



ABN 13 112 682 158

29 February 2012

The Manager - Companies
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

(37 pages by email)

Dear Madam

HALF YEAR REPORT

I attach the Company's Interim Financial Report for the half year ended 31 December 2011. This Interim Financial Report should be read in conjunction with the Company's 30 June 2011 Annual Report.

For further information, contact Mark Lochtenberg or Peter Nightingale on +61 2 9300 3333.

Yours sincerely

Peter J. Nightingale
Director

pjn6546

COCKATOO COAL LIMITED

A.B.N. 13 112 682 158

and its controlled entities

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2011**

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

Your Directors have pleasure in submitting their report together with the consolidated financial report of the Group, being Cockatoo Coal Limited and its controlled entities, for the half year ended 31 December 2011 and the review report thereon.

DIRECTORS

The names of the Directors of the Company in office during or since the end of the half year are:

Norman Alfred Seckold - Executive Chairman

Director since 28 January 2005.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 30 years in the full time management of natural resource companies, both in Australia and overseas.

Mr Seckold has been the Chairman of a number of publicly listed companies including Moruya Gold Mines (1983) N.L., which acquired the Golden Reward heap leach gold deposit in South Dakota, USA, Pangea Resources Limited, which acquired and developed the Pauper's Dream gold mine in Montana, USA, Timberline Minerals, Inc. which acquired and completed a feasibility study for the development of the MacArthur copper deposit in Nevada, USA, Perseverance Corporation Limited, which discovered and developed the Nagambie gold mine in Victoria, Valdora Minerals N.L., which developed the Rustler's Roost gold mine in the Northern Territory and the Ballarat East Gold Mine in Victoria, Viking Gold Corporation, which discovered a high grade gold deposit in northern Sweden and Mogul Mining N.L., which drilled out the Magistral and Ocampo gold deposits in Mexico and Bolnisi Gold N.L. which discovered and developed the Palmarejo and Guadalupe gold and silver mines in Mexico.

Mr Seckold is currently Chairman of Augur Resources Ltd, a minerals exploration and development company operating in Australia and Indonesia, Cerro Resources N.L., a precious metals exploration company currently developing a project in Mexico, Planet Gas Limited, a coalbed methane and geothermal exploration company operating in the USA and unlisted public companies Equus Resources Limited and Nickel Mines Limited.

Mark Hamish Lochtenberg - Managing Director

Director since 28 January 2005.

Mark Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 20 years.

Mr Lochtenberg was the co-head of Glencore International AG's worldwide coal division following his heading up of the coal trading desk of Glencore's Australian coal trading operations. During that time, he was actively involved in purchasing, managing and aggregating the coal project portfolio which became Xstrata Coal.

Prior to this Mr Lochtenberg had established a coal 'swaps' market for Bain Refco (Deutsche Bank) after having served as coal marketing manager for Peko Wallsend Limited.

Mr Lochtenberg is a director of Australian Transport and Energy Corridor Limited ('ATEC') and an alternate director of Surat Basin Rail Pty Ltd.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

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Peter James Nightingale - Executive Director and Chief Financial Officer

Director since 28 January 2005.

Peter Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for more than 20 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L. and Bolnisi Gold N.L.. Mr Nightingale is currently Chairman of ASX listed Callabonna Uranium Limited and a director of Augur Resources Ltd, Planet Gas Limited and Sumatra Copper & Gold plc and unlisted public companies Equus Resources Limited and Nickel Mines Limited.

John Gillis Broinowski AM - Independent, Non-executive Director

Director since 25 July 2005.

Gillis Broinowski is a Fellow of the Institute of Company Directors and formerly a director of the NSW Division of the Australian Institute of Company Directors. He is currently Managing Director of Vielun Pty Limited, Chairman of VLP Products Pty Limited and Chancellor Hattersley Lloyd Pty Limited, Chairman of The Thalidomide Foundation and director of the Stanford Australia Foundation. Former President and director of the Foundation for National Parks & Wildlife and former President and Director of the NSW Chamber of Commerce & Industry (Australian Business Limited, Chamber of Manufactures of NSW).

Mr Broinowski has had in excess of 25 year's experience in the resources industry and is a former director of Peko Wallsend Operations Limited, Newcastle Wallsend Coal Co. Limited, Robe River Limited and former executive Chairman of Simsmetal Limited.

Joo-Ok Chang - Independent, Non-executive Director

Director since 3 March 2010.

Mr Chang is a Vice President of Korea Electric Power Corporation ('KEPCO') and is in charge of all of KEPCO's business regarding energy resources development.

In 1984, Mr Chang joined KEPCO and has since been a member of the power and energy resources industry. He has 18 years' experience in the power generation fuel field, including petroleum, natural gas, fuel shipping and, especially, coal.

Mr Chang earned an MBA degree from Helsinki School of Economics in 2003 and an LL.M degree from Indiana University Bloomington in 2006.

Paul Gregory Chappell - Independent, Non-executive Director

Director since 19 December 2005.

Paul Chappell has had many years experience in the coal industry and in trading international commodities. He has particularly focused on solid fuels and has extensive experience in Asian, Latin American and European coal markets.

Mr Chappell is a graduate of the University of Newcastle, completing a Bachelor of Commerce in 1982, is a Fellow of the Australian Society of Certified Practising Accountants and a member of the Australian Institute of Company Directors. He began his career working in a financial capacity for a coal service company in Australia but soon progressed to trading by taking up the post of Country Manager, Brazil for three years for an international company trading raw materials.

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He joined SSM Coal B.V., now Oxbow Carbon & Minerals LLC, in 1991 and spent 11 years with the company in Sydney. In 2002, he transferred to the company's head office in The Netherlands and was Director Commercial Operations Asia. He retained this role and relocated to Australia in October 2007. Since 2009 he has been the principal of Sydney based consulting firm Peragis Pty Limited where he specialises in the coal industry, international commodity marketing and international business development.

Lindsay Ross Flint - Independent, Non-executive Director

Director since 25 July 2005.

Lindsay Flint is a graduate of the University of Queensland, completing a Bachelor of Engineering (Chemical) in 1967 and a PhD in 1971. He began his career in engineering research in the field of mineral processing and subsequently joined the coal industry with technical and then marketing roles.

For more than 20 years, he carried various portfolios of responsibilities in Shell's international coal business working in Australia and the UK. These provided a broad exposure to coal sourcing and transportation from Australia, South Africa, China, Canada and the Americas and to markets in Asia, Europe, the Middle East and Latin America. As General Manager Marketing, he was responsible for Shell Coal's global sales and distribution until Shell divested its coal interests to Anglo American in 2000. He continued with Anglo Coal Australia as General Manager Marketing for the following 2 years and has since maintained an active coal industry involvement as a contractor.

Hak Hee Lee - Independent, Non-executive Director

Director since 30 November 2006.

Hak Hee Lee is a director of SK Networks Resources Australia Pty Limited, a subsidiary of SK Networks Co. Limited, one of the largest trading houses in Korea with major business areas being resources and energy, telecommunication, car life and fashion. Mr Lee has spent 25 years in the energy industry in new business development and overseas investment positions with a focus on coal.

Kenneth Scott Andrew Thompson - Independent, Non-executive Director

Director since 27 November 2009.

Scott Thompson is a Director of Harum Energy Australia Pty Limited and has 18 years of coal industry experience. Prior to joining the Tanito Coal Group in 2003, he worked with various international mining organisations including Anglo American and PT Adaro Indonesia. Mr Thompson holds a B.Eng (Hons) in Mining Engineering and an MBA from the University of Cape Town. He is Professionally Chartered and a member of the Australian Institute of Mining and Metallurgy.

Sun Moon Woo - Independent, Non-executive Director

Director since 25 September 2007.

Sun Moon Woo is a graduate of Seoul National University in Korea, completing a Bachelor of Engineering (Mining) in 1980 and a Masters course in 1982.

He joined the Pohang Iron and Steel Company ('POSCO') in 1983, since then has worked in the Raw Materials Purchasing Division and the Investments Division for more than 25 years, accumulating a profound knowledge about the resources industry. He has conducted various investment projects in iron ore and coal mines all over the world including Australia and Brazil.

Currently he is Managing Director of POSCO Australia Pty Ltd which is a 100% owned subsidiary of POSCO.

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D i r e c t o r s ' R e p o r t

Robert Ainslie Yeates - Independent, Non-executive Director

Director since 25 July 2005.

Rob Yeates is a graduate of the University of NSW, completing a Bachelor of Engineering (Honours 1) in 1971 and a PhD in 1977 and then an MBA in 1986 from Newcastle University. He began his career with Peko Wallsend working in a variety of roles including mining engineering, project management, general mine management and marketing.

He became General Manager Marketing for Oakbridge Pty Limited in 1989 following a merger with the Peko Wallsend coal businesses and went on to become Managing Director of Oakbridge, which was the largest coal mining company in NSW at that time, operating the Bulga Open Cut, South Bulga, Ellalong, Gretley, Baal Bone and Clarence coal mines.

