

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1 - REPORTING ENTITY

Cockatoo Coal Limited (the 'Company') and its controlled entities is a Group domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the 'Group') and the Company's interest in jointly controlled entities.

### NOTE 2 - BASIS OF PREPARATION

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the Directors on 22 September 2011.

#### Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and available for sale financial assets which are measured at fair value.

#### Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's and each of the entities in the Group's functional currency.

#### Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 2 - Going concern;
- Note 8 - Income tax expense;
- Note 13 - Investments;
- Note 15 - Exploration and evaluation expenditure;
- Note 19 - Provisions;
- Note 21 - Controlled entities;
- Note 22 - Share based remuneration; and
- Note 31 - Contingent liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 2 - BASIS OF PREPARATION (CONT.)

#### Going Concern

The consolidated financial statements have 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 incurred losses of \$21,906,880 for the year ended 30 June 2011 and has accumulated losses of \$73,964,665 as at 30 June 2011. The Group has cash on hand of \$17,631,329 at 30 June 2011 and used \$8,619,531 of cash in operations for the year ended 30 June 2011.

Subsequent to year end the Group has entered into a short term loan agreement with KEB Australia Limited ('KEBA') to provide funding of \$65 million for planned infrastructure payments, and to date \$50 million of this facility has been drawn. The loan agreement expires 30 December 2011 and the Directors are currently considering a number of alternate funding arrangements. There is an inherent uncertainty as to what alternative funding arrangements are available to the Group.

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 KEBA; and/or
- the Group reducing expenditure in line with available funding.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group obtains sufficient additional funding from shareholders or other parties. If such funding is not achieved, the Group plans to renegotiate the terms of its short term loan agreement with KEBA and reduce expenditures significantly.

In the event that the Group does not obtain additional funding, and/or extend the terms of its loan agreement with KEBA, 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 financial report.

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

#### Basis of consolidation

##### ***Business combinations***

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### **Measuring goodwill**

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

#### **Contingent liabilities**

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

#### **Non-controlling interest**

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

#### **Transaction costs**

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

#### **Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### **Jointly controlled entities**

In the consolidated financial statements, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The Company's share of the jointly controlled entity's net profit or loss is recognised in the consolidated statement of comprehensive income from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

#### **Transactions eliminated and consolidation**

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Where a controlled entity issues shares to non-controlling interests which does not result in loss of control by the Company, any gain or loss arising on the Company's interest in the controlled entity is recognised directly in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### Foreign currency

##### **Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

#### Available for sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly as a separate component of equity.

#### Property, plant and equipment

##### **Owned assets**

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Impairment accounting policy below).

##### **Depreciation**

Depreciation is charged to the statement of comprehensive income using the reducing balance method from the date of acquisition.

Office equipment and plant and equipment are depreciated at rates between 25% and 40%, buildings are depreciated at a rate of 4% and motor vehicles are depreciated at a rate of 22.5%. Land is not depreciated. Mining properties and development depreciation rate is applied on the basis of units of production over the life of the economically recoverable reserves.

#### Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits.

#### Share capital

##### **Transaction costs**

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

##### **Dividends**

Dividends are recognised as a liability in the period in which they are declared.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### **Share based payment transactions**

The fair value of options granted is measured at grant date and recognised as an expense over the period during which the Directors, officers and consultants of the Group become unconditionally entitled to the options. The fair value of the options granted is measured using a 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.

#### **Trade and other payables**

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

#### **Finance income and finance expense**

Finance income and finance expense comprises interest payable on borrowings calculated using the effective interest method, interest earned, dividend income, unwind of discount on provisions and the net change in the fair value of derivative financial instruments recognised in profit or loss.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

#### **Impairment**

##### ***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

##### ***Non-financial assets***

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### **Calculation of recoverable amount**

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### **Reversals of impairment**

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

#### **Segment reporting**

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group's primary format for segment reporting is on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### **Income tax**

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### **Tax consolidation**

The Company and its wholly owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Cockatoo Coal Limited.

#### **Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

#### **Employee benefits**

*Wages, salaries, annual leave, sick leave and non-monetary benefits*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

#### **Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on average costs over the relevant period of production, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### **Coal sales revenue**

Coal sales revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### **Exploration, evaluation and development expenditure**

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mining property and development assets within property, plant and equipment.

#### **Provisions**

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

#### **Site restoration**

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

#### **Derivative financial instruments**

The Group holds derivative financial instruments, not held for trading, to hedge its foreign currency risk exposures. Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and changes in its fair value are recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### **Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### ***Trade and other receivables***

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### ***Derivatives***

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

#### ***Investment in equity securities***

The fair value of available-for-sale financial assets is determined by reference to their closing price at the reporting date.

#### ***Share based payment transactions***

The fair value of the options granted is measured using a Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. Measurement inputs include share price at grant date, exercise price of the instrument, expected volatility (based on historic share performance), risk-free interest rate (based on government bonds), and dividend yield.

