project finance facility subsequent to the half year (refer Note 10).

The revised business plan for the Company includes a revised mine plan and assumes a significant reduction in capital expenditure on the Baralaba Expansion project. The revised mine plan assumes the mine will be developed in stages with a production rate of 3.5 million tonnes of coal per annum expected in 2018. The revised mine plan includes cash flows from operations being used in conjunction with the equity raising to fund the completion of the Baralaba Expansion project.

The directors have endorsed cash flow projections prepared by management that support the ability of the Group to continue as a going concern. These cash flow projections include a further \$41.5m being raised through the underwritten retail component of the equity raising, significant mine development payments and the Group successfully completing the Baralaba Expansion project to enable the production of 3.5 million tonnes of coal per annum to ultimately meet the Group's infrastructure take or pay entitlements.

Note 4 - Significant accounting policies

The accounting policies applied by the Group in the interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2014.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 5 - Estimates

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

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2014.

During the half year ended 31 December 2014 management reassessed its estimates in respect of:

- Note 9 – Inventories
- Note 10 – Other assets
- Note 11 – Exploration and evaluation expenditure
- Note 12 – Property, plant and equipment
- Note 14 – Provisions

Consolidated	
31 December 2014	31 December 2013
\$	\$

Note 6 - Earnings per share

Basic and diluted earnings per share have been calculated using:

Net profit/(loss) for the half year attributable to equity holders of the parent

6,662,484	(165,616,547)
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Weighted average number of shares used as the denominator:

- Number for basic profit/(loss) per share

4,560,196,928	1,159,345,469
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- Number for diluted profit/(loss) per share

4,701,609,971	1,159,345,469
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**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 7 – Impairment	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
<i>Impairment Losses</i>		
Impairment loss on other assets	-	8,394,712
Impairment loss on exploration and evaluation assets – refer Note 10	-	133,613,413
Impairment loss on investments	-	5,496,002
Impairment loss on land - refer Note 11	-	3,665,576
	-	151,169,703
<i>Impairment Reversals</i>		
Impairment reversal on other assets	123,289	-
Impairment reversal on exploration and evaluation assets	13,135,757	-
	13,259,046	-

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

In the prior period, in conjunction with the recapitalisation transactions and acquisition of Blackwood Corporation Limited, an independent valuation of the Group and its assets was completed by Grant Thornton Corporate Finance Pty Limited ('Independent Expert') for the benefit of shareholders voting on the transaction. In the opinion of the Independent Expert, certain assets held by the Group had a fair value less than the current book value.

Following a review in the prior period of the valuations and expected development plans for those assets, the directors of Cockatoo decided it was appropriate to write down the book value of those assets to the fair value determined by the Independent Expert. As a result of these write-downs the Group recorded impairment in relation to its land and exploration and evaluation assets. Due to uncertainty in the timing of development of infrastructure relating to the impaired projects, the Group also recorded impairment in relation to refundable infrastructure costs which are included in other assets.

Impairment was also recorded on the Group's investment interests in Ambre Energy Limited and ATEC Rail Group Pty Limited in the prior period.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 8 - Capital and reserves

Share capital	Number of shares	Number of shares
Ordinary shares on issue 1 July – fully paid	4,560,196,928	1,021,101,465
Cancellation of shares	-	(134,807,307)
Issue of shares	-	3,279,834,642
Ordinary shares on issue closing balance – fully paid	4,560,196,928	4,166,128,800

During the half year ended 31 December 2014 no shares were issued by the Company.

During the half year ended 31 December 2013:

- In December 2013 the Company issued 80,470,063 ordinary shares pursuant to the Company's Share Purchase Plan at \$0.045 per share for cash totalling \$3,621,152.
- In December 2013 the Company issued 1,866,031,245 ordinary shares to SK Networks Resources Australia Pty Limited and Maylion Pty Limited at \$0.05 per share for cash totalling \$93,301,562.
- In December 2013 the Company issued 1,333,333,334 ordinary shares to various institutional and sophisticated investors including Harum Energy Australia Limited at \$0.045 per share for cash totalling \$60,000,000.
- There were no amounts unpaid on the above ordinary share issues and issue costs totalled \$6,272,717.
- In August 2013 the Company cancelled 134,807,307 ordinary shares held by POSCO Australia Pty Limited ('POSA') following the sale of the Company's 30% interest in Hume Coal Pty Limited to POSA.