Dr Yeates has gained operating, business development and infrastructure experience as a director of Port Waratah Coal Services (Newcastle Port), Port Kembla Coal Terminal, Great Northern Mining Corporation NL and Cyprus Australia Coal and for the past 15 years has been principal of his own mine management consultancy, providing a wide range of technical, management and strategic planning services to the mining industry. He is also currently CEO of NCIG, which is constructing and operating the new coal export facility in Newcastle.

Rob Yeates and Associates Pty Ltd has entered into a consultancy agreement with the Company, which may be terminated with one month's written notice, to provide consultancy services to the Group as required from time to time by the Group. These services will be carried out by, amongst others, Rob Yeates.

COCKATOO COAL LIMITED
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D i r e c t o r s ' R e p o r t

REVIEW OF OPERATIONS

Overview

The half year ended 31 December 2011 has been another significant period in the development of Cockatoo Coal Limited ('Cockatoo' or 'the Company') and its controlled entities ('Group').

Despite the Company's operating results for the half year being adversely affected by the reparation work which had to be carried out on the Baralaba mine which was flooded in December 2010, it is pleasing that the Company recorded a profit of \$3.6 million for the half year. Further, the Baralaba mine returned to positive cash flow in the December quarter with the month of December recording record production levels and production in January 2012 setting a new record.

During the half year, the Company continued to significantly expand its coal reserves and resources through exploration of its existing significant portfolio of projects and continued to be positioned to maximise infrastructure opportunities. The Company is well placed to achieve its stated objectives of delivering expanded coal production from the Company's Bowen Basin projects through Wiggins Island Coal Export Terminal ('WICET') Stage 1, scheduled for 2014, and the development of its Surat Basin projects scheduled for the commencement of production in 2016.

During a period of significant growth and development, the Company's principal objectives have included to:

- Return the Baralaba mine to normalised operations.
- Advance the feasibility studies for the expansion of the Baralaba operations to utilise the 3.0 million tonnes per annum (MTPA) WICET Stage 1 port allocation which is scheduled for commissioning in 2014.
- Continue to advance Bowen Basin exploration activities to increase the quantity and quality of resources and reserves.
- Advance Surat Basin exploration activities to increase the quantity and quality of resources and reserves to meet the development requirements of the Surat Basin operations to satisfy the conditions to secure increased port capacity through Stage 2a of the WICET expansion which is scheduled for 2016 and the subsequent Stage 2b expansion.
- Manage the Company's tenements to meet the project development schedules.
- Ensure that the Company is positioned to secure a maximum entitlement to port and rail infrastructure capacity.
- Arrange adequate funding for the Company's development projects.
- Continue to expand the Company's operations through strategic 'right price, right fit' corporate transactions.

During the period under review, major achievements include:

Corporate highlights:

- Agreement reached to share in the funding of all Bowen Basin projects' expenditures on an equity sharing basis with the Company's joint venture partner.
 - Agreement, subject to certain conditions precedent, reached to sell 49% of the Woori coal project to Mitsui for \$37.25 million, representing \$0.90 per Measured Resource tonne.
 - Agreement reached to consolidate the Collingwood, Taroom and Woori coal projects into one joint venture managed by the Company.
 - \$85.0 million short term loan facility entered into with Credit Suisse and Macquarie Bank.
 - New Chief Executive Officer and new Company Secretary appointed.
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COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

Operational highlights:

Baralaba Mine, Queensland:

- Baralaba mine operations restored to full capacity and positive cash flow.
- 256,955 tonnes of coal produced at the Baralaba mine.
- Record monthly production of 62,383 tonnes achieved in December 2011.
- 126,924 tonnes of PCI coal and 36,000 tonnes of thermal coal sold during the half year.

Bowen Basin, Queensland:

- Bowen Basin JORC Reserves total 33.4 million tonnes and JORC Resources total 168 million tonnes.
- Bowen Basin JORC Resources increased by 4 million tonnes, with a significant upgrading in JORC Resource categories within the existing JORC Resource boundaries.
- Exploration drilling continued with geophysically logged cumulative down hole coal intercepts of up to 23.0 metres with an average thickness of 8.0 metres.
- Drilling focus on geotechnical and coal quality drilling for project expansion planning.
- Exploration potential remains open.

Surat Basin, Queensland:

- Surat Basin JORC Reserves total 300.8 million tonnes and JORC Resources total 1,584 million tonnes.
- Surat Basin JORC Reserves increased by 260.2 million tonnes (up 641% from 40.6 million tonnes) and JORC Resources increased by 234 million tonnes (up 17% from 1,350 million tonnes) with a significant upgrading in JORC Resource categories within the existing JORC Resource boundaries.
- Recent drilling in the Taroom project continue to deliver encouraging results with cumulative down hole coal intercepts of up to 16.4 metres and average coal thicknesses of 9.5 metres.
- Recent drilling in the Tin Hut Creek project has cumulative down hole coal intercepts of up to 17.6 metres with an average thickness of 8.7 metres.
- Exploration potential remains open.

Sydney Basin, NSW:

- Hume project JORC Resources total 446 million tonnes.
- JORC Resources increased by 331 million tonnes (up 188% from 115 million tonnes) with a significant upgrading in JORC Resource categories within the existing JORC Resource boundaries.

Infrastructure:

- Financial close of WICET Stage 1 completed, construction of new coal export terminal proceeding.
- Cockatoo secured a 3.0 MTPA allocation to export coal through WICET Stage 1.
- The Collingwood and Taroom projects have been declared by the Queensland Co-ordinator General as significant projects for which an environmental impact statement is required.

**COCKATOO COAL LIMITED
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D i r e c t o r s ' R e p o r t

CORPORATE ACTIVITIES

Baralaba Complex Shareholder and Financing Arrangements

During the period under review, the Company entered into revised shareholder and financing arrangements with JFE Shoji Trade Corporation ('JFE Shoji'), the holder of a 37.5% interest in Baralaba Coal Pty Limited ('Baralaba') and a 20% interest in Wonbindi Coal Pty Limited ('Wonbindi'). Baralaba is the holder of the Company's Baralaba mine project and Wonbindi is the holder of the Company's Baralaba North and Baralaba South projects.

Under the new arrangements, JFE Shoji will share in the funding of all Baralaba and Wonbindi expenditures on an equity share basis. JFE Shoji will also assist the Company in the marketing of all coal produced from the Company's Bowen Basin projects in which JFE Shoji is a shareholder.

Agreement to Sell 49% of Woori Project to Mitsui and Master Joint Venture Agreement

On 8 July 2011, the Company announced that, subject to certain conditions precedent, agreement had been reached with Mitsui Coal Holdings Pty Ltd and its subsidiaries (collectively 'Mitsui') whereby Mitsui will acquire a 49% participating interest in the Woori coal project in the Surat Basin from the Company's wholly owned subsidiary, Surat Coal Pty Ltd, for \$37.25 million, representing \$0.90 per Measured Resource tonne defined at the Woori project.

Mitsui currently own 49% of the Collingwood and Taroom projects, and this transaction for the Woori Project will equalise the ownership of these three most significant projects in the Surat Basin. The consolidation of the Collingwood, Taroom and Woori coal projects into one joint venture activity to be managed by Cockatoo will facilitate the orderly development of these projects.

The overall scope of the consolidated joint venture, the North Surat Joint Venture, is to work on the completion of a feasibility study which will assess the three projects and determine the optimum development program and schedule in accordance with available infrastructure, on or before 31 December 2013.

Loan Facility

On 23 December 2011, the Company entered into an \$85.0 million loan facility agreement ('Facility') with Credit Suisse AG, Singapore Branch and Macquarie Bank Limited. The Facility was used to repay an existing \$65.0 million loan facility and to support the ongoing development of the Company's coal assets, infrastructure commitments and working capital requirements.

The Facility matures on 28 June 2012 enabling the Company to continue to assess a wide range of longer term funding options to maximise value for its shareholders.

Appointment of Corporate Officers

On 19 December 2011, the Company appointed Mr Andrew Lawson as Chief Executive Officer of the Company. Andrew brings 13 years of experience in the coal sector as a member of Glencore International's coal division, based variously in Australia, Singapore and the USA, during which time he was actively involved in acquisitions, investment, operations and marketing.

Andrew has a Masters of Science in Management from Stanford Graduate School of Business, California, USA and also has a Bachelor of Laws and a Bachelor of Economics from Sydney University.

On 1 November 2011, the Company appointed Mr Lee O'Dwyer as Company Secretary, replacing Mr Peter Nightingale who retains his position as an Executive Director and Chief Financial Officer.

