



7 January 2011

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(2 pages by email)

Dear Madam

QUEENSLAND FLOODING UPDATE

On 30 December 2010, Cockatoo Coal Limited ('Cockatoo' or 'the Company') advised that severe flood conditions in Queensland had resulted in a significant water inflow into the main pit of its Baralaba coal mine.

The following update is provided:

- No Company or contract personnel associated with the mine have been injured as a result of the flooding.
- All Baralaba mine's key capital assets, including offices, workshop and coal processing equipment at Baralaba mine remain undamaged and on high ground.
- Advising a timetable for recommencement of Baralaba main pit production is currently premature, given the extent of current flooding and uncertainty regarding future weather patterns. At a minimum however, a production delay of some weeks and potentially longer should be anticipated.
- The Company has sufficient cash reserves to meet the relatively low fixed costs of this small (50,000 tonne/month) mining operation during any reasonably foreseeable restoration period. Typically less than 20% of the mine's quarterly operating costs are from fixed costs.
- Peak flood levels in the region have passed, and access to the mine by Cockatoo staff is occurring today to conduct a safety audit, and preliminary assessment.
- Cockatoo has activated its water management plan, and dewatering processes will begin once approvals are in place. Mining engineers, hydrologists and environmental scientists will work in conjunction with the relevant Queensland Government departments to ensure all dewatering is conducted in a safe, efficient and environmentally sound manner.
- The Company anticipates providing more detail on the timetable for dewatering and recommencement of production once these activities have been undertaken.

The Company also advises that exploration activities at the Company's Bowen and Surat Basin projects will resume as soon as access permits.

Activities at the Company's Hume and Bylong projects in NSW are unaffected.

For further information, contact Mark Lochtenberg, Peter Doyle or Greg Germon on (61-2) 9300 3333.

Yours faithfully

A handwritten signature in black ink, appearing to read 'PJN', with a stylized flourish at the end.

Peter J. Nightingale
Director

pjn5799