Cockatoo Coal Limited

ABN 13 112 682 158

18 December 2012

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(2 pages by email)

Dear Madam

EXTENSION OF LOAN FACILITY

The Directors are pleased to advise that Cockatoo Coal Limited ('Cockatoo' or 'the Company') has entered into an agreement to extend the maturity of the KEB Australia Ltd ('KEBA') loan facility ('Facility') to 28 June 2013. The Facility will be reduced to $100 million, with Cockatoo repaying $50 million from current cash reserves.

The Facility continues to benefit from a guarantee provided by SK Networks, Co., Ltd ('SKN') to KEBA ('Guarantee'). SKN is the ultimate parent entity of SK Networks Resources Australia Pty Ltd, an existing shareholder of the Company. The Company has agreed to issue up to 150 million options, or as few as 90 million options in the event of early repayment, at an exercise price of $0.125[1] per share, as consideration for SKN providing an extension to the Guarantee. Each option may be exercised to acquire one fully paid ordinary share in the Company at the exercise price at any time up to 15 October 2014.

The extension of the Facility provides Cockatoo with sufficient time to successfully execute its broader funding plan associated with the proposed expansion of the Baralaba project to 3.5 million tonnes per annum based on the positive Bankable Feasibility Study that was released on 27 September 2012. Cockatoo's plans are well progressed on a number of financing options including a joint venture deal at the Baralaba Expansion project and sale of non-core assets. Any proceeds from these transactions, along with the other sources of capital being explored, will contribute to the repayment of the Facility.

Cockatoo is focused on maximising value for its shareholders and will continue to provide progressive updates to the market as the Company delivers on the financing plan.

Operating and Cash Flow Update

The Baralaba Mine has consistently delivered positive cash flows since acquisition (excluding the flooding period in late 2010/early 2011) and, despite the current depressed coal pricing environment, remains cash flow positive. Operational improvements delivered record quarterly production of 232,988 tonnes of ROM coal in the September quarter at a record low cash cost production of less than $95 per tonne (FOBT excluding royalties).

[1] If Cockatoo undertakes a pro rata issue or implements a reorganisation of capital, the options (including the exercise price) will be treated in accordance with ASX Listing Rule 6.22.

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The Company has also materially reduced expenditure on its Surat assets until there is clarity around the timing of infrastructure development. The Bylong and Hume projects are also effectively cash flow neutral with the management fees received from the joint venture partners covering Cockatoo's expenditures. Cockatoo continues to focus on minimising costs wherever possible.

For further information please contact Andrew Lawson on +61 2 9300 3333.

Yours faithfully

Andrew Lawson
Managing Director

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