



5 February 2015

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

Dear Madam

\$125M Recapitalisation to fund the Baralaba Expansion project

Overview

- **\$125 million equity raising via accelerated renounceable pro-rata entitlement offer of new fully paid ordinary shares (Equity Raising)**
- **Fully underwritten and supported by cornerstone investors Noble Group Limited (Noble), Liberty Metals & Mining Holdings, LLC, a subsidiary of Boston based Liberty Mutual Insurance (Liberty Metals & Mining), and PT Harum Energy Tbk (Harum)**
- **Re-optimised mining plan developed for Baralaba expansion, significantly reducing upfront capital requirements via slower production ramp up profile and utilisation of mine cash flows**
- **Provides a fully funded 5 year business plan for Cockatoo to achieve its long term ambitions**
- **New funding secured in challenging coal market, providing greater certainty for Cockatoo as a business**
- **Market conditions have rendered the previously announced ANZ Project Financing Facility untenable, and made it necessary for Cockatoo to cancel the facility**
- **New off-take agreement with Noble for 28.5Mt**

Details

The Directors of Cockatoo Coal Limited ("Cockatoo" or "the Company") announce a fully underwritten equity raise recapitalising Cockatoo to provide funding for the Company's flagship Baralaba Expansion project.

The equity raising will, based on current broker consensus coal price forecasts, provide Cockatoo with a fully funded business plan to complete the Baralaba Expansion project, which will take mine output to 3.5Mtpa of ultra-low volatile pulverized coal injection (ULV PCI) coal. Cockatoo has been able to materially reduce the capital required to complete the expansion to ~\$125m. This has been achieved by realising additional revenue from the sale of non-core assets, coupled with extending the expansion project time lines, to more closely reflect current coal demand forecasts, thus allowing a greater contribution from operating cash flows during the construction period. Further cost savings have been made via a reduction in required employees by more than 25%.

Cockatoo has 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.

The new funding is planned to be sufficient to execute the revised mine development plan, cover all associated transaction costs and sustain the business during a period of forecast depressed coal prices prior to a period of expected substantial demand growth in the ULV PCI market over the next decade. Hence the Equity Raising will place the Company on a sound footing for this expected long-term growth opportunity. The Equity Raising also provides an opportunity for existing shareholders to reinvest in Cockatoo – the only pure play ASX investment opportunity primarily driven by the ULV PCI market.



The Equity Raising is supported by existing Cockatoo shareholders Noble and Harum, as well as new investor Liberty Metals & Mining. In addition, Cockatoo and Noble have agreed to a new 28.5Mt off-take agreement to support marketing initiatives utilising Noble's global reach and network of customers.

Significant challenges in the external coal environment, principally driven by the significant decline in coal prices, have rendered the ANZ Project Financing Facility untenable and made it necessary for Cockatoo to cancel the ANZ Project Financing Facility. Covenant ratios linked to forecast coal prices have 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 noted above, Cockatoo has 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.

Equity Raising

Cockatoo is today announcing a \$125 million accelerated renounceable pro-rata entitlement offer of new fully paid ordinary shares. The issue price is \$0.002 shares 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 and Harum and a new US based investor Liberty Metals & Mining.

Based on the 12 November 2014 closing price of ¢1.4/share, the rights issue price of ¢ 0.2/s would represent:

- A 86% discount to closing share price; and
- A 29% discount to theoretical ex-rights price (based on closing share price on 12 November 2014)

Off-take and Other Transactions

Cockatoo and Noble have also agreed a new 28.5Mt off-take agreement subject to the specific terms of the agreement and Shareholder approval. The new off-take agreement will be on similar terms to the Noble & SK Networks off-take agreements, approved by Shareholders on 13 October 2014. If Shareholders do not approve the new off-take agreement the Company is required to pay Noble \$3.5 million. However, the Equity Raising is not conditional on Shareholder approval of the new off-take agreement.

Noble will also acquire a non-funding 5% equity stake in Cockatoo's subsidiaries Baralaba Coal Pty Ltd ('Baralaba') and Wonbindi Coal Pty Limited ('Wonbindi') for a nominal amount. The current value in Baralaba and Wonbindi is in the shareholder loans, which Noble will not benefit from.

Cockatoo entering into the 28.5Mt off-take agreement with Noble helps secure the sale of Cockatoo's future production. The agreement provides greater certainty on the ability to sell the Company's scheduled production of 3.5Mtpa for the next 20 years.

The Company will soon issue a prospectus to Shareholders in Australia and New Zealand that are eligible to participate in the entitlement offer. The Company will also soon issue a notice of general meeting to approve the new off-take agreement.

Board Restructure

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 the following:

- An Independent Chairman;
- A Director Independent of the major shareholders;
- Noble & 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 having the right to appoint a Director to the extent an equity holding above 4.99% is held;
- SK Networks having 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 soon.

The Company's shares will remain in suspension until the results of the institutional bookbuild are released prior to market opening on 10 February 2015.

For media enquiries please contact Geoff Fowlstone on +61 413 746 949.

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Indicative Timetable

Indicative Equity Raising Key Dates	
Institutional component of the Entitlement Offer (Institutional Entitlement Offer) opens	5 February 2015
Institutional Entitlement Offer closes	9 February 2015
Institutional Bookbuild	9 February 2015
Announcement of results of Institutional Entitlement Offer	10 February 2015
Record Date for Entitlement Offer	7:00pm (Sydney time) 10 February 2015
Lodgement of prospectus with ASIC and dispatch to Shareholders	13 February 2015
Retail component of the Entitlement Offer (Retail Entitlement Offer) period opens	13 February 2015
Settlement of Institutional Entitlement Offer	18 February 2015
Quotation of securities issued under Institutional Entitlement Offer	19 February 2015
Retail Entitlement Offer period closes	26 February 2015
Retail Bookbuild	2 March 2015
Settlement of Retail Entitlement Offer	10 March 2015
Quotation of securities issued under Retail Entitlement Offer and Bookbuild – normal trading commences	12 March 2015
Holding Statements sent to successful applicants	13 March 2015



Other

This announcement contains certain "forward-looking" statements. The words "intends", "expected", "proposed", "forecast", "target", and "will" and other similar expressions are intended to identify forward looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these statements. To the full extent permitted by law, Cockatoo and BBY and their respective directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

An investment in new Shares is subject to investment and other known and unknown risks, some of which are beyond the control of Cockatoo, including possible delays in repayment and loss of income and principal invested. Cockatoo does not guarantee any particular rate of return or the performance of Cockatoo nor do they guarantee the repayment of capital from Cockatoo or any particular tax treatment. Persons should have regard to the risks outlined in the Investor Presentation. This announcement should be read in conjunction with that Investor Presentation and the important notes contained in that document. Past performance information given in this announcement is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

This announcement is not an offer or an invitation to acquire Shares or any other financial products in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. This announcement is not a prospectus, product disclosure statement or other disclosure document under Australian law. This announcement may not be distributed or released in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any Shares in the United States. The Shares have not been, and will not be, registered under the US Securities Act of 1933, and may not be offered or sold, in the United States unless they have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable US state securities laws.

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All financial information is in Australian dollars and all statistics are as at 30 June 2014 unless otherwise stated. Investors should be aware that certain financial data included in this announcement is "non-IFRS financial information" under ASIC Regulatory Guide 230 Disclosing non-IFRS financial information published by the Australian Securities and Investments Commission. Cockatoo believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of Cockatoo. The non-IFRS financial information do not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this announcement.