

Cockatoo Coal

Coal

Recommendation	Buy (was Hold)
Last Price	A\$0.38
Target Price	A\$0.48
Forecast Total Return	26%

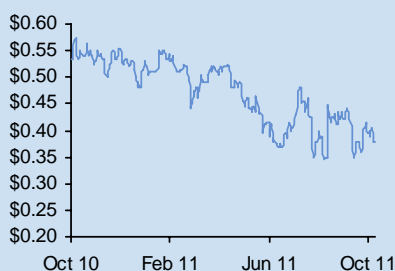
Company profile

Cockatoo Coal (COK) is a Sydney based pure coal company with a 62.5% interest in the operating Baralaba PCI mine in the Bowen Basin and large exploration holding throughout QLD and NSW. Tenements to the north and south of the Baralaba mine offer potential for a long life project, with a 3mtpa allocation in Wiggins Island Stage 1 supporting a planned expansion to ~3.5mtpa post 2014.

COK now has exposure to projects in the Bowen (Baralaba, Wonbindi, Dingo) and Surat Basins (Collingwood, Taroom, Woori et al) as well as the NSW Western coalfields (Bylong option) and NSW Southern coalfields (Hume). In all cases COK is the project manager. Surat Basin developments are subject to Wiggins Island Stage 2, and the Surat Basin Rail (SBR) link.

COK has the implicit backing of Korean end users (now 28%) to develop a meaningful production base and acquisitions, such as the 2010 acquisition of Anglo American's exploration assets, form a key part of the company's strategy.

Share price performance



	1m	3m	12m
Price	(11%)	(18%)	(29%)

Source: Iress

Other Information

Iress / Bloomberg	COK / COK AU
Market cap	A\$386m
Enterprise value	A\$369m
Average daily volume (m)	4.1m
Free float	60.78%
Number of shares in issue (m)	1016.2m
Reporting currency	AUD
Quote currency	AUD
Website	www.cockatoocoal.com.au
Analyst(s)	Colin McLelland
	+61 2 9293 2140
	colin.mcllelland@investec.com.au

More potential than the average Galah

Production levels have been slow to recover at Baralaba, with production expected to reach the 150kt quarterly rate in the DecQ'11. This is unfortunate as it distracts from the positive developments, with the Wiggins Island financial close a significant milestone for Cockatoo Coal.

The company distinguishes itself among emerging juniors by virtue of a producing mine and a firm port allocation. While we look forward to completion of the Baralaba expansion studies (mid 2012 target) and clarification of funding issues for absolute conviction, we are upgrading our recommendation from Hold to Buy on recent price weakness.

- Recent newsflow:** In July the company secured A\$65m in debt funding from parties related to KEB Australia, repayable in Dec'11E. Construction of Wiggins Island Coal Terminal at Gladstone is now under way, following financial close in September. Measured and Indicated resources at the Collingwood project increased to 160mt, or 70% of the total resource and the Taroom project resource also increased (by 119%) to 433mt, with Measured and Indicated resources now at 307mt, or 71% of total resource. FY'11 sales were 263kt with production of 188kt seriously impacted by prolonged recovery from flooding, with an attributable loss of A\$12.6m.
- Key issues:** In the near term, the company continues to face a tight cash position. Debt facilities are essentially fully drawn, with A\$65m due to be repaid in Dec'11E.
- Valuation & Targets:** We have reduced our risk weighting on the Baralaba expansion modestly to 40% (from 33%) pending studies. We have delayed our assumed start-up in the Surat to mid 2016, following the delayed financial close for Wiggins Island Stage 1. Our risked valuation is now A\$0.54/share, while our unrisks valuation of A\$1.30/share highlights the strong upside as development progresses (assuming funding is available). At spot prices and FX our risked NPV rises to A\$0.94/share, while the downside scenario reduces our NPV to A\$0.44/share (over page). Our target price of A\$0.48/share dilutes for an assumed A\$100m issue, at a 15% discount to market, in the coming year.
- Catalysts:** Wiggins Island Stage 2 and Surat Basin Rail financial close – we expect these in DecH'11. Feasibility study on Baralaba expansion due at year end with BFS mid 2012E. There may also be potential to crystallise some value in the long tail of Surat resource assets (including Dingo JV). Clarity around near term funding and medium term funding requirements should also prove to be a key catalyst.

