

# DIRECTORS' REPORT

The Directors present their report together with the financial report of Cockatoo Coal Limited ('the Company') and of the Group, being the Company and its controlled entities, for the year ended 30 June 2009 and the auditor's report thereon:

## Directors

The names and particulars of the Directors of the Company at any time during or since the end of the financial 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 25 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 is developing the Palmarejo and Guadalupe gold and silver deposits in Mexico.

Mr Seckold is currently a director of Kings Minerals N.L., a company exploring for precious and base metals in Australia and its Canadian listed subsidiary San Anton Resources Corporation which is exploring for precious and base metals in Mexico and Planet Gas Limited, a coalbed methane and geothermal exploration and development company operating in Australia and the USA.

### 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.

### Peter James Nightingale

Executive Director, Chief Financial Officer and Company Secretary

Director since 28 January 2005



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 a director of Planet Gas Limited and unlisted public companies Callabonna Uranium Limited and Nickel Mines Limited.

# DIRECTORS' REPORT

**John Gillis Broinowski**  
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, a director, and former President of the Foundation for National Parks & Wildlife and former President and director of the NSW Chamber of Commerce & Industry (Australian Business Limited, Chamber of Manufacturers 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.

**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 and is a Fellow of the Australian Society of Certified Practising Accountants. 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.

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 group's head office in The Netherlands and was Director Commercial Operations Asia. He retains this role and relocated to Australia in October 2007.

**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.

# DIRECTORS' REPORT

## Hak Hee Lee

Non-executive Director

Director since 30 November 2006



Hak Hee Lee is a director of SK Australia Pty Ltd, a subsidiary of SK Corporation, the largest energy company in Korea with major business areas being petroleum refining, petrochemical and coal. Mr Lee has spent 22 years in the energy industry in new business development and overseas investment positions with a focus on coal.

## Sun Moon Woo

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 POSCO in 1983, since then has worked in the Raw Materials Purchasing Division and the Investments Division for 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 100% subsidiary of POSCO.

## 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 8 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.

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 Company as required from time to time by the Company. These services will be carried out by, amongst others, Rob Yeates.

An aerial photograph of a coal processing or mining site. The foreground shows a large, dark, paved area, possibly a conveyor belt or a road, with several white trucks and a yellow truck. In the background, there are large piles of dark coal and a rocky, uneven terrain. The text is overlaid on the lower right portion of the image.

THE BOARD OF DIRECTORS MONITORS COMPLIANCE WITH ENVIRONMENTAL REGULATIONS AND THE DIRECTORS ARE NOT AWARE OF ANY SIGNIFICANT BREACHES OF THESE REGULATIONS DURING THE PERIOD COVERED BY THIS REPORT.

# DIRECTORS' REPORT

## Directors' Meetings

The number of Directors' meetings held and number of meetings attended by each of the Directors of the Company, while they were a Director, during the year are:

Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	Held	Attended	Held*	Attended	Held	Attended
Norman A. Seckold	6	5	-	-	-	-
Mark H. Lochtenberg	6	6	-	-	2	2
Peter J. Nightingale	6	6	2	2	-	-
J. Gillis Broinowski	6	4	-	-	2	2
Paul G. Chappell	6	4	2	2	-	-
Lindsay R. Flint	6	4	-	-	2	2
Hak Hee Lee	6	5	-	-	-	-
Sun Moon Woo	6	2	-	-	-	-
Robert A. Yeates	6	5	2	1	-	-

\* Since the end of the financial year there has been one meeting of each of the Audit Committee and Remuneration Committee.

## Directors' Interests

At the date of this report, the beneficial interests of each Director of the Company in the issued share capital of the Company are:

Specified Directors	Held at 1 July 2008	Purchased	Sold	Held at the date of this report
Norman A. Seckold	19,750,002	90,908	-	19,840,910
Mark H. Lochtenberg	37,500,004	90,908	-	37,590,912
Peter J. Nightingale	13,010,002	90,908	-	13,100,910
J. Gillis Broinowski	1,500,000	45,454	-	1,545,454
Paul G. Chappell	570,000	45,454	-	614,454
Lindsay R. Flint	1,000,000	45,454	-	1,045,454
Hak Hee Lee	-	-	-	-
Sun Moon Woo	-	-	-	-
Robert A. Yeates	1,050,000	30,303	-	1,080,303

No shares were granted to key management personnel during the reporting period as compensation in 2008 or 2009.