**COCKATOO COAL LIMITED
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D i r e c t o r s ' R e p o r t

OPERATING ACTIVITIES

The Company is a coal mining, exploration and development company with projects in the Bowen and Surat Basins in Queensland and the Sydney Basin in New South Wales. As detailed below, the Company has a significant tenement portfolio with an interest in projects which have reported a total of 334.2 million tonnes of JORC compliant Marketable Reserves, an increase of 260.1 million tonnes during the half year, and 2,198 million tonnes of JORC compliant Resources, an increase of 568 million tonnes during the half year.

The Company's lead project is an operating mine and contiguous tenements located in the Bowen Basin, with a focus on ultra low volatile PCI and thermal coal products. The Company also has an extensive tenement portfolio in the Surat Basin with a focus on thermal coal and during the year acquired an interest in the Sydney Basin focused on export grade metallurgical/thermal coal.

A summary of the Company's projects' currently defined and reported coal reserves and resources, by project on a 100% basis, based on drilling for which details of drill hole co-ordinates and cumulative thickness of coal have been reported by the Company and are included on the Company's website is as follows:

Project	Ownership (%)	Tenement	Depth of Resource (m)	JORC Classification				
				Reserves	Resources			
				Marketable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Baralaba mine	62.5	MLs 5605 and 80157	<200	1.2	4.7	8.4	4	17
	62.5	MDL 184/MLA 80169	<200	0	2.7	1.9	12	17
Baralaba North	80.0	MDLA 416/MLA 80170	<200	6.4	7.4	15.5	23	46
Baralaba South	80.0	EPC 1047	<200	0	0	0	25	25
	80.0	MDL 352/EPC 1047	<175	25.8	0	44.7	19	64
Bowen Basin Total				33.4	14.8	70.5	83	168

Woori	100.0	MDL 187 MLAs 50247 and 50248	<110	40.6	84.3	0	0	84
Collingwood	51.0	EPC 640/MDLA 452	<150	98.5	79.7	80.3	69	229
Taroom	51.0	MDLs 158 and 275	<150	161.7	158.1	149.3	126	433
Tin Hut Creek	100.0	EPCs 1134 and 813 MDLA 430	<150	0	0	206.6	137	344
Bottle Tree	100.0	EPC 813/MDLA 433	<125	0	0	29.5	6	35
Krugers	100.0	EPCs 796 and 1041 MDLA 441	<150	0	0	0	105	105
Davies Road	100.0	EPCs 1041 and 813 MDLA 437	<150	0	0	0	76	76
Kingaroy	100.0	EPC 882	<150	0	35.5	87.4	85	208
		EPC 882	150-300	0	0	40.9	29	70
Surat Basin Total				300.8	357.6	594.0	633	1,584

Hume	30.0	AUTH 349	<200	0	0	204.9	241	446
Sydney Basin Total				0	0	204.9	241	446

Group Total				334.2	372.4	869.4	957	2,198
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COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Directors' Report

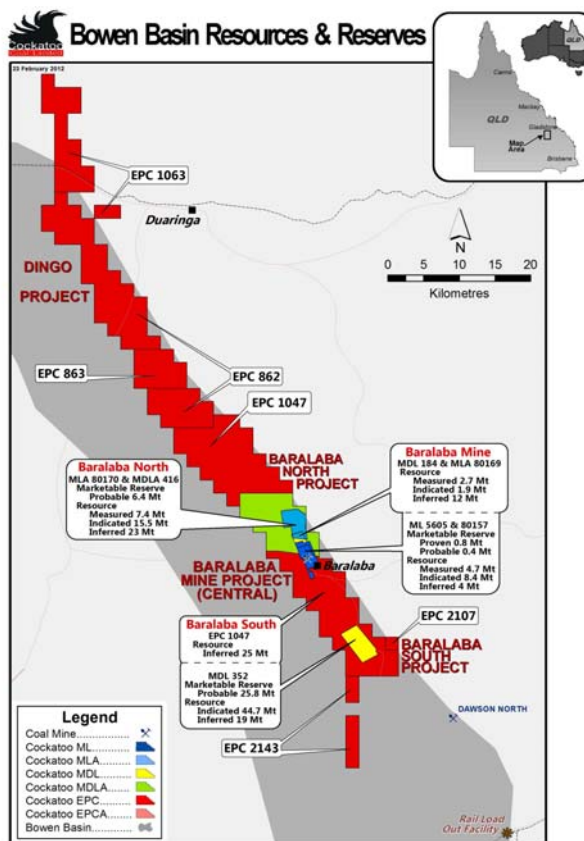
BOWEN BASIN PROJECTS

The Company's Bowen Basin Projects comprise:

- Baralaba mine (MLs 5580, 5581, 5590, 5605 and 80157, MDL 184 and MLA 80169) which is held by the Company's 62.5% owned subsidiary, Baralaba Coal.
- Baralaba South project (MDL 352 and EPCs 1047, 2107 and 2143 to the south of the Baralaba Township) which is held by the Company's 80% owned subsidiary, Wonbindi.
- Baralaba North project (MLA 80170, MDLA 416 and EPC 1047 to the north of the Baralaba mine) which is held by the Company's 80% owned subsidiary, Wonbindi.
- Dingo project (EPCs 862, 863 and 1063) which is currently owned 49% by the Company's 100% owned subsidiary, Independent Coal Pty Limited and which is subject to a Joint Venture Farmout agreement.

The Company's Bowen Basin projects extend from the Dingo project in the north to the Wonbindi project in the south and have contiguous target areas covering an area of approximately 56,320 hectares with Permian age, Rangal Coal Measures sub-cropping over a strike length of approximately 92 kilometres. Production at the Baralaba mine has demonstrated that the seams of the Rangal Coal Measures in this area have PCI and thermal coal properties. The seams mined at the Baralaba mine have been intersected in the Wonbindi, Baralaba South and Baralaba North target areas.

The southern boundary of the Company's Bowen Basin projects is 30 kilometres north of the Moura railway and 180 kilometres from the coal port of Gladstone. The northern tip of the Company's Bowen Basin projects is bisected by the Blackwater railway and is 225 kilometres from the coal port of Gladstone. In addition, the disused Baralaba railway easement is within close proximity to the Baralaba North and Wonbindi project areas.



Bowen Basin Projects

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Baralaba Mine

The Baralaba mine is located near the town of Baralaba in the south eastern limb of the Bowen Basin, Queensland which comprises the Rangal Coal Measures.

The Baralaba mine is an open-pit operation, managed by the Company and operated by contractors providing blasting, mining, and haulage. The Company undertakes its own coal preparation services. PCI coal for steel making and thermal coal are produced from multiple seams forming the well known Rangal Coal Measures. All the coal sold is exported from the Port of Gladstone.

Baralaba Mine Production

Coal production and operating costs during the half year continued to be adversely affected by the restoration works required following the flooding of the Baralaba mine in December 2010. Pre-stripping, to access further new pit areas, was reflected in higher overburden levels removed in the period and costs associated with this pre-stripping have been fully expensed as a cost of production. Outcomes are thus atypical of historic or forecast production results.

The mine's operations were fully restored by the end of the half year and coal production of 62,383 tonnes in the month of December was achieved. This level of production is the highest monthly coal production recorded in the mine's history. Production was also biased towards PCI coal with more than 90% of coal mined being PCI coal.

Production has now stabilised, with 67,224 tonnes of coal being mined in January 2012 and, in absence of any extreme weather events, is forecast to be maintained throughout the remainder of 2012.

Despite the difficulties associated with the restoration works required following the flooding of the Baralaba mine pit in December 2010, coal production of 256,955 tonnes for the half year ended 31 December 2011 was 62% higher than the corresponding period in 2010.

Coal production for the half year ended 31 December 2011 was as follows:

	September 2011 Quarter	December 2011 Quarter	Half Year Ended 31 December 2011
ROM coal (tonnes)	104,296	152,659	256,955
Overburden (bcm)	2,879,799	1,574,781	4,454,580

Baralaba Mine Coal Sales and Marketing

Shipments	September 2011 Quarter	December 2011 Quarter	Half Year Ended 31 December 2011
PCI (tonnes)	51,870	75,054	126,924
Thermal (tonnes)	0	36,000	36,000
Totals	51,870	111,054	162,924

**COCKATOO COAL LIMITED
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D i r e c t o r s ' R e p o r t

Bowen Basin Exploration, Resources and Reserves

During the half year, the Company continued exploration and development drilling activities at its Bowen Basin projects with four exploration rigs, carrying out various programs for open hole chip drilling, coal quality coring for raw coal, as well as geotechnical drilling and gas testwork drilling have been operating in the Baralaba North and Baralaba South project areas, moving the projects towards the necessary knowledge base for mine planning to occur. Sterilisation drilling in order to define potential areas for future mining infrastructure, along the eastern margin of the Baralaba North and Baralaba South project areas, was completed. All raw coal quality and washability results for the 2011 drilling in the Baralaba North project area have now been received and interrogation of the data, including coal handling and preparation simulation tests will be carried out over the coming months.

The raw coal quality results from drill core analysis continue to illustrate the low ash and high energy values observed in the existing operational pit of the Baralaba mine.