Options

The following options were on issue at 31 December 2014, each exercisable to acquire one fully paid ordinary share:

Grant date	Expiry date	Exercise price \$	Balance at start of the half year Number	Granted during the half year Number	Exercised during the half year Number	Expired/Cancelled during the half year Number	Balance at end of the half year Number	Exercisable at end of the half year Number
3 Feb 2012	30 Sep 2015	\$0.70	5,000,000	-	-	-	5,000,000	5,000,000
16 Apr 2013	15 Oct 2014	\$0.125	150,000,000	-	-	150,000,000	-	-
17 Oct 2013	15 Apr 2015	\$0.0593	50,000,000	-	-	-	50,000,000	50,000,000
			205,000,000	-	-	150,000,000	55,000,000	55,000,000

Dividends

There were no dividends paid or declared during the half year ended 31 December 2014 or 31 December 2013.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 9 - Inventories	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Work in progress – coal stock	2,759,795	1,502,253
Finished goods – cost stock	7,641,165	10,927,169
Other	1,099,344	728,729
	<u>11,500,304</u>	<u>13,158,151</u>

Coal inventory is carried at the lower of cost or net realisable value.

Note 10 - Other assets

Current

Prepayments	<u>1,039,641</u>	<u>1,100,410</u>
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Non-current

Deferred facility fee	9,562,500	9,562,500
Security deposits	894,455	805,094
Other receivables	-	28,943
	<u>10,456,955</u>	<u>10,396,537</u>

Deferred facility fees

The non-current deferred facility fee relates to the ANZ project finance facility. Subsequent to the end of the half year, the Company terminated the ANZ project finance facility. As a result a \$4 million finance cost has been recognised in the profit or loss subsequent to 31 December 2014.

Note 11 - Exploration and evaluation expenditure

Opening balance	71,066,144	233,153,212
Additions	1,643,084	12,074,393
Acquisition of controlled entity	-	17,617,626
Disposals	(23,928,687)	-
Reallocation to development assets	-	(57,591,041)
Impairment	-	(134,188,046)
Impairment reversal	13,135,757	-
Closing balance	<u>61,916,298</u>	<u>71,066,144</u>

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

During the prior period exploration and evaluation costs of \$57,591,041 relating to the Baralaba Expansion project were transferred to mining properties which is included in property, plant and equipment, see Note 12.

During the prior period impairment was recorded on certain non-core exploration and evaluation assets see Note 7.

The ultimate recoupment of exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 12 – Property, Plant and Equipment	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Land and buildings – cost	14,816,513	16,301,728
Accumulated depreciation	(1,003,572)	(885,170)
Net book value	13,812,941	15,416,558
Office equipment – cost	809,942	798,571
Accumulated depreciation	(498,375)	(446,742)
Net book value	311,567	351,829
Motor vehicles – cost	1,661,970	1,679,340
Accumulated depreciation	(1,047,740)	(973,932)
Net book value	614,230	705,408
Plant and equipment – cost	6,405,806	6,358,747
Accumulated depreciation	(2,719,189)	(2,297,585)
Net book value	3,686,617	4,061,162
Deferred stripping asset – cost	35,103,255	15,050,400
Accumulated depreciation	-	-
Net book value	35,103,255	15,050,400
Mining properties and development assets - cost	195,716,554	176,206,430
Accumulated depreciation	(19,078,949)	(16,105,681)
Net book value	176,637,605	160,100,749
Total property, plant and equipment	230,166,215	195,686,106

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

Land and buildings

Carrying amount at beginning of year	15,416,558	37,443,723
Additions	13,355	7,319,812
Transfer to Mining properties and development	-	(3,665,576)
Impairment	-	(25,296,629)
Disposals	(1,485,376)	-
Depreciation	(131,596)	(384,772)
Net book value	13,812,941	15,416,558

Office equipment

Carrying amount at beginning of year	351,829	340,362
Additions	13,358	117,710
Disposals	(1,885)	-
Depreciation	(51,735)	(106,243)
Net book value	311,567	351,829

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 12 - Property, Plant and Equipment (Con't)	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Motor vehicles		
Carrying amount at beginning of year	705,408	975,731
Additions	-	-
Disposals	(3,001)	(28,375)
Depreciation	(88,177)	(241,948)
Net book value	614,230	705,408
Plant and equipment		
Carrying amount at beginning of year	4,061,162	2,350,805
Additions	50,328	2,599,444
Disposals	(1,334)	-
Depreciation	(423,539)	(889,087)
Net book value	3,686,617	4,061,162
Deferred stripping asset		
Carrying amount at beginning of year	15,050,400	-
Additions	20,052,855	15,050,400
Depreciation	-	-
Net book value	35,103,255	15,050,400
Mining properties and development assets		
Carrying amount at beginning of year	160,100,749	22,277,108
Additions	19,510,124	60,050,657
Addition through recognition of rehabilitation provision	-	2,189,548
Transfer from land and buildings	-	25,296,629
Transfer from exploration and evaluation expenditure	-	57,591,041
Depreciation	(2,973,268)	(7,304,234)
Net book value	176,637,605	160,100,749