# DIRECTORS' REPORT

## Option Holdings

### Options granted to Directors

At the date of this report, the beneficial interests of each Director of the Company in options over the unissued share capital of the Company are:

Specified Directors	Held at 1 July 2008	Granted as remuneration	Expired	Held at date of report	Vested and exercisable at date of report
Norman A. Seckold	-	1,000,000	-	1,000,000	-
Mark H. Lochtenberg	-	5,000,000	-	5,000,000	-
Peter J. Nightingale	-	3,000,000	-	3,000,000	-
J. Gillis Broinowski	-	500,000	-	500,000	-
Paul G. Chappell	-	-	-	-	-
Lindsay R. Flint	-	500,000	-	500,000	-
Hak Hee Lee	-	-	-	-	-
Sun Moon Woo	-	-	-	-	-
Robert A. Yeates	-	500,000	-	500,000	-

No options have been granted to Directors subsequent to year end.

### Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Number of options	Exercise price	Expiry date
1,000,000	\$0.20	30 June 2012
500,000	\$0.25	30 June 2012
500,000	\$0.30	30 June 2012
1,500,000	\$0.60	30 June 2012
750,000	\$0.70	30 June 2012
750,000	\$0.80	30 June 2012
1,450,000	\$0.40	30 September 2013
950,000	\$0.50	30 September 2013
950,000	\$0.60	30 September 2013
10,500,000	\$0.70	30 September 2013

Details of options issued by the Company are set out in the capital and reserves note to the financial report. The names of persons who currently hold options are entered in the register of options kept by the Company pursuant to the Corporations Act 2001. This register may be inspected free of charge.

The persons entitled to exercise the options do not have, by virtue of the options, the right to participate in a share issue of any other body corporate.

# DIRECTORS' REPORT

## Remuneration Report - Audited

The policy of remuneration of Directors is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Other than the Managing Director, the Directors are not employed directly by the Group. Their services are provided by way of arrangements with related parties. The remuneration disclosed below represents the cost to the Group for the services provided under these arrangements.

Details of the nature and amount of each major element of the remuneration of each Director of the Company and Group are:

	Year	Primary Fees \$	Superannuation \$	Fair value of Options \$	Total \$	Options as % of Remuneration
<b>Executive Directors</b>						
Norman A. Seckold (Chairman)	2009	90,000	-	77,610	167,610	46%
	2008	90,000	-	-	90,000	-
Mark H. Lochtenberg (Managing Director)	2009	216,000	19,440	388,049	623,489	62%
	2008	208,000	18,720	-	226,720	-
Peter J. Nightingale (Director, Company Secretary and Chief Financial Officer)	2009	155,000	-	232,829	387,829	60%
	2008	120,000	-	-	120,000	-
<b>Non-executive independent Directors</b>						
J. Gillis Broinowski	2009	30,000	-	38,805	68,805	56%
	2008	30,000	-	-	30,000	-
Paul G. Chappell	2009	30,000	-	-	30,000	-
	2008	30,000	-	-	30,000	-
Lindsay R. Flint	2009	30,000	-	38,805	68,805	56%
	2008	30,000	-	-	30,000	-
Robert A. Yeates	2009	94,131	-	38,805	132,936	29%
	2008	64,627	-	-	64,627	-
<b>Non-executive Directors</b>						
Hak Hee Lee	2009	30,000	-	-	30,000	-
	2008	30,000	-	-	30,000	-
Sun Moon Woo	2009	30,000	-	-	30,000	-
	2008	22,500	-	-	22,500	-
Total, all specified Directors	2009	705,131	19,440	814,903	1,539,474	53%
	2008	625,127	18,720	-	643,847	-

There are no executives of the Company or Group that are not Directors and no Directors receive performance related remuneration. There are no service contracts and no bonuses or other performance related compensation paid. Total fees for all non-executive directors, last voted upon by shareholders at the 2008 Annual General Meeting, is not to exceed \$250,000 per annum. No shares were granted to key management personnel during the reporting period as compensation in 2009 or 2008.

