



5 April 2013

The Manager Companies  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

(3 pages by email)

Dear Madam

## Optimisation of the Baralaba 3.5 Mtpa Expansion Bankable Feasibility Study

### Highlights

- **Successfully completed a materially improved Supplementary Bankable Feasibility Study ('SBFS')**
- **Reduced initial development capital expenditure by over A\$100 million**
- **Reduced LOM operating costs by ~A\$9/FOBt**
- **Improved BFS has effectively doubled the NPV to A\$1,028 Million<sup>1</sup>**
- **Increased Baralaba Mine and Baralaba North projects JORC Marketable Reserves by 113% to 33 million tonnes**
- **Strengthening Ultra Low Volatile PCI market with June quarter settlements at US\$135 – US\$141/FOBt**
- **Completion of SBFS facilitates progression of financing discussions**

### Supplementary Bankable Feasibility Study

Cockatoo Coal Limited (ASX: COK) is pleased to announce the completion of a Supplementary Bankable Feasible Study for the proposed 3.5 million tonnes per annum ('Mtpa') expansion of the Baralaba ULV PCI mine in central Queensland. The SBFS has significantly reduced the capital expenditure and operating costs outlined in the original BFS, released in September 2012, while also extending the mine life and maintaining the 3.5 Mtpa production target.

<sup>1</sup> Based on November 2012 ULV PCI price and AUD:USD foreign exchange estimates published by Wood Mackenzie (averages US\$147/t for Queensland ULV PCI and foreign exchange of AUD1.00 = USD 0.91 over the first 10 years from 2014) and a 10% nominal discount rate.

The key results of the SBFS are as follows:

<b>Average annual saleable production:</b>	<b>3.5 Mtpa</b>
<b>Product mix:</b>	<b>100% ULV PCI metallurgical coal</b>
<b>Life of mine ROM strip ratio:</b>	<b>9.7:1</b> (improved from 10.5:1)
<b>Product yield:</b>	<b>90%</b> (improved from 85%)
<b>Cash cost (excluding royalties):</b>	<b>A\$96/FOBt</b> (reduced from A\$105/FOBt)
<b>Initial capital expenditure (excluding contingency):</b>	<b>A\$311 million</b> (reduced from A\$413 million)
<b>Life of Baralaba Mine Complex:</b>	<b>minimum 20 years</b>

These material capital and operating cost savings were achieved by a combination of:

- re-configuring the mine plan to reduce the strip ratio, size of the fleet and surface infrastructure requirements;
- improving geological confidence;
- capitalising on a number of identified efficiencies; and
- renegotiating with suppliers/contractors off the back of recent downward cost pressures in the mining sector.

The combined result of these improvements is an effective doubling in the NPV to **A\$1,028 million<sup>1</sup>** for the Baralaba Expansion which equates to a value of **A\$822 million** for Cockatoo Coal's 80% interest. The SBFS had input from a broad array of the industry's leading consultants and has been independently reviewed on a continual basis during the optimisation process.

## **Increased JORC Marketable Reserves**

As advised in the release titled 'Bowen Basin Projects JORC Resource and Reserve Update' immediately preceding this release, Cockatoo Coal, as part of the SBFS, has undertaken a comprehensive drilling program involving 494 holes in Baralaba North and has increased the Baralaba Mine and Baralaba North projects JORC Marketable Reserves by 17.5 million tonnes (113%) to 33.0 million tonnes. Together with previously defined Marketable Reserves at Baralaba South, this brings the Baralaba Mine Complex's total Marketable Reserves to 70.0 million tonnes, underpinning a mine life of at least 20 years for the Baralaba Expansion.

Further reserve potential exists along strike to the north, east and west of the Baralaba Mine Expansion with further marketable reserves expected to be defined by late 2013.

## **Strengthening ULV PCI Market**

Market intelligence indicates that the June 2013 quarter ULV PCI coal prices have recently settled at **US\$135 - US\$141/FOBt**, up approximately 15% from the March 2013 quarter, depending on the coal quality and end-users involved. Baralaba's CY2013 budgeted cash cost is approximately A\$100/FOBt (excluding royalties) which is at the low end of the cost curve for the Australian ULV PCI producers. Cockatoo Coal is of the opinion that the ULV PCI metallurgical coal supply will continue to be constrained by a lack of mine and port developments in the medium to long term future, while the demand growth forecast for this niche product remains strong.

## Funding Update

Management is currently in detailed negotiations with a number of parties in relation to Cockatoo Coal's funding of the Baralaba Expansion and refinancing of the existing A\$100 million KEBA loan. A number of funding alternatives, including selling a partial interest in the Baralaba Expansion, strategic investments at the corporate level and project debt financing are being progressed. The completion of the SBFS allows the Company to advance various financing discussions in a timely fashion with the objective being to announce a financing solution in 2Q 2013 ahead of the KEBA loan facility rollover date.

Cockatoo Coal Limited Managing Director, Mr Andrew Lawson, said:

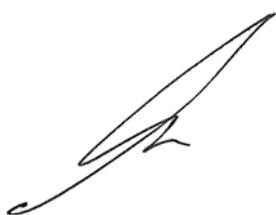
*"The Supplementary BFS findings represent a significant uplift in the value of the Baralaba Expansion, and provide Cockatoo with an even more fundable project. In addition to the efficiencies identified, we are using the more subdued current market environment to concentrate on Baralaba as our core project, and embed lower capital and operating costs in the business that will benefit the Company significantly over the long term."*

*"The results of the Supplementary BFS show that Baralaba will be in the lowest operating cost quartile of the premium PCI producers, and will be in the lowest cost quartile on the basis of capital intensity for proposed Australian metallurgical coal developments."*

*"Recent poor earnings results in the sector and concerns regarding the viability of new coal projects and expansions have severely impacted the entire coal sector. But our view is that over the next year we will generate strong earnings on the back of our low cost ULV PCI production, and the positive results of our study show that we will have an outstanding project to take advantage of the strengthening ULV PCI market."*

For further information, contact Andrew Lawson, Mark Lochtenberg or Peter Nightingale on (61 2) 9300 3333.

Yours sincerely



Andrew Lawson  
Managing Director

## Statement of Compliance

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Oliver Holm, geologist, who is a Member of the Australasian Institute of Mining and Metallurgy. Oliver Holm is a full-time employee of the Company who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Oliver Holm has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

pjn7158