#### ***Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### **New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
<b>NOTE 4 - OTHER INCOME</b>		
Marketing income	298,665	334,595
Management and consulting income	2,650,315	446,319
Other	13,512	232,673
	<u>2,962,492</u>	<u>1,013,587</u>
<b>NOTE 5 - OTHER EXPENSES</b>		
Audit fees - KPMG audit and review of financial reports	215,150	183,118
KPMG fees - other	34,500	24,500
Contract termination fee	-	1,000,000
Depreciation	95,251	85,829
Exploration and evaluation - pre-licence costs	235,568	-
Net foreign exchange loss	76,720	32,068
	<u>657,189</u>	<u>1,325,516</u>
<b>NOTE 6 - IMPAIRMENT LOSSES</b>		
Impairment loss on exploration properties - refer Note 15	5,717	166,610
Impairment loss on investments - refer Note 13	915,000	285,000
	<u>920,717</u>	<u>451,610</u>
<b>NOTE 7 - FINANCE INCOME AND FINANCE EXPENSE</b>		
Interest income	3,977,327	1,547,351
Interest paid	(38,539)	(602,629)
Interest expense unwind	-	(126,263)
Finance facility costs	(174,637)	-
	<u>3,764,151</u>	<u>818,459</u>
Net change in fair value of derivative financial instruments	-	2,672,592
	<u>3,764,151</u>	<u>3,491,051</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
<b>NOTE 8 - INCOME TAX EXPENSE</b>		
<b>Current tax expense</b>		
Current year	(10,729,414)	(321,255)
Adjustments for prior year	-	(7,658,831)
De-recognition of losses	10,729,414	7,980,086
Total income tax expense in statement of comprehensive income	-	-
<b>Deferred tax expense</b>		
Current year	4,279,116	1,890,614
Adjustments for prior year	-	4,625,409
De-recognition of temporary differences	(4,279,116)	(6,516,023)
Deferred tax expense	-	-
<b>Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(Loss) before tax - continuing operations	(21,906,880)	3,517,569
Prima facie income tax expense/(benefit) at the Australian tax rate of 30% (2010 - 30%)	(6,572,064)	1,055,271
Increase in income tax expense due to:		
● Non-deductible expenses	121,766	514,088
● Effect of net deferred tax assets not brought to account	(6,450,298)	(1,569,359)
Income tax expense - current and deferred	-	-
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items		
Taxable temporary differences (net)	(13,437,529)	(13,382,619)
Tax losses	48,814,806	38,044,054
Net	35,377,277	24,661,435

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
<b>NOTE 9 - EARNINGS PER SHARE</b>		
<b>Basic and diluted earnings/(loss) per share have been calculated using:</b>		
Profit/(loss) for the year attributable to equity holders of the Company	(12,603,632)	3,517,569
<b>Weighted average number of ordinary shares</b>		
● Issued ordinary shares at beginning of year	602,507,380	474,652,788
● Effect of shares issued in August 2009	-	29,478,125
● Effect of shares issued in September 2009	-	30,754,669
● Effect of shares issued in October 2009	-	11,332,503
● Effect of shares issued in November 2009	-	24,429,224
● Effect of shares issued in June 2010	-	6,165
● Effect of shares issued in September 2010	204,048,948	-
● Effect of shares issued in October 2010	70,380,574	-
● Effect of shares issued in December 2010	23,976,416	-
Weighted average ordinary shares at the end of the year	900,913,318	570,653,474
<b>Weighted average number of ordinary shares (diluted)</b>		
● Weighted average ordinary shares at the end of the year	900,913,318	570,653,474
● Effect of share options on issue	-	779,171
Weighted average number of ordinary shares (diluted) at the end of the year	900,913,318	571,432,645
<b>NOTE 10 - TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	765,411	4,551,437
GST receivable	1,195,985	802,439
Interest receivable	68,735	301,303
Other receivable	4,284,427	131,065
	6,314,558	5,786,244
<b>NOTE 11 - INVENTORIES</b>		
Work in progress - coal stock	71,355	2,088,352
Finished goods - coal stock	3,113,582	7,938,195
	3,184,937	10,026,547

Baralaba mine inventory was adversely affected by wet weather and flooding in December 2010, inventories written off due to flooding amounted to \$976,818.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
<b>NOTE 12 - OTHER</b>		
<b>Current</b>		
Deferred facility fee	909,983	-
Prepayments	275,044	56,600
	1,185,027	56,600
<b>Non-current</b>		
Deferred facility fee	1,364,974	-
Deposit paid - investments	7,666,668	-
Deposit paid - land	-	580,000
Prepayments	40,148	14,595
Security deposits	19,383,477	22,567,887
Refundable infrastructure expenditure	9,644,744	848,373
	38,100,011	24,010,855

## Deferred facility fee

During the year ended 30 June 2011 the Company entered into a Bank Guarantee Facility ('Facility') with Macquarie Bank Limited ('Macquarie'). The facility amount is \$50.0 million and matures on 31 December 2013. The purpose of the Facility is to support the development of the Company's coal assets and associated infrastructure requirements.

As part of the Facility fee, the Company issued to Macquarie 20,833,333 options, each to acquire one fully paid ordinary share in the Company at 64 cents per share at any time up to 31 December 2013. Any proceeds from the exercise of the options will first be applied to repay any outstanding Facility amount.

The fair value of options granted on 9 May 2011 to Macquarie is measured at grant date and recognised as an expense over the Facility term. The fair value of the options was \$2,404,245.

## Deposits paid - investments

During the year ended 30 June 2011 the Company paid an initial deposit of \$7,666,668 for its share of preference shares in WICET Holdings Pty Limited.

## Deposits paid - land

During the year ended 30 June 2011 land acquisition totalling \$6.2 million was completed and the deposits paid reallocated to property, plant and equipment, see Note 16.

## Refundable infrastructure expenditure

Refundable infrastructure expenditure relate to payments for WICET and are refundable upon financial close.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 12 - OTHER (CONT.)

#### Security deposits

Included in the above security deposits is \$19,205,297 in relation to amounts held with Macquarie Bank Limited as part of the bank guarantee facility, see Note 30. At 30 June 2011 Macquarie Bank Limited has provided guarantees totalling \$38,410,593 under this facility, details of the guarantees provided are:

- A security deposit for \$3,330,000 with 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.
- Security deposits for the Wiggins Island Coal Export Terminal project totalling \$20,808,171 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.
- A security deposit for \$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.
- A security deposit for \$1,255,000 with 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.

	2011 \$	2010 \$
Investments - available for sale	8,750,000	6,961,001

### NOTE 13 - INVESTMENTS

Investments - available for sale

#### Investments - available for sale

At 30 June 2011 the Directors compared the carrying value of the investment in Cougar Energy Limited to the market value and recorded an impairment loss of \$915,000 (2010 - \$285,000). This was based on a closing share price of 2.0 cents at 30 June 2011 (2010 - 8.1 cents). The impairment charge has been allocated to the 'other' segment result in Note 28.