Financials and valuation - IFRS compliant

Year end: 30 June

	2010	2011	2012E	2013E	2014E
Revenue (A\$m)	59.2	31.2	89.7	118.4	121.7
EBITDA (A\$m)	2.8	(25.4)	8.1	26.1	29.7
EBITA	2.7	(25.4)	8.0	26.0	29.5
PBT (normalised) (A\$m)	3.5	(21.7)	8.8	21.8	13.4
Net income (normalised) (A\$m)	3.5	(12.4)	3.9	9.6	7.5
EPS (normalised, continuing) - FD (cents)	0.5	(1.2)	0.4	1.0	0.7
FCFPS - FD (cents)	1.4	(0.8)	1.0	1.4	0.6
NAV per share (cents)	16.6	25.7	34.1	37.4	36.2
DPS (quote) (cents)	0.0	0.0	0.0	0.0	0.0
PE (normalised) (x)			98.9	39.6	53.8
Price/NAVPS (x)	2.3	1.5	1.1	1.0	1.0
EV/Revenue (x)		11.2	3.7	2.8	2.9
EV/EBITDA(x)			43.8	13.8	11.3
FCF yield(%)	3.8	(2.0)	2.7	3.7	1.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Source: COK Company accounts/Investec Bank (Australia) Ltd estimates

Readers in all geographies please refer to important disclosures at the end of this report.

12m Coverage History: 20 October 2010, Hold; 18 January 2011, Hold; 27 April 2011, Hold; 19 July 2011, Hold; 19 October 2011, Buy. Update reports are produced quarterly.

Cockatoo Coal

Baralaba Mine back in business



Source: Company reports

Wiggins Island achieves financial close

- Cockatoo Coal is the most leveraged company to Wiggins Island under our coverage, with the Bowen Expansion project in line for 3mtpa (100% basis) under Stage 1, and the Surat projects dependant upon Stage 2. Unfortunately, the financial close was announced during a time of heightened market nervousness and the company's share price did not appear to benefit, despite it being a key de-risking milestone.
- The company and its JV partner have applied for 30mtpa (an ambit claim at the "expressions of interest" stage) of capacity in Stage 2 WICET expansion, and have a FFFA reserve right to 14mtpa as a founding member of WICET. WICET received expressions of interest for 176mtpa versus likely incremental Stage 2 capacity of 55-60mtpa. Scalebacks are therefore likely (although in the case of Stage 1 the need for take or pay commitments culled interested parties from 16 coal companies to eight). The initial capacity of the Surat Basin Rail project might also act as a limit on Cockatoo's medium term Surat ambitions.

Baralaba slowly recovering...infrastructure de-risked

- Baralaba continues to recover, but production did not achieve target levels of 50kt per month until September. Despite a LOM strip ratio of ~10:1, initial production from the new pit area is at a higher strip ratio (up to 17:1), with a reduced percentage of PCI coal as the pit is established. We assume sales of 0.175mt (100% basis) in Dec'H11E, with PCI sales at 57%. We assume higher costs persist and now expect a modest loss of A\$2.6m, well below the A\$12.5m profit previously forecast.
- While there are funding issues to resolve, and studies to be completed (targeting mid 2012), the company does now stand out among the juniors with a producing mine, a firm allocation at a port now under construction and good growth options.

Simplification continues

- Following the successful equalisation of key Surat tenements with JV partner Mitsui (A\$37.5m sale announced in July 2011), the next obvious target for simplification is Baralaba. Through Republic Coal, JFE Shoji owns 37.5% of the short life Baralaba mine and 20% of the longer life expansion tenements. An equalisation of this ownership across the tenements would simplify both mine planning and management of the JV. The company is also looking to sell non-core Surat tenements, including the Kingaroy domestic deposit. In our view, the Dingo JV is more likely to see a near term deal, with a Tinkler vehicle earning into 70% and expecting to list shortly.

Stress test in volatile markets

- Under a scenario whereby coal prices are 20% below our assumed level, and long term coal prices (Dec 2016E) unchanged, our valuation would fall to A\$0.44/share. On our estimates, the company would face capex and exploration costs over FY'12E-FY14E some A\$410m above operating cashflows prior to expenditure on Surat Basin project development. Thus, the Surat projects would likely be delayed in difficult markets, and our valuation excluding these projects would be A\$0.35/share.