Recent drilling in MLAs 80169 and 80170 returned cumulative down hole coal intercepts of up to 23.0 metres with an average thickness of 8.0 metres. Exploration potential remains open in most directions.

The culmination of the Company's exploration activities is that within the Company's Bowen Basin projects, total JORC compliant Resources of the Baralaba North project (MLA 80170) and northern extension of the Baralaba mine project (MLA 80169) have been increased by 4.0 million tonnes to 63 million tonnes, with a significant upgrading in JORC Resource categories within the existing JORC Resource boundary comprising:

- an increase in Measured JORC Resources of 10.1 million tonnes from nil; and
- an increase in Indicated JORC Resources of 5.1 million tonnes, or 41%, from 12.3 million tonnes to 17.4 million tonnes.

The viability of the Baralaba Expansion has been demonstrated by increased and upgraded JORC compliant Resources, to 27.5 million tonnes of the Measured and Indicated categories in the Baralaba North project areas of MLAs 80169 and 80170. The newly defined Measured and Indicated JORC Resources will directly contribute to additional Marketable Reserves following mine planning evaluation of the results.

The Company envisages future production from the Baralaba mine, Baralaba North and Baralaba South project areas, subject to rail and port upgrades, as a key step in the realisation of the Company's strategic goals.

Dingo Project

In the Dingo project, open hole drilling has continued in the quarter under review, with 23 open holes drilled for 6,577 metres. The Company's joint venture partner, Boardwalk Dingo Resources Pty Limited, continues to manage the Dingo project.

SURAT BASIN PROJECTS

The Company's Surat Basin projects, including the Kingaroy project, comprise the following projects:

- Woori project (MDL 187 and MLAs 50247 and 50248).
- The Surat project, incorporating Tin Hut Creek, Davies Road, Bottle Tree and Krugers (EPCs 796, 813, 1041, 1134, 1135, 1136, 1170, 1278, 1322 and 1950, MDLAs 430, 433, 437, 441 and 451 and EPCAs 1593, 1967, 2092, 2207, 2231 and 2473).
- Collingwood project (EPC 640).
- Taroom project (MDLs 158 and 275).

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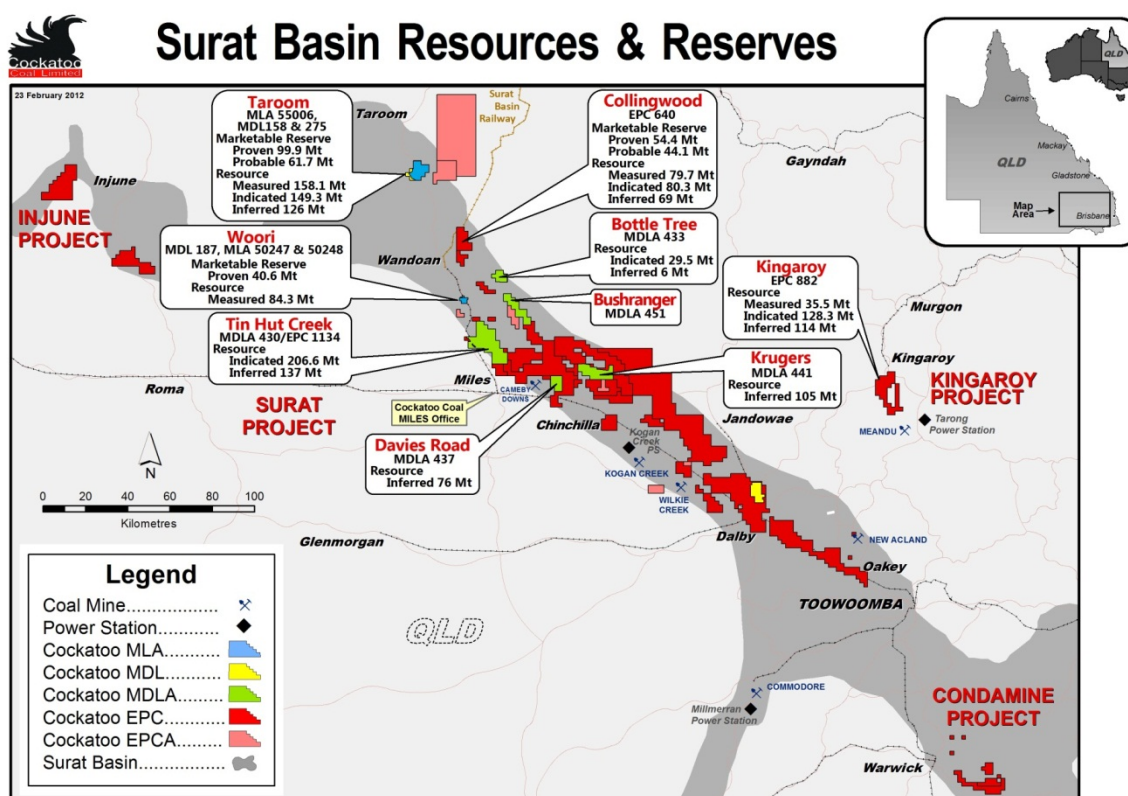
Directors' Report

- Kingaroy project (EPC 882).
- Condamine project (EPCs 963 and 1130).
- Injune project (EPCs 1017 and 1018).

The Company's Surat Basin projects cover an area of approximately 4,000 km². The Juandah and Taroom Coal Measures of the Walloon Sub-Group both sub-crop within the Surat project area. The Woori, Tin Hut Creek and Davies Road projects are located in the Juandah Coal Measures and the Taroom, Collingwood, Bottle Tree and Krugers projects are located within the Taroom Coal Measures.

Mitsui currently own 49% of the Taroom and Collingwood projects and, together with the Woori project, will form the North Surat Joint Venture. The consolidation of the Taroom, Collingwood and Woori projects into one joint venture activity to be managed by Cockatoo will facilitate the orderly development of these projects. All other Surat Basin projects are owned 100% by the Company.

All projects, other than the Woori project, have not been fully explored and have further significant resource potential.



Surat Basin Projects

The Surat Basin is a well established energy province, with existing power developments, regional centres and service industries and existing infrastructure. The potential for development of a significant export coal industry from the Surat will be enhanced by the planned development of the Surat Basin Railway, connecting the region to the port of Gladstone by developing a new rail freight corridor from Wandoan northwards to the existing Moura-Gladstone rail line, joining at the township of Banana.

The construction of the Surat Basin Railway project will be the single biggest economic injection ever for the Darling Downs, which encompasses the Surat Basin, and will open up the production and export of thermal coal from the coal rich Surat Basin.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

In anticipation of the development of both new rail and port infrastructure to facilitate coal exports, the Company has pursued a strategy to be a significant early mover in the development of the Surat Basin coal industry. This strategy has been implemented by securing highly prospective exploration tracts by either acquisition or direct lodgement of application for exploration areas with the Queensland Government and embarking on an aggressive drilling program to fast track the definition and upgrading of resources.

Surat Basin Exploration, Reserves and Resources

During the half year, the Company continued exploration and development drilling activities at its Surat Basin projects with three exploration rigs carrying out shallow open hole drilling for structural data, water bore drilling for installation of water table monitoring equipment, as well as coal quality coring (slim and large diameter) for raw coal and washability data. These activities have been undertaken in the Collingwood, Taroom, Tin Hut Creek and Woori project areas.

The culmination of the Company's exploration activities is that within the Company's Surat Basin projects, total JORC compliant Reserves have been increased by 260.2 million tonnes to 300.8 million tonnes and JORC compliant Resources have been increased by 234 million tonnes to 1,584 million tonnes, with a significant upgrading in JORC Resource categories within the existing JORC Resource boundary comprising:

- an increase in Measured JORC Resources of 121.7 million tonnes, or 52% from 235.9 million tonnes to 357.6 million tonnes;
- an increase in Indicated JORC Resources of 60.3 million tonnes, or 11%, from 533.7 million tonnes to 594.0 million tonnes; and
- an increase in Inferred JORC Resources of 53 million tonnes, or 9%, from 580 million tonnes to 633 million tonnes.

Taroom and Collingwood Pre-feasibility Studies

Larpro, Minserve and DRAP were engaged to develop a pre-feasibility study for the Collingwood and Taroom projects incorporating mine planning, surface infrastructure and CHPP. The draft report, which was delivered in late December, is under peer review by the North Surat Joint Venture partners.

Preliminary results indicate both projects are feasible under analysed parameters. Both projects are open-cut, export thermal coal mines, capable of producing a combined saleable output in excess of 12.0 MTPA.

Subsequent to the end of the half year, the Collingwood and Taroom projects have been declared by the Queensland Co-ordinator General as significant projects for which an environmental impact statement is required. All baseline studies have commenced and are nearing completion.

Post WICET Stage 2 allocations, a Definitive Feasibility Study will be undertaken which will be reflective of WICET allocations and incorporate synergies between the projects to allow more accurate capital and operating cost estimates.