At 30 June 2011 the Directors compared the carrying value of the investment in Ambre Energy Limited to the market value and recorded a fair value adjustment of \$2,704,000 (2010 - \$nil). This was based on \$1 per share capital raising made by Ambre totalling \$15.2 million between 18 January 2011 and February 2011.

During the year ended 30 June 2010:

- All conditions precedent for the sale of the Company's remaining interest in the Underground Coal Gasification ('UCG') technology joint venture were met and the Company received 15.0 million shares in Cougar Energy Limited (ASX: CXY) ('Cougar') as consideration for the sale.
- The Company subscribed for \$250,000 worth of convertible notes ('Notes') in Australian Transport and Energy Corridor Limited ('ATEC'). ATEC is an unlisted dedicated rail infrastructure development and investment company. The Notes are convertible to ordinary issued capital of ATEC at an exercise price whereby one Note will be equivalent to 0.125 of a share in ATEC. Interest is paid on the Notes at 10.00% per annum, paid quarterly in arrears.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 14 - INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

	2011 \$	2010 \$
Cockatoo Coal Marketing Pty Limited - 50%	65,260	113,033
Hume Coal Pty Limited - 30%	22,436,605	-
Investments in equity accounted investees	<u>22,501,865</u>	<u>113,033</u>

During the year ended 30 June 2011 the Company acquired 30% interest in Anglo Coal (Suttons Forrest) Pty Ltd from POSCO for \$21,510,000. Subsequent to the acquisition Anglo Coal (Suttons Forrest) Pty Ltd changed its name to Hume Coal Pty Limited ('Hume').

During the year ended 30 June 2010, as part of a share subscription agreement, a marketing joint venture, owned in equal parts and with equal board representation, between SK Australia Pty Ltd (or its nominee) and the Company, was formed to manage the sale and marketing of all the Group's existing and future coal production. Cockatoo Coal Marketing Company Pty Ltd ('CCMC') was incorporated during the financial year ended 30 June 2010.

The Company's share of loss in equity accounted investees for the year was \$47,610 (2010 - \$13,033 profit). During the years ended 30 June 2011 and 30 June 2010 the Company did not receive dividends from its equity accounted investees.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Company is as follows:

	Reporting Date	Ownership	Total assets	Total liabilities	Income	Expenses	Profit/(loss)
<b>2011</b>							
CCMC	30 June	50%	153,417	22,897	206,819	(302,366)	(95,546)
Hume	30 June	30%	75,818,895	1,030,212	547	(2)	545
			<u>75,972,312</u>	<u>1,053,109</u>	<u>207,366</u>	<u>(302,368)</u>	<u>(95,001)</u>
<b>2010</b>							
CCMC	30 June	50%	282,371	56,305	384,245	(358,179)	26,066

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
<b>NOTE 15 - EXPLORATION AND EVALUATION EXPENDITURE</b>		
Opening balance	51,818,836	45,263,397
Additions	10,557,307	8,222,049
Acquisitions	105,041,000	-
Impairment	(5,717)	(166,610)
Disposals	-	(1,500,000)
Closing balance	<u>167,411,426</u>	<u>51,818,836</u>

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

Mineral tenements, exploration and evaluation expenditure relate to the following projects:

Bowen Basin projects	30,763,976	18,987,666
Surat Basin projects	136,291,480	32,831,170
Other projects	355,970	-
	<u>167,411,426</u>	<u>51,818,836</u>

During the year ended 30 June 2011 the Company completed the acquisition of 100% interest in Anglo Coal (Taroom) Pty Ltd. The acquisition resulted in a fair value allocation of \$105,041,000 to exploration and evaluation expenditure based on purchase price allocation, see Note 21.

During the year ended 30 June 2010 the Group fully impaired the carrying value of the Condamine, Injune and Mintovale projects, by an amount of \$166,610 due to the inherent uncertainty of the recoupment of these costs. The impairment charge has been allocated to the exploration and evaluation segment result in Note 28.

### NOTE 16 - PROPERTY, PLANT AND EQUIPMENT

Land and buildings - cost	12,186,790	3,514,229
Accumulated depreciation	(120,911)	(15,796)
Net book value	<u>12,065,879</u>	<u>3,498,433</u>
Office equipment - cost	347,477	140,222
Accumulated depreciation	(107,333)	(60,171)
Net book value	<u>240,144</u>	<u>80,051</u>
Motor vehicles - cost	958,249	403,535
Accumulated depreciation	(253,263)	(168,013)
Net book value	<u>704,986</u>	<u>235,522</u>
Plant and equipment - cost	1,897,956	283,933
Accumulated depreciation	(278,296)	(54,286)
Net book value	<u>1,619,660</u>	<u>229,647</u>
Mining properties and development - cost	10,167,619	1,050,994
Accumulated depreciation	(324,893)	-
Net book value	<u>9,842,726</u>	<u>1,050,994</u>
Total property, plant and equipment	<u>24,473,395</u>	<u>5,094,647</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
<b>NOTE 16 - PROPERTY, PLANT AND EQUIPMENT (CONT.)</b>		
<i>Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.</i>		
<b>Land and buildings</b>		
Carrying amount at beginning of year	3,498,433	3,280,774
Additions	8,130,158	228,625
Addition through acquisition of controlled entity	459,001	-
Depreciation	(21,713)	(10,966)
Net book value	<u>12,065,879</u>	<u>3,498,433</u>
<b>Office equipment</b>		
Carrying amount at beginning of year	80,051	78,854
Additions	207,255	30,216
Depreciation	(47,162)	(29,019)
Net book value	<u>240,144</u>	<u>80,051</u>
<b>Motor vehicles</b>		
Carrying amount at beginning of year	235,521	253,428
Additions	554,715	46,547
Depreciation	(85,250)	(64,453)
Net book value	<u>704,986</u>	<u>235,522</u>
<b>Plant and equipment</b>		
Carrying amount at beginning of year	229,647	-
Additions	1,614,023	533,933
Disposals	-	(250,000)
Depreciation	(224,010)	(54,286)
Net book value	<u>1,619,660</u>	<u>229,647</u>
<b>Mining properties and development</b>		
Carrying amount at beginning of year	1,050,994	-
Additions	9,116,625	1,050,994
Depreciation	(324,893)	-
Net book value	<u>9,842,726</u>	<u>1,050,994</u>