Earnings & valuation

- Cockatoo delivered a loss of A\$12.6m after minorities, broadly in line with our estimate of A\$12m. Having lowered our expected FY'12E production and with a reduced average assumed PCI price of US\$204/t (was US\$223/t), our FY'12E is now A\$3.9m (previously A\$30m) with FY'13E at A\$9.6m (previously A\$23m).
- Cockatoo's project evaluation is starting to catch-up to its large resource base and infrastructure allocation, a clear positive. However, near-term funding uncertainty remains, and substantial capex will be required for the expansion of Baralaba. While the company is making good progress, our target price of A\$0.48/share therefore assumes dilution for an A\$100m raising at a 15% discount to market.

End user shareholders – Koreans ~28%

- POSCO 13.3%
- SK Corp. 5.5%
- KEPCO/ Korea East-West Power 5.0%
- KORES 4.1%
- Harum Energy 4.1%

Source: Company reports

Cockatoo Coal

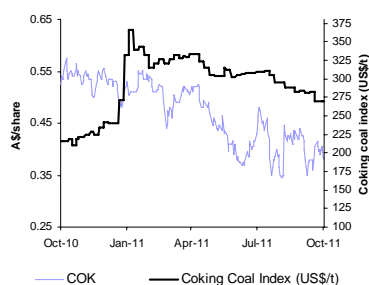
Risks to valuation, recommendation & target price

- Project parameters are only loosely defined with considerable uncertainty as to capital and operating costs, which may exceed our estimates. Actual reserves may not support our assumed sales
- Project timing is dependant on access to third party infrastructure developments (Wiggins Island & Surat Rail) and/or regulatory approvals
- Currently, cash flow is sourced from a single high cost mine, exposed to currency and commodity price volatility
- Increased government tax take

Board members

Norman Seckold, Executive Chairman
 Mark Lochtenberg, Managing Director
 Peter Nightingale, Director & CFO
 Gillis Broinowski, Non-executive Director
 Lindsay Flint, Non-executive Director
 Robert Yeates, Non-executive Director
 Paul Chappell, Non-executive Director
 Hak Hee Lee, Non-executive Director
 Sun Moon Woo, Non-executive Director
 Scott Thompson, Non-executive Director

COK vs Coking Coal Index



Source: Iress, Energy Publishing

COK Attributable Production		FY'10A	FY'11A	FY'12E	FY'13E	FY'14E	FY'15E
PCI coal	mt	0.24	0.07	0.34	0.45	0.45	1.50
Export Thermal	mt	0.33	0.19	0.19	0.30	0.30	0.75
Domestic thermal	mt	0.00	0.00	0.00	0.00	0.00	0.00
Total coal sales	mt	0.56	0.26	0.53	0.75	0.75	2.25
% PCI	%	42%	29%	64%	60%	60%	67%

Operating costs		FY'10A	FY'11A	FY'12E	FY'13E	FY'14E	FY'15E
Cash Operating Costs	A\$/t	75.1	150.5	117.7	92.0	88.5	83.9
Total Operating Costs	A\$/t	101.6	204.5	145.9	123.1	114.7	100.0
Average coal price received	A\$/t	104.0	107.4	159.3	152.6	156.9	159.5
EBIT Margin	A\$/t	2.4	-97.1	13.4	29.5	42.2	59.5
EBIT Margin	%	2%	-90%	8%	19%	27%	37%

Key Financials		FY'10A	FY'11A	FY'12E	FY'13E	FY'14E	FY'15E
Cash from Operations	A\$m	10.7	-8.6	-41.3	14.8	8.1	82.4
Total capex	A\$m	-1.9	-10.1	-10.7	-100.5	-290.5	-228.7
Total Borrowings	A\$m	5.1	0.6	0.2	150.2	370.2	370.2
Closing cash	A\$m	32.2	17.6	38.1	94.4	24.0	-126.3
Net Debt/ (cash)	A\$m	-27	-17	-38	56	346	496
Gearing (net debt:net debt plus equity)	%	-31%	-7%	-13%	13%	47%	51%