Other Surat Basin Projects

The Company holds a 100% interest in the Kingaroy project and the Taabinga coal deposit therein, the Condamine and Injune projects.

The Kingaroy project tenement, EPC 882, is situated south of Kingaroy in, the South Burnett Region. The northern area of EPC 882, described as Taabinga, has a JORC compliant resource totalling 278 million tonnes. The three main seams present at Taabinga are the Kunioon, Swain and Goodger seams.

COCKATOO COAL LIMITED
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The Kingaroy project is strategically located 25 kilometres from the Tarong power station, one of the largest power stations in Queensland. Tarong Energy Corporation has announced that it will develop the Kunioon coal deposit (MDL 201) acquired by Tarong Energy Corporation in February 2008 for \$152 million, for future supply to Tarong power station.

The Kunioon deposit is encircled by the Company's Kingaroy project and potential synergies with Tarong Energy are being evaluated by the Company.

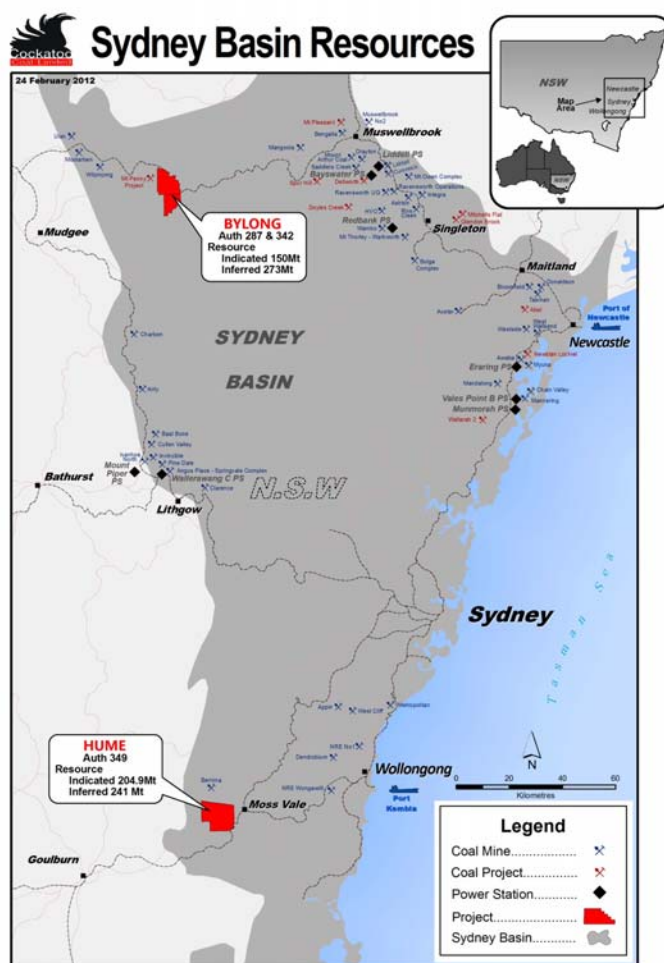
No field exploration work was undertaken at the Kingaroy, Condamine, or Injune projects during the half year.

SYDNEY BASIN PROJECTS

The Company has an interest in the following Sydney Basin projects:

- Hume project (Auth 349) - 30% interest.
- Bylong project (Auths 287 and 342) - 30% call option.

The Company has been appointed as the manager of the Hume and Bylong projects and has established full project teams to undertake exploration, evaluation and development activities.



Sydney Basin Projects

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

Hume Project

The Hume project is located in the southwest portion of the Southern Coalfield of NSW, approximately 160 kilometres from Sydney and 75 kilometres from Port Kembla. The project is located in an established coal field which has existing rail infrastructure providing access to Port Kembla. The coking coal exhibits strong metallurgical properties of very low phosphorus, high CSN, and good fluidity.

During the quarter, an airborne magnetic and gravimetric survey has been completed over the Hume project area. The survey has delivered important geophysical data that will guide exploration activities. Exploration drilling activities, comprising open, cored, and water monitoring drill holes have also continued. A large diameter (150mm) coring program has recently commenced and will provide samples for washability test work.

During the half year, a significant increase in JORC compliant resources was achieved. On a 100% project basis, total JORC compliant Resources have been increased to 446 million tonnes (up 331 million tonnes, or 288% from 115 million tonnes).

Bylong Project

The Bylong project is located in the Western Coalfield of the Sydney Basin in NSW, approximately 300 kilometres northwest of Sydney and 200 kilometres west of Newcastle. The Bylong project has a 423.0 million tonne JORC compliant Resource comprising a high quality export thermal coal with low ash/sulphur content and high calorific values. Bylong is located in an established coal field which has existing rail infrastructure providing access to the port of Newcastle.

Detailed exploration plans for the first stage of exploration under the Company's management have been developed with the goal to prove up the extent and quality of the Ulan and Coggan coal seams. During the half year, exploration drilling continued, Phase 2 exploration plans submitted to the NSW government for approval and lease renewal applications for A287 and A342 were completed and submitted to the NSW government.

INFRASTRUCTURE

Wiggins Island Coal Terminal Project - Gladstone

On 4 October 2011, it was announced that the construction of Stage 1 of WICET at Gladstone, Queensland, was to commence, following the successful completion of financing and tenure arrangements by WICET.

The Company has secured a 3.0 MTPA allocation to export coal through WICET Stage 1 which is scheduled for completion in 2014. This export capacity, together with Cockatoo's existing allocation to export coal through the RG Tanna terminal, located adjacent to WICET, will be satisfied from production from Cockatoo's Bowen Basin projects which are currently the subject of expansion feasibility studies.

The Company is not required to make any further capital contributions to the Stage 1 WICET construction costs.

WICET has plans to increase the 27.0 MTPA Stage 1 capacity by a Stage 2 development, increasing the terminal's export capacity by an estimated additional minimum 55.0 MTPA, currently scheduled for 2016.

The Company has executed Agreements with WICET, along with other interested industry participants, to support the development of Stages 2a and 2b of WICET and has lodged an expression of interest to secure an allocation in port expansion which is planned to be supplied from production from the Company's Surat Basin projects.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

The successful completion of Stage 1 financing and tenure arrangements by WICET is a significant milestone in the fulfilment of the Company's stated objectives of expansion of the Bowen Basin projects and, together with the construction of the Surat Basin Railway, in unlocking the value of the Company's Surat Basin projects.

Surat Basin Rail

The Surat Basin Railway ('SBR') is a key link to be developed that will open up the Surat Basin coalfields to the Port of Gladstone.

During the half year, the Company participated in a Preliminary Due Diligence process with SBR, as an initial step to commercial negotiations on access to the Railway, when completed, for the Company's Surat Basin projects.

OTHER

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by 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.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 34 and forms part of the directors' report for the half year ended 31 December 2011.

Signed at Sydney this 29th day of February 2012
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



Mark H. Lochtenberg
Managing Director

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed interim statement of financial position
as at 31 December 2011

	Notes	Consolidated	
		31 December 2011	30 June 2011
		\$	\$
Current assets			
Cash and cash equivalents		7,461,763	17,631,329
Trade and other receivables		18,968,438	6,314,558
Inventories	8	14,099,828	3,184,937
Other assets	9	5,298,134	1,185,027
Total current assets		45,828,163	28,315,851
Non-current assets			
Investments	10	11,050,001	8,750,000
Investments in equity accounted investees	11	26,906,992	22,501,865
Exploration and evaluation expenditure	12	176,640,168	167,411,426
Property, plant and equipment	13	49,216,900	24,473,395
Other assets	9	75,434,972	38,100,011
Total non-current assets		339,249,033	261,236,697
Total assets		385,077,196	289,552,548
Current liabilities			
Trade and other payables		15,743,618	21,625,276
Borrowings	14	80,000,000	168,328
Employee benefits		522,111	301,372
Total current liabilities		96,265,729	22,094,976
Non-current liabilities			
Borrowings	14	15,529,453	446,518
Provisions	15	2,822,490	2,780,534
Total non-current liabilities		18,351,943	3,227,052
Total liabilities		114,617,672	25,322,028
Net assets		270,459,524	264,230,520
Equity			
Issued capital	7	338,681,746	338,643,903
Option premium reserve	7	6,083,695	6,149,914
Fair value reserve	7	5,304,000	2,704,000
Accumulated losses	7	(70,966,841)	(73,964,665)
Total parent entity interest		279,102,600	273,533,152
Non-controlling interest	7	(8,643,076)	(9,302,632)
Total equity		270,459,524	264,230,520

The condensed interim statement of financial position should be read in conjunction with the accompanying notes.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed interim statement of comprehensive income
for the half year ended 31 December 2011