During the year ended 30 June 2011 the Company completed the acquisition of 100% interest in Anglo Coal (Taroom) Pty Ltd. The acquisition resulted in a fair value allocation of \$459,001 to property, plant and equipment based on purchase price allocation, see Note 21.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
<b>NOTE 17 - TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Accounts payable	21,625,276	14,770,354
<b>NOTE 18 - BORROWINGS</b>		
<b>Current</b>		
Interest bearing liabilities	168,328	5,000,000
<b>Non-current</b>		
Interest bearing liabilities	446,518	-

## Interest bearing liabilities

During the year ended 30 June 2011, the Company acquired 100% interest in Anglo Coal (Taroom) Pty Limited. Total consideration was \$100,384,743 and the refinance of \$5,190,991 debt payable by Anglo Coal (Taroom) Pty Limited to Anglo American Plc which became payable to the Company. At completion of the acquisition, the full debt amount was paid to Anglo American Plc.

During the year ended 30 June 2009, the Company completed the acquisition from Peabody Pacific Pty Limited ('Peabody') of all the shares in Peabody Baralaba Investments Pty Ltd (since renamed Cockatiel Coal Pty Ltd), which holds a 62.5% interest in Baralaba Coal Pty Ltd ('Baralaba').

Total consideration was \$1 and the refinance of a \$52.5 million debt payable by Baralaba to Peabody which then became payable to the Company. At completion, \$40.0 million of the debt was paid to Peabody, \$7.5 million was paid on 1 July 2009 and \$5.0 million was paid on 1 July 2010. The debt incurred interest at 8% per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
<b>NOTE 19 - PROVISIONS</b>		
Rehabilitation provision	2,780,534	2,774,346
Opening balance	2,774,346	2,648,083
Addition	6,188	-
Unwind of discount	-	126,263
Closing balance	2,780,534	2,774,346

The basis of accounting for rehabilitation costs is set out in note 3, Significant Accounting Policies.

The Group is required to rehabilitate the Baralaba mine site when mining is completed. Given the long term nature of the liability, there is significant uncertainty in relation to the estimates of the provision or the costs that could be incurred. Future rehabilitation estimates have been discounted at 6.75% (2010 - 7.85%).

The Baralaba mine was flooded due to severe wet weather in Queensland in late December 2010, flood water levels in the Baralaba region reached record levels. An estimate of the cost of flood reparation works was made and the Group recorded a flood reparation provision amount of \$6,932,526 at 31 December 2010. The Flood reparation works have been substantially completed prior to year end and the flood reparation provision amount has been utilised.

The actual flood reparation costs incurred to 30 June 2011 were \$7,010,105. As part of a broader on-going commercial arrangement, which is in the process of being finalised at the time of this report, the contractor has agreed to contribute to the Group 50% of actual costs incurred relating to the reporting period of \$3,137,343.

## NOTE 20 - CAPITAL AND RESERVES

### Dividends

There were no dividends paid or declared during the year ended 30 June 2011 or 30 June 2010.

### Option premium reserve

The issue of Company options results in a credit to the option premium reserve representing the fair value of the options granted. The exercise of Company options results in a debit to the option premium reserve. There were no options exercised during the year ended 30 June 2011 (2010 - 250,000).

### Fair value reserve

Fair value reserve comprises of the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 20 - CAPITAL AND RESERVES (CONT.)

	2011 Number of shares	2010 Number of shares
<b>Share capital</b>		
Ordinary shares on issue at 1 July - fully paid	602,507,380	474,652,788
Issue of shares	413,589,528	127,854,592
Ordinary shares on issue at 30 June - fully paid	<u>1,016,096,908</u>	<u>602,507,380</u>

During the year ended 30 June 2011:

- 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 \$2,647,013.
- 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.

During the year ended 30 June 2010:

- The Company issued 85,937,925 ordinary shares at \$0.33 per share for cash totalling \$28,359,700. There were no amounts unpaid on the shares issued and share issue costs amounted to \$562,500.
- The Company issued 41,666,667 ordinary shares at \$0.36 per share for cash totalling \$15,000,000. There were no amounts unpaid on the shares issued and there were no share issue costs.
- The Company issued following the exercise of 250,000 \$0.20 options 250,000 ordinary shares at \$0.20 per share for cash totalling \$50,000. There were no amounts unpaid on the shares issued and there were no share issue costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 20 - CAPITAL AND RESERVES (CONT.)

#### Options

The following options were on issue at 30 June 2011, each exercisable to acquire one fully paid ordinary share:

Grant date	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Cancelled during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
5 July 2007	30 June 2012	\$0.20	750,000	-	-	-	750,000	750,000
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 January 2008	30 June 2012	\$0.60	1,500,000	-	-	-	1,500,000	1,500,000
8 January 2008	30 June 2012	\$0.70	750,000	-	-	-	750,000	750,000
8 January 2008	30 June 2012	\$0.80	750,000	-	-	-	750,000	750,000
3 February 2009	30 September 2013	\$0.40	1,450,000	-	-	-	1,450,000	1,450,000
3 February 2009	30 September 2013	\$0.50	950,000	-	-	-	950,000	950,000
3 February 2009	30 September 2013	\$0.60	950,000	-	-	-	950,000	-
3 February 2009	30 September 2013	\$0.70	10,500,000	-	-	-	10,500,000	10,500,000
31 December 2010	30 September 2013	\$0.60	-	2,500,000	-	-	2,500,000	833,331
9 May 2011	31 December 2013	\$0.64	-	20,833,333	-	-	20,833,333	20,833,333
			18,600,000	23,333,333	-	-	41,933,333	39,316,664

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 20 - CAPITAL AND RESERVES (CONT.)

