

QUARTERLY REPORT

December 2014 Quarterly Report

HIGHLIGHTS

- Calendar Year 2014 production at Baralaba of 738,373 tonnes
- Quarterly production of 177,919 tonnes
- Completion of sale of 51% interest in North Surat Joint Venture for \$25m
- Updated funding and revised business plan

Operations

Safety

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

Baralaba Mine

Cockatoo Coal's Baralaba mining operations produced a total of 177,919 tonnes of Ultra-low Volatile PCI coal from the Baralaba Central and Baralaba North mines during the quarter, and expects to increase this towards the current 1 million tonne per annum approvals limit for the full financial year. Mining operations ceased at Baralaba Central at the beginning of the quarter and the Company has now completed the transition to the Baralaba North mine.

Baralaba Central Mine	December 2014 Qtr	Previous Qtr
ROM coal production (tonnes)	5,347	22,052
Overburden Removed (bcm)	864	195,104
Strip ratio	0.16	8.8
Baralaba North Mine		
ROM coal production (tonnes)	172,575	187,113
Overburden Removed (bcm)	3,094,269	3,990,877
Strip ratio	17.9	21.3
Total Baralaba Complex		
Coal stocks at Quarter end (tonnes)	172,093	249,997
Total coal sales (tonnes)	255,826	196,693

To manage cash flows during the recent period of suspension, mining operations at Baralaba were suspended for a period of 4 weeks across 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 announced today involving a more gradual increase in mining operations, the Company has 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 quarter. 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.

Corporate

Sale of North Surat Joint Venture

During the quarter, Cockatoo's wholly owned subsidiary Cockatoo Coal (Taroom) Pty Limited completed the sale of its 51% interest in the North Surat Joint Venture (NSJV) North Surat Coal Pty Ltd (a wholly owned subsidiary of New Hope Corporation Limited) for \$25m.

The NSJV comprised the "Collingwood", "Taroom", and "Woori" coal projects. The sale of these non-core assets is part of Cockatoo's strategy of focusing on the expansion of its flagship metallurgical coal mine at Baralaba.

Revised Funding and Business Plan

During the quarter, the Company entered voluntary suspension, pending an announcement regarding its funding and financial position. The Company has conducted a whole of business review and has today announced an updated funding position and business plan for Cockatoo. For further information, please refer to the Announcement and Investor Presentation also released to the ASX today. The Company is currently implementing the funding transactions and changes to business contemplated in these ASX releases.

Exploration

Cockatoo continued to minimise expenditure on exploration as it focused on the development of its core asset at Baralaba and ongoing funding negotiations. A total of \$1.1m was spent on exploration and evaluation activities not relating to Baralaba during the December 2014 quarter.

The Company also began managing the JOGMEC farm-in of the Dingo West project during the quarter. As previously reported, the farm-in exploration program is 100% funded by JOGMEC.

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