Commodity price assumptions		FY'10A	FY'11A	FY'12E	FY'13E	FY'14E	LT (2016)
Exchange Rate (A\$/US\$)	A\$/US\$	0.89	0.99	1.03	1.04	0.98	0.82
Coking coal (Qty avg)	US\$/t	148	247	280	255	235	165
PCI Coking coal (Qty avg)	US\$/t	109	194	204	189	181	124
Export thermal coal (JFY benchmark)	US\$/t	98	130	125	130	105	85
PCI Coking coal (Avg rec'd)	US\$/t	127	171	195	189	181	124
Export thermal coal (Avg rec'd)	US\$/t	66	83	110	114	111	77

Half year details		Dec'10	Jun'11	Dec'11E	Jun'12E	Dec'12E	Jun'13E
AS:US\$ Exchange rate		0.95	1.03	1.03	1.03	1.03	1.05
Coal sales	mt	0.21	0.05	0.18	0.36	0.38	0.38
PCI sales	%	26%	40%	54%	68%	60%	60%
Revenue	A\$m	22.7	5.5	27.3	57.5	57.8	56.6
EBIT	A\$m	-15.1	-10.5	-6.3	14.3	11.4	14.5
Profit before tax	A\$m	-12.6	-9.3	-5.8	14.7	9.4	12.5
Profit After Tax	A\$m	-6.9	-5.7	-2.6	6.4	4.1	5.5
Reported profit	A\$m	-6.9	-5.7	27.7	6.4	4.1	5.5
Dividend	cps	0.0	0.0	0.0	0.0	0.0	0.0
Underlying corporate tax rate	%	0%	0%	30%	30%	30%	30%

Valuation Breakdown		Risked :	A\$m	A\$/share (fully diluted)	Reserves & Resources
Bowen Sth (to 0.75mtpa)	100%	172	\$0.17	Attrib' Res & Res. (export)	(mt) Life (Yrs)
Bowen Sth Expansion (to 3.5mtpa)	40%	234	\$0.23	Investec Estimate	203.1 28.0
Surat Projects	33%	138	\$0.13	Total Reserves	46.5 6.5
Hume Project (30%)	15%	26	\$0.03	Total Resources	1487.8 119.7
Bylong Option	50%	18	\$0.02		
Projects & Exploration		26	\$0.03	Value/t est reserves	\$3.03
Total businesses		615	\$0.59	Value/t avg production	\$721.8 FY'11-15 avc
Corporate & other		-99	-\$0.10		
Hedging		0	\$0.00		
Net cash & hedging		33	\$0.03		
Total NPV (risked)		555	\$0.54		
Total NPV (unrisked)		1,353	\$1.30		

Source: Investec Bank Australia Ltd Estimates

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> Strong end user backing (history of placements at a premium) and strong JV partners Allocation at WICET Stage 1, with port construction now under way Coal marketing expertise High exploration spend funded from cash flow Leveraged to PCI pricing Leading resource position in the Surat, founding member of WICET Commercial & entrepreneurial drive 	<ul style="list-style-type: none"> Currently a small-scale single mine production source. PCI / high ash thermal coal sold unwashed Expansion beyond 750kt at Baralaba, and development in the Surat Basin is dependant on the timing of Wiggins Island and Surat Basin Rail Development studies are at an early stage, projects are unfunded and development team is being recruited Absent a corporate deal, near term funding required - A\$65m loan repayment due Dec'11E 	<ul style="list-style-type: none"> Organic expansion of Baralaba production -3mtpa Wiggins Island allocation China market may offer potential for Baralaba thermal portion to be washed to a China PCI specification Multiple projects could deliver substantial production and value, with leverage to higher coal pricing End user support for acquisitions ongoing Potential to capture value potential of long tail of deposits in the Surat 	<ul style="list-style-type: none"> Delays to necessary infrastructure project commissioning (port and rail) Lower-than-expected coal pricing Project approvals in Queensland increasingly lengthy (Strategic Cropping Land legislation in QLD may impact Surat) Relatively small management team for a diverse development portfolio Environmental conditions on expansion approvals Increased tax take (e.g. MRRT, Carbon tax, CO₂e emissions not reported)