The following options were on issue at 30 June 2010, each exercisable to acquire one fully paid ordinary share:

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of the year	Exercisable at end of the year
		\$	Number	Number	Number	Number	Number	Number
5 July 2007	30 June 2012	\$0.20	1,000,000	-	250,000	-	750,000	750,000
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 January 2008	30 June 2012	\$0.60	1,500,000	-	-	-	1,500,000	1,500,000
8 January 2008	30 June 2012	\$0.70	750,000	-	-	-	750,000	750,000
8 January 2008	30 June 2012	\$0.80	750,000	-	-	-	750,000	750,000
3 February 2009	30 September 2013	\$0.40	1,450,000	-	-	-	1,450,000	1,450,000
3 February 2009	30 September 2013	\$0.50	950,000	-	-	-	950,000	-
3 February 2009	30 September 2013	\$0.60	950,000	-	-	-	950,000	-
3 February 2009	30 September 2013	\$0.70	10,500,000	-	-	-	10,500,000	10,500,000
			<u>18,850,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>18,600,000</u>	<u>16,700,000</u>

During the year ended 30 June 2011 the Company entered into a Bank Guarantee Facility ('Facility') with Macquarie Bank Limited ('Macquarie'). The facility amount is \$50.0 million and matures on 31 December 2013. The purpose of the Facility is to support the development of the Company's coal assets and associated infrastructure requirements.

As part of the Facility fee, the Company issued to Macquarie 20,833,333 options, each to acquire one fully paid ordinary share in the Company at 64 cents per share at any time up to 31 December 2013. Any proceeds from the exercise of the options will first be applied to repay any outstanding Facility amount.

The fair value of options granted on 9 May 2011 to Macquarie is measured at grant date and recognised as an expense over the Facility term. The fair value of the options was \$2,404,245 and is measured using a 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 \$0.485 at the grant date, a volatility factor of 46.03% based on historic share price performance, a risk free interest rate of 5.01% based on government bonds, and a dividend yield of 0%.

Refer Note 22, Share Based Remuneration, for further details on options granted on 31 December 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 21 - CONTROLLED ENTITIES

Particulars in relation to controlled entities:

	Ordinary shares - Company interest	
	2011 %	2010 %
<i>Parent Entity</i>		
Cockatoo Coal Limited		
<i>Controlled entities</i>		
Baralaba Coal Pty Ltd	62.5	62.5
Cacatua Pastoral Pty Limited	100	-
Cockatiel Coal Pty Limited	100	100
Cockatoo Coal (Taroom) Pty Limited	100	-
Corella Coal Pty Limited	100	100
Dingo Coal Pty Ltd	100	100
Independent Coal Pty Limited	100	100
Injune Coal Pty Limited	100	-
Moreton Coal Pty Limited	-	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

The Company issued 41,666,667 ordinary shares at \$0.36 per share for cash totalling \$15,000,000. There were no amounts unpaid on the shares issued and there were no share issue costs.

- 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, SE QLD Coal Pty Ltd, SE QLD Energy Pty Ltd and Surat Coal Pty Limited, are wholly owned controlled entities.
- Independent Coal Pty Limited holds a 98% interest in Dingo Coal Pty Ltd and the remaining 2% interest is held by the Company.
- 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.

#### Disposal of controlled entities

During the year ended 30 June 2011 the Company's sold its 100% interest in Moreton Coal Pty Limited for consideration of a 4% royalty of the ex-works value of any coal sold from MDL 138, up to 5.0 Mt of coal sold. On disposal, the carrying value of this project had been fully impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 21 - CONTROLLED ENTITIES (CONT.)

#### Acquisition of controlled entities

During the year ended 30 June 2011 the Company incorporated Cacatua Pastoral Pty Limited and Injune Coal Pty Limited.

During the year ended 30 June 2011 the Company completed the acquisition of Anglo Coal (Taroom) Pty Ltd from Anglo American plc ('Anglo') to acquire development and exploration assets located in NSW and Queensland. Subsequent to completing the acquisition, Anglo Coal (Taroom) Pty Ltd changed its name to Cockatoo Coal (Taroom) Pty Limited.

The Company acquired 100% of Cockatoo Coal (Taroom) Pty Limited which owns 51% of the Taroom, Collingwood and Ownaview assets.

The projects acquired are:

- Collingwood, Surat Basin - 237Mt (65Mt Indicated and 172Mt Inferred) thermal coal resource.
- Taroom, Surat Basin - 198Mt (36Mt Measured, 89Mt Indicated and 73Mt Inferred) thermal coal resource.
- Ownaview, Surat Basin - 171Mt Inferred thermal coal resource.

Total consideration was \$100,384,743 for the acquisition of all the shares in Cockatoo Coal (Taroom) Pty Limited and the repayment of \$5,190,991 debt payable by Cockatoo Coal (Taroom) Pty Limited to Anglo.

For the period 24 December 2010 to 30 June 2011 the subsidiary contributed revenue of \$102 and a net profit of \$81. If the acquisition had occurred on 1 July 2010, management estimates that it would not have a material effect on consolidated revenue and consolidated loss for the period.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Recognised values on acquisition	Fair value adjustments	Pre-acquisition carrying amounts
Fair value of net assets of entity acquired:	\$	\$	\$
Cash and cash equivalents	57,028	-	57,028
Prepayments	18,968	-	18,968
Property, plant and equipment	459,001	459,000	1
Exploration and evaluation	105,041,000	87,813,945	17,227,055
Trade and other payables	(263)	-	(263)
Borrowings	(5,190,991)	-	(5,190,991)
Net identifiable assets and liabilities	<u>(100,384,743)</u>	<u>88,272,945</u>	<u>12,111,798</u>
Consideration payable	100,384,743		
Cash acquired	<u>(57,029)</u>		
Net cash consideration	<u>100,327,714</u>		

The values of assets and liabilities recognised on acquisition are their estimated fair values.