	Notes	Consolidated	
		31 December 2011	31 December 2010
		\$	\$
Coal sales revenue		33,497,893	22,677,358
Cost of sales		(24,508,738)	(26,577,681)
Gross profit/(loss)		8,989,155	(3,900,323)
Other income		3,998,486	528,594
Foreign exchange gain		41,698	37,789
Administration and consultants expenses		(6,959,497)	(1,947,414)
Impairment losses	10	(97,975)	(660,000)
Share based payments	18	(136,396)	(201,187)
Travel expenses		(160,128)	(319,695)
Write down of inventory	8	-	(976,818)
Flood reparation expenses		(1,871,869)	(6,932,526)
Other expenses		(191,088)	(750,880)
Results from operating activities		3,612,386	(15,122,460)
Financial income		2,987,304	2,599,303
Financial expense		(2,930,558)	(24,920)
Net finance income		56,746	2,574,383
Share of loss in associates	11	(60,128)	(15,587)
Profit/(loss) before income tax		3,609,004	(12,563,664)
Income tax expense		-	-
Profit/(loss) for the period		3,609,004	(12,563,664)
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	10	2,600,000	2,704,000
Total comprehensive profit/(loss) for the period		6,209,004	(9,859,664)
Profit/(loss) for the period attributable to:			
- Equity holders of the parent		2,949,448	(6,889,636)
- Non-controlling interest		659,556	(5,674,028)
Profit/(loss) for the period		3,609,004	(12,563,664)
Total comprehensive profit/(loss) for the period attributable to:			
- Equity holders of the parent		5,549,448	(4,185,636)
- Non-controlling interest		659,556	(5,674,028)
Total comprehensive profit/(loss) for the period		6,209,004	(9,859,664)
Basic earnings/(loss) per share attributable to ordinary equity holders	6	0.29 cents	(0.87) cents
Diluted earnings/(loss) per share attributable to ordinary equity holders	6	0.29 cents	(0.87) cents

The condensed interim statement of comprehensive income should be read in conjunction with the accompanying notes.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed interim statement of changes in equity
for the half year ended 31 December 2011

	Note	Attributable to equity holders of the Company					Non-controlling interest	Total equity
		Share capital	Option premium reserve	Fair value reserve	Retained losses	Total		
		\$		\$	\$	\$	\$	
For the half year ended 31 December 2011								
Balance at 1 July 2011		338,643,903	6,149,914	2,704,000	(73,964,665)	273,533,152	(9,302,632)	264,230,520
Total comprehensive income for the period								
Profit		-	-	-	2,949,448	2,949,448	659,556	3,609,004
Net change in fair value of available-for-sale financial assets	10	-	-	2,600,000	-	2,600,000	-	2,600,000
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Issue of shares	7	20,000	-	-	-	20,000	-	20,000
Exercise of options	7, 18	17,843	(17,843)	-	-	-	-	-
Expiry of options	7, 18	-	(48,376)	-	48,376	-	-	-
Balance at 31 December 2011		338,681,746	6,083,695	5,304,000	(70,966,841)	279,102,600	(8,643,076)	270,459,524
For the half year ended 31 December 2010								
Balance at 1 July 2010		171,427,569	3,261,907	-	(61,361,033)	113,328,443	616	113,329,059
Total comprehensive income for the period								
Loss		-	-	-	(6,889,636)	(6,889,636)	(5,674,028)	(12,563,664)
Net change in fair value of available-for-sale financial assets	10	-	-	2,704,000	-	2,704,000	-	2,704,000
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Issue of shares	7	174,848,128	-	-	-	174,848,128	-	174,848,128
Cost of issue	7	(7,601,773)	-	-	-	(7,601,773)	-	(7,601,773)
Issue of options	7, 18	-	483,762	-	-	483,762	-	483,762
Balance at 31 December 2010		338,673,924	3,745,669	2,704,000	(68,250,669)	276,872,924	(5,673,412)	271,199,512

The condensed interim statement of changes in equity should be read in conjunction with the accompanying notes.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed interim statement of cash flows
for the half year ended 31 December 2011

	Notes	Consolidated	
		31 December 2011	31 December 2010
		\$	\$
Cash flows from operating activities			
Cash receipts from customers		28,582,947	27,361,568
Payments for production		(35,044,291)	(26,888,364)
Net cash flow generated from production activities		(6,461,344)	473,204
Other cash payments in the course of operations		(8,402,205)	(2,819,996)
Payments for joint venture partner		(2,147,726)	-
Payments for flood reparation		(4,193,151)	-
Cash absorbed in operations		(21,204,426)	(2,346,792)
Borrowing costs paid		(6,963,149)	(124,646)
Interest received		1,293,508	2,190,951
Net cash used in operating activities		(26,874,067)	(280,487)
Cash flows from investing activities			
Payments for exploration and evaluation		(12,566,935)	(4,322,591)
Payments for mining development		(11,322,821)	(956,950)
Payments for property, plant and equipment		(16,598,601)	(6,655,654)
Government contribution to bridge upgrade		4,000,000	-
Proceeds from sale of investments		202,025	-
Payments for security deposits	9	(19,220,945)	(21,702,733)
Refund of security deposits		8,379,657	-
Payments for infrastructure investments		(29,966,717)	-
Payments for acquisition of subsidiary, net of cash acquired		-	(100,251,981)
Loans to other entities		(965,398)	(150,444)
Net cash used in investing activities		(78,059,735)	(134,040,353)
Cash flows from financing activities			
Repayment of borrowings	14	(65,082,842)	(10,190,991)
Proceeds from borrowings		159,780,041	-
Proceeds from issue of shares	7	20,000	153,338,128
Cost of issuing shares	7	-	(7,601,773)
Net cash from financing activities		94,717,199	135,545,364
Net increase/(decrease) in cash and cash equivalents		(10,216,603)	1,224,524
Cash and cash equivalents at 1 July		17,631,329	32,158,253
Effect of exchange rate adjustments on cash held		47,037	31,450
Cash and cash equivalents at 31 December		7,461,763	33,414,227

The condensed interim statement of cash flows should be read in conjunction with the accompanying notes.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 1 - Reporting entity

Cockatoo Coal Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the half year ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2011 is available upon request from the Company's registered office at Level 2, 66 Hunter Street, Sydney, NSW, 2000 or at www.cockatoocoal.com.au.

The financial report was authorised for issue by the directors on 29 February 2012.

Note 2 - Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2011.

Note 3 - Going concern

The interim financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has accumulated losses of \$70,966,841 as at 31 December 2011. The Group has cash on hand of \$7,461,763 at 31 December 2011 and used \$26,874,067 of cash in operations for the half year ended 31 December 2011. At 31 December 2011 current liabilities exceeded current assets by \$50,437,566.

During the half year the Group has entered into a short term loan agreement with Credit Suisse, Singapore Branch AG and Macquarie Bank Limited to provide funding of \$85 million for planned infrastructure payments, and as at 31 December 2011 \$78 million of this facility has been drawn. The loan agreement expires 28 June 2012 and the Directors are currently considering a number of alternate funding arrangements.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections include significant mine development and infrastructure payments and assume the Group obtains sufficient additional funding from shareholders or other parties.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. The ongoing operation of the Group is dependent upon:

- the Group raising additional funding from shareholders or other parties; and/or
- the Group extending the terms of its short term loan agreement with Credit Suisse, Singapore branch AG and Macquarie Bank Limited; and/or
- the Group reducing expenditure in line with available funding.

In the event that the Group does not obtain additional funding, and/or extend the terms of its loan agreement with Credit Suisse, Singapore Branch AG and Macquarie Bank Limited, and/or reduce expenditure in line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the interim financial report.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Notes to the condensed interim financial statements

Note 4 - Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2011.

Note 5 - Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

During the half year ended 31 December 2011 management reassessed its estimates in respect of:

- Note 3 – Going concern
- Note 8 – Inventories
- Note 10 – Investments
- Note 12 – Exploration and evaluation expenditure
- Note 15 – Provisions

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
Note 6 - Earnings per share		
Basic and diluted earnings per share have been calculated using:		
Net profit/(loss) for the half year attributable to equity holders of the parent	2,949,448	(6,889,636)
Weighted average number of shares used as the denominator:		
- Number for basic earnings/(loss) per share	1,016,182,778	787,607,722
- Number for diluted earnings/(loss) per share	1,034,744,462	787,607,722

Note 7 - Capital and reserves

Share capital	Number of shares	Number of shares
Ordinary shares on issue 1 July – fully paid	1,016,096,908	602,507,380
Issue of shares	100,000	413,589,528
Ordinary shares on issue closing balance– fully paid	1,016,196,908	1,016,096,908

During the half year ended 31 December 2011:

- The Company issued 100,000 ordinary shares following the exercise of 100,000 \$0.20 options at \$0.20 per share for cash totalling \$20,000. There were no amounts unpaid on the shares issued and there were no share issue costs.