# DIRECTORS' REPORT

## Options granted as compensation - Audited

Details of options that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted	Grant date	Fair value at grant date	Exercise price	Expiry date	Options vested during the year	Options exercised during the year	Options lapsed during the year	Options forfeited during the year
Norman A. Seckold	1,000,000	3 Feb 2009	\$77,610	\$0.70	30 Sep 2013	-	-	-	-
Mark H. Lochtenberg	5,000,000	3 Feb 2009	\$388,049	\$0.70	30 Sep 2013	-	-	-	-
Peter J. Nightingale	3,000,000	3 Feb 2009	\$232,829	\$0.70	30 Sep 2013	-	-	-	-
J. Gillis Broinowski	500,000	3 Feb 2009	\$38,805	\$0.70	30 Sep 2013	-	-	-	-
Paul G. Chappell	-	-	-	-	-	-	-	-	-
Lindsay R. Flint	500,000	3 Feb 2009	\$38,805	\$0.70	30 Sep 2013	-	-	-	-
Hak Hee Lee	-	-	-	-	-	-	-	-	-
Sun Moon Woo	-	-	-	-	-	-	-	-	-
Robert A Yeates	500,000	3 Feb 2009	\$38,805	\$0.70	30 Sep 2013	-	-	-	-

No options have been granted subsequent to year end.

In the event that the employment or office of the option holder is terminated, any options which have not reached their vesting date will lapse and any options which have reached their vesting date may be exercised within one month from the date of termination of employment. Vesting conditions relate solely to service periods.

The fair value of the options at grant date was determined based on the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The Black-Scholes formula model inputs were the Company's share price of \$0.285 at the grant date, a volatility factor of 57.56% based on historic share price performance and a risk free interest rate of 3.48% based on government bonds.

## Consequences of performance on shareholders' wealth - Audited

In considering the Group's performance and benefits for shareholders' wealth, the Remuneration Committee have regard to the following indices in respect of the current financial year and the previous three financial periods.

	2009	2008	2007	2006
Net loss attributable to equity holders of the parent	\$63,010,741	\$1,531,500	\$214,783	\$124,437
Dividends paid	-	-	-	-
Change in share price	(\$0.21)	\$0.64	\$0.05	(\$0.05)

The overall level of key management personnel's compensation has been determined based on market conditions and status of the Group's projects.

# DIRECTORS' REPORT

## Principal Activities

The Company and Group is involved in the acquisition, exploration, development, production and operation of coal mining projects and no significant change in the nature of those activities has occurred during the year.

## Financial Result and Operating and Financial Review

The operating loss of the Group for the financial year ended 30 June 2009 after income tax was \$63,010,741 (2008 - \$1,531,500).

A review of the Company's and Group's operations for the year is set out in the Operating and Financial Review.

## Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2009. No dividends have been paid or declared during the financial year.

## State of Affairs

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2009 were as follows:

- Completion of the acquisition of a controlling interest in the Baralaba mine.
- The issued of 35.4 million shares to SK Australia Pty Ltd for \$25.0 million.
- The issued of 19.76 million shares to Korea East-West Power Company Ltd and Kores Australia Pty Ltd for \$10.0 million.

## Impact of Legislation and Other External Requirements

There were no environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Group.

## Employees

The Company has 16 employees (2008 - 8 employees). The Group has 18 employees (2008 - 8 employees).

## Environmental Regulations

The Group's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its activities.

The Board of Directors monitors compliance with environmental regulations and the Directors are not aware of any significant breaches of these regulations during the period covered by this report.

## Events Subsequent to Balance Date

Subsequent to the end of the financial year:

- The Company completed a capital raising initiative through a Share Purchase Plan ('SPP') raising a total amount of \$10.8 million. A total of 1,115 shareholders, representing 28.6% of all eligible shareholders, participated in the SPP subscribing for 32.6 million fully paid ordinary shares.
- Following the SPP, the Company completed placements to institutional and sophisticated investors totalling \$12.6 million by the issue of 38.2 million shares, and received a commitment for a further \$5.0 million placement for the issue of 15.2 million shares.
- The sale of the Company's 20% interest in the UCG technology joint venture was completed for consideration of 15 million shares in Cougar Energy Limited.

## Likely Developments

Information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

# DIRECTORS' REPORT

## Indemnification of Officers and Auditors

During or since the end of the financial year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

## Non-audit Services

During the year KPMG, the Company's auditor, performed no other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit services provided during the year are set out below.

	Consolidated	
	2009 \$	2008 \$
Statutory audit:		
Auditors of the Company		
- audit and review of financial reports	65,337	35,839
	<u>65,337</u>	<u>35,839</u>

## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 48 and forms part of the Directors' Report for the year ended 30 June 2009.

Signed at Sydney this 15<sup>th</sup> day of September 2009 in accordance with a resolution of the Board of Directors:



Norman A. Seckold  
Chairman



Mark H. Lochtenberg  
Managing Director