There were no acquisitions made during the year ended 30 June 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 22 - SHARE BASED REMUNERATION

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

The terms and conditions of the grants made during the year ended 30 June 2011 were as follows:

Grant date	Expiry date	Vesting date	Exercise price \$	Granted during the year Number	Balance at start of the year Number	Exercised during the year Number	Cancelled during the year Number	Balance at end of the year Number
31 December 2010	30 September 2013	31 December 2010	\$0.60	833,331	-	-	-	833,331
31 December 2010	30 September 2013	31 December 2011	\$0.60	833,332	-	-	-	833,332
31 December 2010	30 September 2013	31 December 2012	\$0.60	833,337	-	-	-	833,337
				<u>2,500,000</u>	-	-	-	<u>2,500,000</u>

There were no options issued during the year ended 30 June 2010.

All options are exercisable at any time after the vesting date and before the expiry date to acquire one fully paid ordinary share.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 22 - SHARE BASED REMUNERATION (CONT.)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at 1 July	\$0.61	18,600,000	\$0.61	18,850,000
Granted during the period	\$0.60	2,500,000	-	-
Exercised during the period	-	-	\$0.20	(250,000)
Cancelled during the period	-	-	-	-
Outstanding at 30 June	\$0.61	21,100,000	\$0.61	18,600,000
Exercisable at 30 June	\$0.62	18,483,331	\$0.62	16,700,000

The options outstanding at 30 June 2011 have an exercise price in the range of \$0.20 to \$0.80 and a weighted average contractual life of 4.43 years (2010 - 4.66 years).

#### 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 a 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

Expenses arising from share based payment transactions recognised during the year were as follows:

	2011 \$	2010 \$
<b>Share based remuneration expenses</b>		
Share options granted in 2008	-	113,099
Share options granted in 2009	54,352	628,715
Share options granted in 2011	281,145	-
Total expense recognised as share based remuneration costs	335,497	741,814

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 23 - STATEMENT OF CASH FLOWS

	2011 \$	2010 \$
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents at the end of the year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position are as follows:		
Bank balances	17,631,329	32,158,253
<b>Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities</b>		
Profit/(Loss) from ordinary activities after tax	(21,906,880)	3,517,569
<b>Non-cash items</b>		
Depreciation and amortisation	95,251	85,829
Net foreign exchange loss	85,358	45,771
Employee benefits	149,115	87,177
Finance facility fee	129,287	-
Impairment losses	920,717	451,610
Share based remuneration	335,497	741,814
Share of losses/(profit) in associate	47,610	(13,033)
Write down of inventory	976,818	-
<b>Changes in assets and liabilities</b>		
Trade and other receivables	274,262	(2,841,889)
Inventories	3,732,246	634,040
Derivatives financial instruments	-	1,464,140
Other	(122,113)	(2,248)
Trade and other payables	6,663,301	6,358,517
Provisions	-	126,263
<b>Net cash from/(used in) operating activities</b>	<b>(8,619,531)</b>	<b>10,655,560</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 24 - KEY MANAGEMENT PERSONNEL DISCLOSURES

Information regarding individual key management personnel's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report.

During the year ended 30 June 2011 compensation to key management personnel totalled \$1,243,792 (2010 - \$898,218), which comprised primary fees of \$1,126,505 (2010 - \$838,033), superannuation of \$52,785 (2010 - \$60,185) and options with a fair value of \$64,502 (2010- \$nil). There were no options issued to key management personnel in the year ended 30 June 2010.

#### Movement in shares

Key management personnel	Held at			Held at 30 June 2011
	1 July 2010	Purchased	Sold	
Norman A. Seckold	19,840,910	1,500,000	-	21,340,910
Mark H. Lochtenberg	37,590,912	2,518,182	-	40,109,094
Peter J. Nightingale	13,300,910	1,250,000	-	14,550,910
J. Gillis Broinowski	1,545,454	618,182	-	2,163,636
Joo-Ok Chang*	-	-	-	-
Paul G. Chappell	614,454	246,182	-	861,636
Lindsay R. Flint	1,045,454	418,182	600,000	863,636
Hak Hee Lee	-	-	-	-
K. Scott A. Thompson	-	-	-	-
Sun Moon Woo	-	-	-	-
Robert A. Yeates	1,080,303	100,000	-	1,180,303
Peter Doyle	-	-	-	-

Taroom, Surat Basin - 198Mt (36Mt Measured, 89Mt Indicated and 73Mt Inferred) thermal coal resource.

Key management personnel	Held at			Held at 30 June 2010
	1 July 2009	Purchased	Sold	
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	290,908	-	13,300,910
J. Gillis Broinowski	1,500,000	45,454	-	1,545,454
Joo-Ok Chang*	-	-	-	-
Paul G. Chappell	570,000	45,454	-	614,454
Lindsay R. Flint	1,000,000	45,454	-	1,045,454
Hak Hee Lee	-	-	-	-
K. Scott A. Thompson*	-	-	-	-
Sun Moon Woo	-	-	-	-
Robert A. Yeates	1,050,000	30,303	-	1,080,303

\* Number held on date of appointment as a Director.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

## NOTE 24 - KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

### Movement in options

Key management personnel	Held at 1 July 2010	Granted	Exercised	Held at 30 June 2011
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
Joo-Ok Chang*	-	-	-	-
Paul G. Chappell	-	-	-	-
Lindsay R. Flint	500,000	-	-	500,000
Hak Hee Lee	-	-	-	-
K. Scott A. Thompson	-	-	-	-
Sun Moon Woo	-	-	-	-
Robert A. Yeates	500,000	-	-	500,000
Peter Doyle	-	1,000,000	-	1,000,000

Key management personnel	Held at 1 July 2009	Granted	Exercised	Held at 30 June 2010
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
Joo-Ok Chang*	-	-	-	-
Paul G. Chappell	-	-	-	-
Lindsay R. Flint	500,000	-	-	500,000
Hak Hee Lee	-	-	-	-
K. Scott A. Thompson*	-	-	-	-
Sun Moon Woo	-	-	-	-
Robert A. Yeates	500,000	-	-	500,000

\* Number held at date of appointment as Director.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 25 - RELATED PARTIES

During the year ended 30 June 2011, Norman A. Seckold and Peter J. Nightingale had an interest in an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies to the Group. Fees accrued by Mining Services Trust during the year, which were in the ordinary course of business and on normal terms and conditions, amounted to \$1,572,288 (2010 - \$1,446,674). The balance outstanding at 30 June 2011 was \$29,635 (2010 - \$79,644).