During the half year ended 31 December 2010:

- The Company issued 46,059,957 ordinary shares at \$0.467 per share for 30% interest in Anglo Coal (Sutton Forest) Pty Limited with a fair value totalling \$21,510,000. There were no amounts unpaid on the shares issued and there were no share issue costs.
- The Company issued 126,526,000 ordinary shares at \$0.45 per share for cash totalling \$56,936,700. There were no amounts unpaid on the shares issued and share issue costs amounted to \$2,616,992.
- The Company issued 241,003,571 ordinary shares at \$0.40 per share for cash totalling \$96,401,428. There were no amounts unpaid on the shares issued and share issue costs amounted to \$4,984,781.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 7 - Capital and reserves (Con't)

Options

The following options were on issue at 31 December 2011, each exercisable to acquire one fully paid ordinary share:

Grant date	Expiry date	Exercise price \$	Balance at start of the half year Number	Granted during the half year Number	Exercised during the half year Number	Cancelled during the half year Number	Balance at end of the half year Number	Exercisable at end of the half year Number
5 July 2007	30 June 2012	\$0.20	750,000	-	100,000	-	650,000	650,000
5 July 2007	30 June 2012	\$0.25	500,000	-	-	-	500,000	500,000
5 July 2007	30 June 2012	\$0.30	500,000	-	-	-	500,000	500,000
8 Jan 2008	30 June 2012	\$0.60	1,500,000	-	-	-	1,500,000	1,500,000
8 Jan 2008	30 June 2012	\$0.70	750,000	-	-	-	750,000	750,000
8 Jan 2008	30 June 2012	\$0.80	750,000	-	-	-	750,000	750,000
3 Feb 2009	30 Sep 2013	\$0.40	1,450,000	-	-	-	1,450,000	1,450,000
3 Feb 2009	30 Sep 2013	\$0.50	950,000	-	-	-	950,000	950,000
3 Feb 2009	30 Sep 2013	\$0.60	950,000	-	-	-	950,000	-
3 Feb 2009	30 Sep 2013	\$0.70	10,500,000	-	-	-	10,500,000	10,500,000
31 Dec 2010	31 Dec 2013	\$0.60	2,500,000	-	-	250,000	2,250,000	1,500,000
9 May 2011	31 Dec 2013	\$0.64	20,833,333	-	-	-	20,833,333	20,833,333
			41,933,333	-	100,000	250,000	40,783,333	39,883,333

There were no options issued or lapsed unexercised during the half year ended 31 December 2011.

There were no options exercised or lapsed unexercised during the half year ended 31 December 2010.

Dividends

There were no dividends paid or declared during the half year ended 31 December 2011 or 31 December 2010.

Consolidated	
31 December 2011	30 June 2011
\$	\$

Note 8 - Inventories

Raw coal	4,520,071	71,355
Saleable coal	9,579,757	3,113,582
	14,099,828	3,184,937

Baralaba mine inventory was adversely affected by wet weather and flooding during the half year ended 31 December 2010, inventories written off at 31 December 2010 due to flooding amounted to \$976,818.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

	Consolidated	
	31 December 2011	30 June 2011
	\$	\$
Note 9 - Other assets		
Current		
Deferred facility fee	5,159,983	909,983
Prepayments	138,151	275,044
	5,298,134	1,185,027
Non-current		
Deferred facility fee	907,497	1,364,974
Deposits paid - investments	-	7,666,668
Prepayments	-	40,148
Security deposits	38,217,622	19,383,477
Refundable infrastructure expenditure	1,266,886	9,644,744
Other receivables	35,042,967	-
	75,434,972	38,100,011

Security deposits

Included in the above security deposits is \$25,000,000 held with Macquarie Bank Limited as part of the bank guarantee facility. At 31 December 2011 Macquarie Bank Limited has provided guarantees totalling \$50,000,000 under this facility, details of the guarantees provided are:

- \$3,330,000 to QR Network Pty Ltd ('QR') which forms part of the underwriting of the cost of the upgrade of the Moura-Gladstone rail line by QR to accommodate increased volumes of coal from the Surat and Moura.
- \$26,079,109 to WICET Pty Ltd under the 'Take or Pay' agreement for Stage 1 of the Wiggins Island Coal Export Terminal.
- \$3,277,369 to WICET Pty Ltd for Stage 2 feasibility of the Wiggins Island Coal Export Terminal project. This amount will be forfeited if the development of the project does not proceed. The security deposits are refundable:
 - upon the development of the project proceeding and successful refinancing of the project, or
 - upon transfer of ownership of the development of the project, including transfer of ownership of a majority of shareholding in Gladstone Ports Corporation to a party that is not a governmental agency.
- \$13,017,422 as an environmental bond with the Department of Employment, Economic Development and Innovation ('DEEDI') against rehabilitation and any potential loss attributable to mining operations at Baralaba.
- \$1,255,000 to QR Limited which is a security deposit equivalent to three months base rail volumes under Cockatoo contract with QR Limited for transport of Baralaba coal to Gladstone.
- \$3,041,100 to Gladstone Ports Corporation as required by the port services agreement entered into for WICET stage 1.

The Company has provided WICET Pty Ltd with bank guarantees of \$26,079,109 (as per above) and a security deposit of \$12,920,891. The total security required under the 'Take or Pay' agreement for Stage 1 of the Wiggins Island Coal Export Terminal is \$39,000,000.

Other receivables

During the half year ended 31 December 2011 the Company subscribed for 61,111 Wiggins Island Preference Shares ('WIPS') for consideration totalling \$30,639,222. The face value of the WIPS is \$61,111,000 with interest currently being capitalised.

During the half year ended 31 December 2011 the Company subscribed for \$3,000,000 in Gladstone Long Term Security ('GILTS'), which bears interest at Bank Bill Swap Rate + 6% per annum.

The WIPS and GILTS have been classified as loans and receivables at 31 December 2011. Interest has been recognised using the effective interest method.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 9 - Other assets (Cont'd)

Refundable infrastructure expenditure

Refundable infrastructure expenditure relates to payments for WICET stage 2 and Surat Basin Rail and are refundable upon financial close of these projects.

Deferred facility fee

The deferred facility fee relates to the bank guarantee facility with Macquarie Bank and the loan facility with Credit Suisse, Singapore branch AG, and Macquarie Bank. These fees are being amortised over the life of the facilities.

	Consolidated	
	31 December 2011	30 June 2011
	\$	\$

Note 10 - Investments

Investments - available for sale	11,050,001	8,750,000
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During the half year ended 31 December 2011 the Company impaired its investment in Cougar Energy Limited ('Cougar') and an impairment loss of \$97,975 was recorded. The shares in Cougar were subsequently sold.

At 31 December 2011 the Directors compared the carrying value of the investment in Ambre Energy Limited ('Ambre') to the market value and recorded a fair value adjustment of \$2,600,000 (30 June 2011 - \$2,704,000). This was based on \$1.50 per share capital raising made by Ambre totalling \$15.2 million on 18 January 2012.

Note 11 - Investments in equity accounted investees

Cockatoo Coal Marketing Pty Limited – 50%	-	65,260
Hume Coal Pty Limited – 30%	26,906,992	22,436,605
Investments in equity accounted investees	26,906,992	22,501,865

The Company's share of loss in equity accounted investees for the half year was \$60,128 (31 December 2010 - \$15,587). During the half years ended 31 December 2011 and 31 December 2010 the Company did not receive dividends from its equity accounted investees.

During the half year ended 31 December 2011 the Company made equity contributions of \$4,621,720 (2010 - nil) to Hume Coal Pty Limited to fund its ongoing operations.

Note 12 - Exploration and evaluation expenditure

Opening balance	167,411,426	51,818,836
Additions	14,214,989	10,557,307
Acquisitions	-	105,041,000
Transfer to mining properties and development – cost	(4,986,247)	-
Impairment	-	(5,717)
Closing balance	176,640,168	167,411,426

During the half year ended 31 December 2011 exploration and evaluation expenditure totalling \$4,986,247 was reallocated to property, plant and equipment, see Note 13.

The ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 13 - Property, plant and equipment

During the half year ended 31 December 2011 the Group acquired assets with a cost of \$20,792,092 (2010 - \$8,648,574), including land acquisitions of \$14,711,066 (2010 - \$8,589,159). During the half year ended 31 December 2011 exploration and evaluation expenditure totalling \$4,986,247 was reallocated to property, plant and equipment.

	Consolidated	
	31 December 2011	30 June 2011
	\$	\$

Note 14 - Borrowings

Current

Interest bearing liabilities	80,000,000	168,328
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Non-current

Interest bearing liabilities	15,529,453	446,518
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During the half year ended 31 December 2011 the Company entered into a \$65.0 million loan agreement with KEB Australia Ltd ('KEBA'). The loan agreement was secured by a guarantee to KEBA from SK Networks Co., Ltd ('SKN') and matured on 30 December 2011.