Cockatoo Coal

Summary financials - IFRS compliant

Income Statement	2010	2011	2012E	2013E	2014E
Revenue	59.2	31.2	89.7	118.4	121.7
EBITDA	2.8	(25.4)	8.1	26.1	29.7
Depreciation and amortisation	(0.1)	(0.0)	(0.1)	(0.2)	(0.2)
Operating profit	2.7	(25.4)	8.0	26.0	29.5
Other income, JVs & associates	0.0	0.0	0.0	0.0	0.0
Net interest	0.8	3.8	0.9	(4.1)	(16.1)
Share-based payments	0.0	0.0	0.0	0.0	0.0
PBT (Normalised)	3.5	(21.7)	8.8	21.8	13.4
Impairment of acquired intangible assets	0.0	0.0	0.0	0.0	0.0
Non recurring items/Exceptionals	0.0	0.0	30.3	0.0	0.0
PBT (reported)	3.5	(21.7)	39.1	21.8	13.4
Taxation	0.0	0.0	(32.9)	(6.6)	(4.0)
Minorities & preference dividends	0.0	9.3	(2.3)	(5.7)	(1.9)
Discontinued / assets held for sale	0.0	0.0	0.0	0.0	0.0
Attributable profit	3.5	(12.4)	3.9	9.6	7.5
Net income (normalised)	3.5	(12.4)	3.9	9.6	7.5
EPS (reported) - FD (quote)	0.5	(1.2)	0.4	1.0	0.7
EPS (normalised, continuing) - FD (quote)	0.5	(1.2)	0.4	1.0	0.7
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Average number of group shares - FD (m)	621.7	1,037.2	1,037.2	1,037.2	1,037.2
Average number of group shares (m)	602.5	1,016.1	1,016.1	1,020.8	1,037.2
Total number of shares in issue	602.5	1,016.1	1,016.1	1,020.8	1,037.2
Cash flow	2010	2011	2012E	2013E	2014E
Operating profit	2.7	(25.4)	8.0	26.0	29.5
Depreciation and amortisation	0.1	0.0	0.1	0.2	0.2
Other cash & non-cash movements	2.8	2.2	8.8	7.8	2.7
Change in working capital	4.6	12.0	(8.8)	(7.8)	(2.7)
Operating cash flow	10.1	(11.2)	8.1	26.1	29.7
Interest	0.5	3.9	0.9	(4.1)	(16.1)
Tax paid	0.0	0.0	1.8	(7.2)	(5.5)
Dividends from associates & JVs	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	10.7	(7.3)	10.7	14.8	8.1
Maintenance CapEx	(0.6)	(0.6)	(0.5)	(0.8)	(1.8)
Free cash flow	10.1	(7.9)	10.2	14.1	6.3
Expansionary CapEx	(1.3)	(9.5)	(10.2)	(99.7)	(288.7)
Exceptionals & discontinued operations	0.0	0.0	0.0	0.0	0.0
Other financial	(22.8)	(146.1)	(56.4)	(8.0)	(8.0)
Acquisitions	0.0	0.0	0.0	0.0	0.0
Disposals	0.3	0.0	0.0	0.0	0.0
Net share issues	43.4	153.3	77.2	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Change in net debt	29.6	(10.1)	20.9	(93.7)	(290.4)
Net cash (debt)	27.2	17.0	37.9	(55.7)	(346.2)
FCFPS - FD (cents)	1.4	(0.8)	1.0	1.4	0.6
Balance sheet	2010	2011	2012E	2013E	2014E
Property, plant and equipment	88.0	261.2	303.8	420.1	726.4
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investments & other non current assets	0.0	0.0	0.0	0.0	0.0
Cash & equivalents	32.2	17.6	38.1	94.4	24.0
Other current assets	15.9	10.7	32.1	43.4	44.6
Total Assets	136.0	289.6	374.0	557.9	795.0
Total debt	(5.0)	(0.6)	(0.2)	(150.2)	(370.2)
Preference shares	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Provisions & other current liabilities	(17.5)	(24.4)	(37.0)	(40.5)	(39.1)
Pension deficit & other adjustments	0.0	0.0	0.0	0.0	0.0
Total liabilities	(22.7)	(25.3)	(37.5)	(191.0)	(409.6)
Shareholder's equity	(113.3)	(254.9)	(345.8)	(376.2)	(394.8)
Minority interests	(0.0)	(9.3)	9.3	9.3	9.3
Total equity	(113.3)	(264.2)	(336.5)	(366.9)	(385.5)
Total equity and liabilities	(136.0)	(289.6)	(374.0)	(557.9)	(795.0)
Net working capital	1.1	(10.9)	(2.2)	5.6	8.3
NAV per share (cents)	16.6	24.8	35.1	38.3	37.1