During the year ended 30 June 2011, Robert A. Yeates had an interest in an entity, Rob Yeates and Associates Pty Limited, which rendered financial, mining and geological services to the Group. Fees accrued by Rob Yeates and Associated Pty Limited during the year, which were in the ordinary course of business and on normal commercial terms and conditions, amounted to \$25,200 (2010 - \$nil). There were no amounts outstanding at 30 June 2011 (2010 - \$nil).

During the year ended 30 June 2011, Paul G. Chappell had an interest in an entity, Peragis Pty Limited, which rendered consulting services to the Group. Fees accrued by Peragis Pty Limited during the year, which were in the ordinary course of business and on normal commercial terms and conditions, amounted to \$6,800 (2010 - \$112,928). There were no amounts outstanding at 30 June 2011 (2010 - \$79,644).

During the year ended 30 June 2011, the Company incurred costs for expenditure relating to activities of its associate, Hume Coal Pty Limited totalling \$1,794,136. The balance outstanding at 30 June 2011 was \$802,576 (2010 - \$nil).

During the year ended 30 June 2011, the Company received management and consulting income totalling \$952,650 (2010 - \$nil) from its associate, Hume Coal Pty Limited. There were no amounts outstanding at 30 June 2011 (2010 - \$nil).

During the year ended 30 June 2011, the Company received management and consulting income totalling \$1,240,782 (2010 - \$nil) from management of Taroom, Collingwood and Ownaview joint ventures. There were no amounts outstanding at 30 June 2011 (2010 - \$nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 26 - FINANCIAL INSTRUMENTS DISCLOSURE

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are informally reviewed from time to time to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, currency risk and interest rate risk. The summaries below present information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

#### Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

		2011 \$	2010 \$
Cash and cash equivalents	23	17,631,329	32,158,253
Trade and other receivables	10	6,314,558	5,786,244
Security deposits	12	19,383,477	22,567,887
Deposit paid - investments	12	7,666,668	-
Deposit paid - land	12	-	580,000
Refundable infrastructure expenditure	12	9,644,744	848,373
Investments	13	8,750,000	6,961,001
		69,390,776	68,901,758

The Group's maximum exposure to credit risk at the reporting date by geographic region was:

Australia	69,390,776	64,438,104
Japan	-	4,463,654
	69,390,776	68,901,758

The Group mitigates credit risk on cash and cash equivalents and security deposits by dealing with regulated banks in Australia. Credit risk of trade and other receivables is very low as it consists predominantly of coal sales receivable from a small number of customers, amounts recoverable from the Australian Taxation Authority and interest receivable from call deposits held with regulated banks.

#### Impairment losses

None of the Group's trade and other receivables are past due (2010 - \$nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 26 - FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	More than five years
	\$	\$	\$	\$	\$
<b>30 June 2011</b>					
Trade and other payables	21,625,276	(21,625,276)	(21,625,276)	-	-
Interest bearing liabilities	614,846	(614,846)	(168,328)	(446,518)	-
	<u>22,240,122</u>	<u>(22,240,122)</u>	<u>(21,793,604)</u>	<u>(446,518)</u>	<u>-</u>
<b>30 June 2010</b>					
Trade and other payables	14,770,354	(14,770,354)	(14,770,354)	-	-
Interest bearing liabilities	5,000,000	(5,000,000)	(5,000,000)	-	-
	<u>19,770,354</u>	<u>(19,770,354)</u>	<u>(19,770,354)</u>	<u>-</u>	<u>-</u>

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 26 - FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

#### Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

#### Sensitivity analysis

The Group is exposed to currency risk on its coal sales and derivatives of financial instruments that are denominated in United States currency. The Group's exposure to foreign currency risk was as follows, based on notional amounts.

	2011 \$	2010 \$
<b>USD exposure</b>		
Trade receivables	-	4,463,654
Group balance sheet exposure	-	4,463,654

A strengthening/(weakening) of the AUD against the USD by 10 percent at 30 June would have reduced/(increased) equity and profit/(loss) for the year by the amounts shown. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity \$	Profit or loss \$
<b>30 June 2011</b>		
USD	-	-
<b>30 June 2010</b>		
USD	-	405,916

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
AUD/USD	1.0146	0.8822	1.0598	0.8567

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 26 - FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

#### Interest rate risk

The Group's statement of comprehensive income is affected by changes in interest rates due to the impact of such changes on interest income and expenses from cash and cash equivalents.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated as cash flow hedges:

	Notes	Carrying amount	
		2011 \$	2010 \$
<b>Financial assets</b>			
Cash and cash equivalents	23	17,631,329	32,158,253
		<u>17,631,329</u>	<u>32,158,253</u>

#### Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and loss for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

Impact on profit/(loss) for the period	176,313	321,583
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#### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

#### Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities of the Company and the Group, for the year ended 30 June 2011 and 30 June 2010, approximate their net fair values, given the short time frames to maturity and or variable interest rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 26 - FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>30 June 2011</b>				
Investments - available for sale	300,000	5,200,000	3,250,000	8,750,000
<b>30 June 2010</b>				
Investments - available for sale	1,215,000	2,496,001	3,250,000	6,961,001

### NOTE 27 - COMMITMENTS

#### Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by tenement licences and acquisition agreements. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

	Carrying amount	
	2011 \$	2010 \$
Not later than one year	1,227,749	1,237,551
Later than one year but not later than two years	1,914,500	1,232,000
Later than two years but not later than five years	2,081,000	3,612,000
	<u>5,223,249</u>	<u>6,081,551</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 28 - 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.