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

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

During the prior period impairment of \$3,665,576 was recorded on land that related to land and buildings associated with certain on-core exploration and evaluation assets in the Surat Basin, see Note 7.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 13 - Borrowings	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Current		
Finance lease	1,313,155	1,218,534
Non-current		
Finance lease	326,934	970,417
Subsidiary shareholder loan	65,641,577	63,055,511
	<u>65,968,511</u>	<u>64,025,928</u>

The Company has entered into shareholder and financing arrangements with JFE Shoji. JFE Shoji holds a 37.5% interest in Baralaba Coal Pty Limited ('Baralaba') and a 20% interest in Wonbindi Coal Pty Limited ('Wonbindi'). Under the arrangements, JFE Shoji will share in the funding of all Baralaba and Wonbindi expenditures on an equity share basis.

The loan to Wonbindi of \$35,333,691 (30 June 2014: \$33,941,657) and the loan to Baralaba of \$30,307,886 (30 June 2014: \$29,113,854) bear interest at 8% per annum and were unsecured at 31 December 2014. In accordance with the loan agreement, principal repayments are due as agreed in the 'Approved Program and Budget'. No principal repayments have been budgeted for the next 12 months.

During the half year the Company entered into an agreement to acquire JFE Shoji's interest in Baralaba and Wonbindi for \$1. As part of the arrangements, the JFE Shoji shareholder loans will remain and accrued interest will be capitalised. The JFE Shoji shareholder loans will be repaid from Baralaba and Wonbindi cash flows after debt service (including project finance, if any) on an equal dollar per dollar basis with the existing shareholder loans that the Company has advanced to Baralaba and Wonbindi.

Formal documentation reflecting the agreement reached during the half year was executed subsequent to 31 December 2014. The loans payable to JFE Shoji were granted third-ranking security over the assets of Baralaba and Wonbindi at that time.

Note 14 - Provisions

Current

Infrastructure security	3,699,543	3,699,543
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Non-current

Maintenance provision	2,927,409	1,045,321
Rehabilitation provision	6,291,616	6,175,860
	<u>9,219,025</u>	<u>7,221,181</u>

Maintenance provision reconciliation

Opening balance	1,045,321	-
Provisions made during the period	2,105,156	1,045,321
Provisions used during the period	(223,068)	-
Closing balance	<u>2,927,409</u>	<u>1,045,321</u>

Rehabilitation provision reconciliation

Opening balance	6,175,860	2,952,192
Provisions made during the period	-	3,031,521
Increase in fair value	115,756	192,147
Closing balance	<u>6,291,616</u>	<u>6,175,860</u>

The provision for rehabilitation relates to the Baralaba Central mine and Baralaba North mine areas.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 15 - Segment reporting

The Group has three reportable segments, as described below.

- Mining – development, production and sale of coal.
- Exploration and evaluation – exploration and evaluation activities of the Group.
- Other – corporate activities (including gains/losses from hedging, project management and foreign exchange).

Operating segments have been determined based on the analysis provided in the reports reviewed by the senior management team in assessing performance and determining strategy. The Group derives its revenue from the production and sale of coal and management fees.

Operating Segments	Mining	Exploration and evaluation	Other	Total
	\$	\$	\$	\$
31 December 2014				
Segment revenue				
Revenues - external	43,986,373	113,411	2,431,106	46,530,890
Intersegment revenue	-	-	12,296,347	12,296,347
Finance income	14,919	5,301	381,070	401,290
	44,001,292	118,712	15,108,523	59,228,527
Segment expenses	60,456,375	(13,035,525)	8,273,039	55,693,889
Segment result	(16,455,083)	13,154,237	6,835,484	3,534,638
Segment assets	281,855,915	38,777,648	24,236,373	344,869,936
Segment liabilities	110,195,198	538,563	11,676,796	122,410,557
Other material items in 2014				
Depreciation	3,504,319	-	163,996	3,668,315
Impairment reversal	-	13,135,757	123,289	13,259,046
Finance expense	8,135,816	-	112,267	8,248,083

An intercompany management fee and finance charge has been included in mining segment expenses and intersegment revenue.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Notes to the condensed interim financial statements