Source: COK Company accounts/Investec Bank (Australia) Ltd estimates

Cockatoo Coal**Disclaimer**

This report has been issued or approved for issue by an entity forming part of Investec (as defined below) and has been forwarded to you solely for your information and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto ("financial instruments"). This report is intended for use by professional and business investors only. This report may not be reproduced without the consent of Investec.

For the purposes of this disclaimer, "Investec" shall mean: (i) Investec Bank plc; (ii) Investec Limited (iii) Investec Bank (Australia) Limited and (iv) from time to time, in relation to any of the forgoing entities, the ultimate holding company of that entity, a subsidiary (or a subsidiary of a subsidiary) of that entity, a holding company of that entity or any other subsidiary of that holding company, and any affiliated entity of any such entities.

This report is issued by Investec Bank (Australia) Limited ("IBAL") AFSL 234975.

The information and opinions expressed in this report have been compiled from sources believed to be reliable, but neither Investec, nor any of its directors, officers or employees accepts liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this report. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company and its subsidiaries. Investec is not agreeing to nor is it required to update the information, opinions, forecasts or estimates contained herein.

The value of any securities or financial instruments mentioned in this report can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

This report does not contain advice. Specifically, it does not take into account the objectives, financial situation or needs of any particular person. Before acting on this report, investors must consider whether it is appropriate to do so based on their personal objectives, financial situation and needs and seek financial advice where needed.

Where this report is issued in Australia, it may only be issued to persons who would be able to be categorised as a wholesale client (under the Corporations Act 2001) or to any other person to whom this report may lawfully be directed.

Neither this document nor the information contained in it is intended to be an offer to buy or sell, or a solicitation for purposes of an offer to buy or sell, any securities or an offer of brokerage services. This document may only be distributed in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in the French Monetary and Financial Code and any implementing regulation. This document is not intended for use by, or targeted at, retail customers. Should any retail customer obtain a copy of this document, they should not base their investment decision solely on this document but must seek independent financial advice.

This report has been provided to you solely for your information and does not constitute an offer of securities or other financial instruments to the public in Germany. This report does not contain investment advice and Investec does not offer to render investment advice to German residents. The report does not take into account the objectives, financial situation or needs of any particular investor. Before acting on this report, investors must consider whether it is appropriate to do so based on their personal objectives, financial situation and needs and seek advice (including tax advice) where needed. Investec does not offer any brokerage services relating to financial instruments or any other services which require a banking or financial services license under the German Banking Act ("KWG") to German residents.

This report is distributed and intended for distribution to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) only. This report is personal to the recipient and any unauthorised use, redistribution, retransmission or reprinting of this report (whether by digital, mechanical or other means) is strictly prohibited. This report and the distribution of this report do not constitute an offer or an invitation to offer to the Hong Kong public to acquire, dispose of, subscribe for or underwrite any securities or related financial instruments.

Neither this research report nor the information contained in it is intended to be an offer to any person, or to induce or attempt to induce any person to enter into or to offer to enter into an agreement for or with a view to acquiring, disposing of, subscribing for or underwriting securities. This document may only be distributed in Singapore to institutional investors (within the meaning of the Financial Advisers Act, Cap 110), and is personal to the recipient and not for general circulation in Singapore. It may not be reproduced in any form. By accepting this report, you confirm that you are an "institutional investor" and agree to be bound by the foregoing limitations.

This document may only be distributed in Switzerland to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations. This document is personal to the recipient and not for general circulation in Switzerland. This document and its content have not been prepared in accordance with the "Directives on the Independence of Financial Research" issued by the Swiss Bankers Association in January 2008, as amended.