During the half year ended 31 December 2011 the Company entered into an \$85.0 million loan facility agreement ('Facility') with Credit Suisse AG, Singapore Branch and Macquarie Bank Limited. The Facility matures on 28 June 2012 and was used to repay the existing \$65.0 million loan facility with KEB Australia Limited. The remaining \$20.0 million will support the ongoing development of the Company's coal assets, infrastructure commitments and working capital requirements. \$78.0 million of the facility has been used as at 31 December 2011. The loan bears interest at 10% per annum and is secured by fixed and floating charges over certain assets in the Group.

During the half year ended 31 December 2011 the Company entered into revised shareholder and financing arrangements with JFE Shoji Trade Corporation ('JFE Shoji'). JFE Shoji holds a 37.5% interest in Baralaba Coal Pty Limited ('Baralaba') and a 20% interest in Wonbindi Coal Pty Limited ('Wonbindi').

Under the new arrangements, JFE Shoji will share in the funding of all Baralaba and Wonbindi expenditures on an equity share basis. The loan to Wonbindi of \$1,208,966 and the loan to Baralaba of \$16,320,487 are unsecured and bear interest at 8% per annum. In accordance with the loan agreement, principal repayments are due as agreed in the 'Approved Program and Budget'. At 31 December 2011, an amount of \$2,000,000 has been classified as a current liability.

Note 15 - Provisions

Rehabilitation provision	2,822,490	2,780,534
Opening balance	2,780,534	2,774,346
Additions	41,956	6,188
Closing balance	2,822,490	2,780,534

At 31 December 2011 a provision for rehabilitation of \$2,822,490 (30 June 2011 - \$2,780,534) was recorded in relation to the Baralaba mine.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 16 - Controlled entities

Particulars in relation to controlled entities:

	Consolidated	
	31 December 2011	30 June 2011
	%	%
<i>Parent Entity</i>		
Cockatoo Coal Limited		
<i>Controlled entities</i>		
Baralaba Coal Pty Ltd	62.5	62.5
Cacatua Pastoral Pty Limited	100	100
Cockatiel Coal Pty Limited	100	100
Cockatoo Coal (Taroom) Pty Limited	100	100
Corella Coal Pty Limited	100	100
Dingo Coal Pty Limited	100	100
Independent Coal Pty Limited	100	100
Injune Coal Pty Limited	100	100
SE QLD Coal Pty Ltd	100	100
SE QLD Energy Pty Ltd	100	100
Surat Coal Pty Limited	100	100
Wonbindi Coal Pty Limited	80	80

All entities are incorporated in Australia

- Cacatua Pastoral Pty Limited, Cockatiel Coal Pty Limited, Cockatoo Coal (Taroom) Pty Limited, Corella Coal Pty Limited, Independent Coal Pty Limited, Injune Coal Pty Limited, Surat Coal Pty Limited, SE QLD Coal Pty Ltd and SE QLD Energy Pty Ltd are wholly owned controlled entities.
- Independent Coal Pty Limited holds a 98% interest in Dingo Coal Pty Limited and the remaining 2% interest is held by Corella Coal Pty Limited.
- The Company holds an 80% interest in Wonbindi Coal Pty Limited.
- Cockatiel Coal Pty Limited holds a 62.5% interest in Baralaba Coal Pty Ltd.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 17 - Segment reporting

The Group has three reportable segments, as described below.

- Mining – production and sale of coal.
- Exploration and evaluation – exploration and evaluation activities of the Group.
- Other – corporate activities (including gains/losses from hedging, project management and foreign exchange).

Operating segments have been determined based on the analysis provided in the reports reviewed by the senior management team in assessing performance and determining strategy. The Group derives its revenue from the production and sale of coal and management fees.

Operating Segments	Mining	Exploration and evaluation	Other	Total
	\$	\$	\$	\$
31 December 2011				
Segment revenue				
Revenues - external	33,497,893	-	4,040,184	37,538,077
Intersegment revenue	-	-	4,268,885	4,268,885
Share of loss in associate	-	-	(60,128)	(60,128)
Finance income	11,143	8	2,976,153	2,987,304
	<u>33,509,036</u>	<u>8</u>	<u>11,225,094</u>	<u>44,734,138</u>
Segment expenses	<u>(31,750,218)</u>	<u>(98)</u>	<u>(9,374,818)</u>	<u>(41,125,134)</u>
Segment result	<u>1,758,818</u>	<u>(90)</u>	<u>1,850,276</u>	<u>3,609,004</u>
Segment assets	<u>50,199,126</u>	<u>207,811,366</u>	<u>127,066,704</u>	<u>385,077,196</u>
Segment liabilities	<u>29,201,730</u>	<u>3,193,826</u>	<u>82,222,116</u>	<u>114,617,672</u>
Other material items in 2011				
Depreciation	-	-	191,088	191,088
Finance expense	220,360	-	2,710,198	2,930,558
Flood reparation expense	1,871,869	-	-	1,871,869

An intercompany finance charge has been included in mining segment expenses and intersegment revenue.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 17 - Segment Reporting (Con't)

Operating Segments	Mining	Exploration and evaluation	Other	Total
	\$	\$	\$	\$
31 December 2010				
Segment revenue				
Revenues – external	22,677,358	-	-	22,677,358
Intersegment revenue	-	-	3,374,481	3,374,481
Share of loss in associate	-	-	(15,587)	(15,587)
Finance income	3,982	130	2,595,191	2,599,303
Other	-	-	566,383	566,383
	<u>22,681,340</u>	<u>130</u>	<u>6,520,468</u>	<u>29,201,938</u>
Segment expenses	<u>(37,812,081)</u>	<u>(135)</u>	<u>(3,953,386)</u>	<u>(41,765,602)</u>
Segment result	<u>(15,130,741)</u>	<u>(5)</u>	<u>2,567,082</u>	<u>(12,563,664)</u>
Segment assets	<u>17,753,642</u>	<u>167,261,017</u>	<u>105,059,576</u>	<u>290,074,235</u>
Segment liabilities	<u>10,907,567</u>	<u>205,901</u>	<u>7,761,255</u>	<u>18,874,723</u>
Other material items in 2010				
Depreciation	-	-	36,181	36,181
Impairment losses	-	-	660,000	660,000
Finance expense	2,394,607	-	-	2,394,607
Flood reparation expense	6,932,526	-	-	6,932,526

An intercompany finance charge has been included in mining segment expenses and intersegment revenue.

Note 18 - Share based payments

The Company has a share option program that entitles key management personnel, senior employees and consultants to purchase shares in the entity.

There were no options granted during the half year ended 31 December 2011.

The terms and conditions of the options granted during the half year ended 31 December 2010 were as follows:

Grant date	Expiry date	Vesting date	Exercise price	Granted during the half year number
			\$	
31 Dec 2010	31 Dec 2013	31 Dec 2010	\$0.60	833,331
31 Dec 2010	31 Dec 2013	31 Dec 2011	\$0.60	833,332
31 Dec 2010	31 Dec 2013	31 Dec 2012	\$0.60	833,337
				<u>2,500,000</u>

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Notes to the condensed interim financial statements

Note 18 - Share based payments (Con't)

Fair value of options

The fair value of options granted is measured at grant date and recognised as an expense over the period during which the key management and senior employees become unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

The fair value of options granted on 31 December 2010 was \$483,762. The Black-Scholes formula model inputs were the Company's share price of \$0.53 at the grant date, a volatility factor of 56.87% based on historic share price performance, a risk free interest rate of 5.23% based on government bonds, and a dividend yield of 0%.

Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the half year ended 31 December 2011 as part of share based remuneration expense was \$136,396 (2009 - \$201,187).

Note 19 - Subsequent events

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of the affairs of the Group, in future financial years.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' D e c l a r a t i o n

In the opinion of the Directors of Cockatoo Coal Limited ('the Company'):

1. the financial statements and notes, set out on pages 17 to 31, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 29th day of February 2012

in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Chairman



Mark H. Lochtenberg
Managing Director



Independent Auditor's Review Report to the
Members of Cockatoo Coal Limited

We have reviewed the accompanying interim financial report of Cockatoo Coal Limited, which comprises the condensed interim statement of financial position as at 31 December 2011, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the half year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' responsibility for the interim financial report

The Directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Cockatoo Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Cockatoo Coal Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to note 3, "Going Concern" in the interim financial report. The conditions disclosed in note 3, including raising additional funding from shareholders or other parties, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report.

KPMG
Brisbane
29 February 2012

Simon Crane
Partner



Lead Auditor's Independence Declaration under
Section 307C of the Corporations Act 2001 to the
Directors of Cockatoo Coal Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'Simon Crane'.

Simon Crane
Partner
Brisbane
29 February 2012

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Corporate Directory

Directors:

Norman A. Seckold (Chairman)
Mark H. Lochtenberg (Managing Director)
Peter J. Nightingale (CFO)
J. Gillis Broinowski
Joo-Ok Chang
Paul G. Chappell
Lindsay R. Flint
Hak Hee Lee
K.. Scott A. Thompson
Sun Moon Woo
Robert A. Yeates

Company Secretary:

Lee J. O'Dwyer

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