Note 15 - Segment Reporting (Con't)

Operating Segments	Mining	Exploration and evaluation	Other	Total
	\$	\$	\$	\$
31 December 2013				
Segment revenue				
Revenues - external	50,266,189	31,044	3,275,060	53,572,293
Intersegment revenue	-	-	8,448,717	8,448,717
Finance income	35,113	-	590,917	626,030
	<u>50,301,302</u>	<u>31,044</u>	<u>12,314,694</u>	<u>62,647,040</u>
Segment expenses	<u>61,693,840</u>	<u>139,774,989</u>	<u>30,832,726</u>	<u>232,301,555</u>
Segment result	<u>(11,392,538)</u>	<u>(139,743,945)</u>	<u>(18,518,032)</u>	<u>(169,654,515)</u>
Segment assets	<u>159,770,515</u>	<u>78,704,075</u>	<u>92,127,290</u>	<u>330,601,880</u>
Segment liabilities	<u>80,665,317</u>	<u>812,305</u>	<u>8,476,019</u>	<u>89,953,641</u>
Other material items in 2013				
Depreciation	3,711,799	-	265,882	3,977,681
Impairment	-	139,774,989	11,394,714	151,169,703
Finance expense	1,055,093	-	6,256,481	7,311,574

An intercompany management fee and finance charge has been included in mining segment expenses and intersegment revenue.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 16 – Contingent Liabilities

Guarantees

The Company has a \$95,165,246 bank guarantee facility with ANZ. At 31 December 2014 ANZ has issued guarantees under this facility totalling \$80,076,246. The Company held term deposits with ANZ totalling \$8,651,643 as security for the financial guarantees issued under the facility. The Company also arranged other external bank guarantees in favour of ANZ totalling \$37,000,000 as part security for the facility. These external bank guarantees were issued as part of arrangements finalised with its major shareholders, Noble and SKN, during the half year which enabled the release of \$37,000,000 from restricted term deposits. Under the arrangements Noble and SKN each procured an \$18,500,000 bank guarantee in favour of ANZ as security for guarantees on issue.

Details of the guarantees provided at 31 December 2014 are:

- \$3,330,000 to Aurizon Network Pty Ltd (“Aurizon”) which forms part of the underwriting of the cost of the upgrade of the Moura-Gladstone rail line by Aurizon to accommodate increased volumes of coal from the Surat and Moura;
- \$39,000,000 to WICET Holdings Pty Ltd under the 'Take or Pay' agreement for Stage 1 of the Wiggins Island Coal Export Terminal;
- \$119,543 to WICET Holdings Pty Ltd for Stage 2 feasibility of the Wiggins Island Coal Export Terminal project. This amount will be drawn if the development of the project does not proceed. The security deposits are refundable:
 - upon the development of the project proceeding and successful refinancing of the project, or
 - upon transfer of ownership of the development of the project, including transfer of ownership of a majority of shareholding in Gladstone Ports Corporation to a party that is not a governmental agency;
- \$34,424,603 as an environmental bond to the State of Queensland against rehabilitation and any potential loss attributable to mining operations at Baralaba;
- \$3,041,100 to Gladstone Ports Corporation as required by the port services agreement entered into for WICET Stage 1;
- \$161,000 as an environmental bond to the State of Queensland against environmental offsets at the new trail load out facility currently under construction.

Infrastructure agreements

The Group has entered into agreements for port and rail services (Infrastructure Agreements) that enable the Group to export coal from its existing 1 million tonne per annum mining operation. The Infrastructure Agreements include financial commitments (rail and port charges) and will also facilitate the export of coal for the expansion of mining operations to 3.5 million tonnes per annum. Increased financial commitments are associated with the commissioning and ramp up of the Stage 1 Wiggins Island Coal Export Terminal.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 17 – Controlled Entities

Particulars in relation to controlled entities:

	Consolidated	
	31 December 2014	30 June 2014
	%	%
<i>Parent Entity</i>		
Cockatoo Coal Limited		
<i>Controlled entities</i>		
Baralaba Coal Management Company Pty Limited	80	80
Baralaba Coal Pty Limited	62.5	62.5
Blackwood Corporation Pty Limited	100	100
Cacatua Pastoral Pty Limited	80	80
Cockatiel Coal Pty Limited	100	100
Cockatoo Coal (Taroom) Pty Limited	100	100
Corella Coal Pty Limited	100	100
Dingo Coal Pty Limited	100	100
Drill Down Resources Pty Limited	100	100
Independent Coal Pty Limited	100	100
Injune Coal Pty Limited	100	100
Matilda Coal Pty Limited	100	100
SE QLD Coal Pty Limited	100	100
SE QLD Energy Pty Limited	100	100
Surat Coal Pty Limited	100	100
Wonbindi Coal Pty Limited	80	80
Wonbindi TLO Holdings Pty Limited	100	-