Where this report is issued within the UK it may only be issued to "investment professionals", such persons having professional experience in matters relating to securities or financial instruments of the kind detailed in this report and who fall within article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or to persons who would be classified as "Professional Clients" (under the FSA COBS rules) or to any other person to whom this report may lawfully be directed.

The securities or financial instruments described herein may not have been registered under the US Securities Act of 1933 and may not be offered or sold in the US or to US persons, unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act.

In the event this research report is distributed in the US, this report is intended for and being distributed solely to "Major US Institutional Investors," as that term is defined in SEC Rule 15a-6, and it may not be redistributed to any other persons. The distribution of this document in other jurisdictions may be prohibited by rules, regulations and/or laws of such jurisdiction. This report may not be relied on by any person other than the intended recipient. Any failure to comply with such restrictions may constitute a violation of US securities laws or the laws of any such other jurisdiction. If transactions in the securities discussed in this report are effected by Major US Institutional Investors pursuant to SEC Rule 15a-6, those transactions will be intermediated by Investec Securities (US) LLC as the US broker-dealer intermediary.

If this research report is being distributed in the US by Investec Securities (US) LLC, this report has been produced by a non-member affiliate of Investec Securities (US) LLC and is being distributed as third party research by Investec Securities (US) LLC in the US. Investec Securities (US) LLC accepts responsibility for the issuance of this report when distributed by it in the United States to entities who meet the definition of the Major US Institutional Investors. If this research report is being distributed in the US by Investec Bank (Australia) Limited, Investec Securities (US) LLC has neither reviewed nor approved of this report.

Investec does not allow the redistribution of this report to non-professional investors or persons outside the jurisdictions referred to above and Investec cannot be held responsible in any way for third parties who effect such redistribution or recipients thereof.

This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of an entity within Investec. © 2011

Cockatoo Coal

Disclosures

Definition of research ratings - Expected 12m performance

	All countries excl South Africa	South Africa
	Expected total return	
Buy	> 10%	> 20%
Hold	-10% to 10%	10% to 20%
Sell	< -10%	< 10%

Investec bases its investment ratings on the stock's expected total return over the next 12 months (with total return defined as the expected percentage change in price plus the projected dividend yield). To take account of differences in costs of capital, risk premia and required rates of return between developed and emerging markets, different ratings bands are applied as described above.

A Speculative Risk stock is one where a company appears to offer compelling value, but where risk is elevated by virtue of the early stage of project definition and/or time to first cashflow. Speculative Risk stocks are recommended only for investors with significant risk tolerance.

If this research report is being distributed in the US by Investec Securities (US) LLC, each research analyst responsible for the content of this research report, in whole or in part, and who is named herein, attests that the views expressed in this research report accurately reflect his or her personal views about the subject securities or issuers. Furthermore, no part of his or her compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the research analyst in this report.

Investec (or its directors, officers or employees) may, to the extent permitted by law, own or have a position in the securities or financial instruments (including derivative instruments or any other rights pertaining thereto) of any company or related company referred to herein, and may add to or dispose of any such position or may make a market or act as a principal in any transaction in such securities or financial instruments. Directors of Investec may also be directors of any of the companies mentioned in this report. Investec may from time to time provide or solicit investment banking, underwriting or other financial services to, for or from any company referred to herein. Investec (or its directors, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published. Investec may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them.

Investors should consider this report as only a single factor in making their investment decision.

Investec Bank (Australia) Limited
An institution regulated by Australian Prudential Regulation Authority and Australian Securities and Investments Commission, AFSL 234975

Level 31, Chifley Tower
2 Chifley Square
Sydney NSW 2000
Tel: +61 2 9293 2000
Fax: +61 2 9293 2002

Resource Analysts

Tim Gerrard

+612 9293 2168
tim.gerrard@investec.com.au

Colin McLelland

+612 9293 2140
colin.mcllelland@investec.com.au

Geoff Muers

+612 9293 2142
Geoff.muers@investec.com.au

Hunter Hillcoat (UK)

+44 207 597 5182
hunter.hillcoat@investec.co.uk

Specialty Sales

Roderick Clarkson

+612 9293 2278
rod.clarkson@investec.com.au

Matt Martin

+612 9293 6246
matt.martin@investec.com.au

Dealing

David Gulson

+612 9293 2197
david.gulson@investec.com.au