Operating Segments	Mining \$	Exploration and evaluation \$	Other \$	Total \$
<b>30 June 2011</b>				
<b>Segment revenue</b>				
Revenues - external	28,198,073	-	2,962,492	31,160,565
Intersegment revenue	-	-	6,787,009	6,787,009
Share of profit/(loss) in associate	-	-	(47,610)	(47,610)
Finance income	17,783	5	3,959,539	3,977,327
	28,215,856	5	13,661,430	41,877,291
<b>Segment expenses</b>	(53,019,185)	(10,196)	(10,754,790)	(63,784,171)
<b>Segment result</b>	(28,676,090)	(10,191)	6,779,401	(21,906,880)
<b>Segment assets</b>	25,635,874	179,929,269	83,987,405	289,552,548
<b>Segment liabilities</b>	19,080,908	3,622,855	2,618,265	25,322,028
<b>Other material items in 2011</b>				
Depreciation	-	-	95,251	95,251
Impairment losses	-	5,717	915,000	920,717
Finance expense	38,540	-	174,636	213,176

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 28 - SEGMENT REPORTING (CONT.)

Operating Segments	Mining \$	Exploration and evaluation \$	Other \$	Total \$
<b>30 June 2010</b>				
<b>Segment revenue</b>				
Revenues - external	58,725,319	-	-	58,725,319
Intersegment revenue	-	-	5,863,141	5,863,141
Share of profit in associate	-	-	13,033	13,033
Finance income	13,143	327	1,533,881	1,547,351
Net change in fair value of derivative financial instruments	-	-	2,672,592	2,672,592
Other	-	200,000	813,587	1,013,587
	58,738,462	200,327	10,896,234	69,835,023
<b>Segment expenses</b>	(58,019,674)	(166,610)	(8,131,170)	(66,317,454)
<b>Segment result</b>	718,788	33,717	2,765,064	3,517,569
<b>Segment assets</b>	22,205,870	49,892,990	63,927,156	136,026,016
<b>Segment liabilities</b>	19,903,784	400,729	2,392,444	22,696,957
<b>Other material items in 2010</b>				
Depreciation	-	-	85,829	85,829
Impairment losses	-	166,610	285,000	451,610
Finance expense	529,257	-	199,635	728,892

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

#### Major customers

Revenues from three customers of the Group amounted to more than 10% of the Group's revenues during the year ended 30 June 2011. Revenues individually from each of these companies totalled \$13,461,294, \$5,622,728 and \$5,176,313.

Revenues from three customers of the Group amounted to more than 10% of the Group's revenues during the year ended 30 June 2010. Revenues individually from each of these companies totalled \$15,384,767, \$9,237,027 and \$9,200,537.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 28 - SEGMENT REPORTING (CONT.)

#### Geographical segments

Whilst coal is all produced in Australia, during the year the Group's customers were based in Australia, China, Japan, South Korea, Switzerland and the United States. Segment revenue information is presented below based on the geographical location of customers.

	2011 \$	2010 \$
Australia	-	5,489,815
China	-	8,855,044
Japan	12,597,236	27,156,628
South Korea	7,983,897	5,696,268
Switzerland	2,337,673	9,069,290
Italy	5,279,267	-
United States	-	2,458,274
	<u>28,198,073</u>	<u>58,725,319</u>

### NOTE 29 - PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2011 the parent entity of the Group was Cockatoo Coal Limited.

	Company	
	2011 \$	2010 \$
<b>Result of the parent entity</b>		
Net loss	(143,316,685)	(15,354,298)
Other comprehensive income	2,704,000	-
<b>Total comprehensive loss</b>	<u>(140,612,685)</u>	<u>(15,354,298)</u>
<b>Financial position of the parent entity at year end</b>		
Current assets	18,298,975	28,116,966
Non-current assets	67,586,336	28,094,105
Total assets	<u>85,885,311</u>	<u>56,211,071</u>
Current liabilities	5,679,956	2,793,173
Total liabilities	<u>5,679,956</u>	<u>2,793,173</u>
<b>Net assets</b>	<u>80,205,355</u>	<u>53,417,898</u>
<b>Equity</b>		
Share capital	338,643,903	171,427,569
Option premium reserve	6,149,914	3,261,907
Accumulated losses	(264,588,462)	(121,271,578)
<b>Total equity</b>	<u>80,205,355</u>	<u>53,417,898</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 30 - SUBSEQUENT EVENTS

Subsequent to the financial year end:

- On 8 July 2011 Cockatoo announced that an agreement has been reached with Mitsui Coal Holdings Pty Ltd ('MCH') and its subsidiaries MCH Surat Basin Investment Pty Ltd ('MSBI') and Mitsui Moura Investment Pty Ltd ('MMI') (collectively 'Mitsui') whereby MSBI will acquire a 49% participating interest in the Woori coal project from Surat Coal for \$37.25 million. This sale price represents \$0.90 per Measured Resource tonne defined at the Woori project compared to the Company's current enterprise value of approximately \$0.30 per resource tonne.
- On 27 July 2011 Cockatoo announced that it has entered into a \$65.0 million loan agreement with KEB Australia Ltd ('KEBA'). The loan agreement has a 30 December 2011 maturity and is secured by a guarantee to KEBA from SK Networks Co., Ltd ('SKN'). The Company has indemnified SKN for any losses which may be incurred in relation to the facility and have granted SKN a second ranking fixed and floating charge over the Company's assets and undertaking. The facility is to support the ongoing development of the Company's coal assets, infrastructure requirements and for working capital purposes.

### NOTE 31 - CONTINGENT LIABILITIES

During the year ended 30 June 2011 the Company entered into a \$50.0 million bank guarantee facility with Macquarie Bank Limited ('MBL'). The expiry date is 31 December 2013 and at 30 June 2011 MBL has provided guarantees totalling \$38,410,593 under this facility.