All entities are incorporated in Australia

- Blackwood Corporation Pty Limited, Cockatiel Coal Pty Limited, Cockatoo Coal (Taroom) Pty Limited, Corella Coal Pty Limited, Independent Coal Pty Limited, Injune Coal Pty Limited, Surat Coal Pty Limited, SE QLD Coal Pty Limited and SE QLD Energy Pty Limited are wholly owned controlled entities.
- Independent Coal Pty Limited holds a 98% interest in Dingo Coal Pty Limited and the remaining 2% interest is held by Corella Coal Pty Limited.
- Cockatiel Coal Pty Limited holds a 62.5% interest in Baralaba Coal Pty Limited and an 80% interest in Wonbindi Coal Pty Limited.
- Wonbindi Coal Pty Limited holds a 100% interest in Cacatua Pastoral Pty Limited and 100% interest in Baralaba Coal Management Company Pty Limited.
- Blackwood Corporation Pty Limited holds a 100% interest in Matilda Coal Pty Limited and Drill Down Resources Pty Limited.

Note 18 – Commitments

As at 31 December 2014, the Company had capital commitments of \$48.7 million relating to the Baralaba Expansion project.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

N o t e s t o t h e c o n d e n s e d i n t e r i m f i n a n c i a l s t a t e m e n t s

Note 19 - Subsequent events

Subsequent to end of the half year the Company announced a fully underwritten equity raising recapitalising Cockatoo to provide funding for the Baralaba Expansion project. The equity raising provides the Company with a fully funded business plan to complete the Baralaba Expansion project (based on broker consensus price forecasts and foreign exchange rates), which will increase mine output to 3.5Mtpa. The announcement detailed a \$125 million accelerated renounceable pro-rata entitlement offer of approximately 62.5 billion new fully paid ordinary shares. The rights issue is fully underwritten by BBY Limited, supported through sub-underwriting by major existing shareholders, Noble and Harum, and a new US based investor Liberty Metals & Mining.

The Institutional Entitlement Offer component of the equity raising is complete and gross proceeds of approximately \$83.5 million were received on 18 February 2015. A further \$41.5 million is expected to be raised through the retail component of the equity raising. The Company expects to receive the gross proceeds from the retail component on 10 March 2015.

Also, as part of the recapitalisation, the Company has also agreed with Noble a new 28.5Mt off-take agreement subject to the specific terms of the agreement and Shareholder approval, and also agreed for Noble to acquire a non-funding 5% equity stake in Cockatoo's subsidiaries Baralaba Coal Pty Ltd and Wonbindi Coal Pty Limited for a nominal amount. If Shareholders do not approve the new off-take agreement the Company is required to pay Noble \$3.5 million.

The Company also terminated the ANZ project finance facility subsequent to the half year, refer Note 10.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' D e c l a r a t i o n

In the opinion of the directors of Cockatoo Coal Limited ('the Company'):

1. the financial statements and notes, set out on pages 15 to 32, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Brisbane this 24th day of February 2015
in accordance with a resolution of the Board of Directors:



Peter Richards
Chairman



Andrew C. Lawson
Managing Director



Independent Auditor's Review Report to the Members of Cockatoo Coal Limited

We have reviewed the accompanying interim financial report of Cockatoo Coal Limited, which comprises the condensed interim statement of financial position as at 31 December 2014, condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the half year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' responsibility for the interim financial report

The Directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Cockatoo Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Cockatoo Coal Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Simon Crane
Partner

KPMG

Adam Twemlow
Partner

Brisbane
24 February 2015



Lead Auditor's Independence Declaration under
Section 307C of the Corporations Act 2001 to the
Directors of Cockatoo Coal Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2014 there have been:

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

KPMG

KPMG

Simon Crane
Partner

Adam Twemlow
Partner

Brisbane
24 February 2015

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

C o r p o r a t e D i r e c t o r y

Directors:

Peter Richards (Independent Chairman)
Andrew C. Lawson (Managing Director)
Henry Cho
Tim Gazzard
Rod Ruston
K. Scott A. Thompson
Robert A. Yeates

Company Secretary:

Lee J. O'Dwyer

Registered Office and Administration:

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