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Cockatoo Coal Ltd (COK)

Initiation: Connected coal developer

Recommendation
Spec Buy (unchanged)
Price
$0.39
Target (12 months)
$0.60 (unchanged)

Expected Return	
Capital growth	54%
Dividend yield	0%
Total expected return	54%
Company Data & Ratios	
Enterprise value	$430m
Market cap	$391m
Issued capital	1,016m
Free float	42%
Avg. daily vol. (52wk)	3.6m
12 month price range	$0.35-$0.56
GICS sector	Materials

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.49	0.43	0.33
Absolute (%)	-18.56	-8.14	21.54
Rel market (%)	-21.34	-15.69	30.10

Bowen Basin producer, Surat Basin developer

COK's Bowen Basin mine expansion and Surat Basin development could have it producing around 8Mtpa (equity) coal by 2018 (including 2.4Mtpa LV-PCI). The company has positioned itself with strong joint venture partners including Mitsui and JFE Shoji, and has a share register supported by Posco and other major potential trading partners. Our sum of parts valuation is $0.60/sh.

Baralaba expansion to 3.5Mtpa PCI & thermal from FY15

COK has 3Mtpa port capacity at WICET Stage 1 for its Baralaba mine expansion. This open pit development will ramp up to 3.5Mtpa from FY15, with around 85% of product as LV-PCI coal and 15% thermal coal. The Baralaba mine is in joint venture with JFE Shoji, with COK's equity interest in the expansion currently at 80%. A bankable feasibility study for the project is due to be completed by mid-2012.

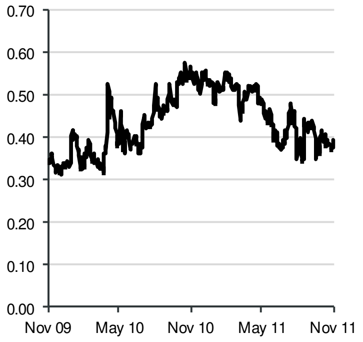
North Surat Joint Venture: Leverage to emerging province

The North Surat Joint Venture (COK 51%, Mitsui 49%) currently has a resource of around 750Mt thermal coal across three projects. These projects are located adjacent to or relatively close to proposed rail infrastructure linking the Surat Basin to the Moura coal rail system and therefore ports at Gladstone. The JV has lodged expressions of interest for 30Mtpa capacity and has priority capacity rights for 14Mtpa at WICET Stage 2A/2B. We conservatively model this JV producing 10Mtpa ramping up from 2016 and apply a 50% risk weighting to this project in our valuation.

Investment view - Initiate Spec Buy, $0.60/sh Target Price

COK is trading at a deep discount to our $0.60/sh target price. We anticipate positive news flow as the company recovers production at its Baralaba mine and brings the Baralaba expansion through bankable feasibility stage. We don't think that the market is factoring in COK's Surat Basin project potential. This project could provide significant production, earnings and valuation upside for COK.

Absolute Price



SOURCE: IRESS

Earnings Forecast

Year ending June	2011a	2012f	2013f	2014f
Sales (A$m)	31	67	100	91
EBITDA (A$m)	(22)	24	36	37
NPAT (reported) (A$m)	(19)	18	27	26
NPAT (adjusted) (A$m)	(19)	18	27	26
EPS (adjusted) (cps)	1.4	1.8	2.7	2.5
EPS growth (%)	124%	28%	52%	-7%
PER (x)	27.7	21.7	14.2	15.3
P/CFPS (x)	(2.3)	11.4	(6.6)	(1.7)
EV/EBITDA (x)	(18.7)	16.9	11.3	11.0
Dividend (cps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-7%	6%	8%	7%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Connected coal developer

Investment thesis: Spec Buy, $0.60/sh Target Price

We rate COK a Spec Buy. COK has:

- a LV-PCI and thermal coal project, Baralaba, ramping up to 3.5Mtpa (split 85% LV-PCI, 15% thermal) from FY15, supported by 3Mtpa allocated capacity at WICET Stage 1 and other port infrastructure at Gladstone;
- leverage to one of Queensland's emerging thermal coal provinces with several large-scale projects in the Surat Basin. We conservatively estimate that the North Surat Joint Venture will produce at least 10Mtpa coal and export through WICET Stage 2A/2B ramping up from 2016;
- joint ventures with strategic partners: Baralaba with JFE Shoji at 20% equity; and the North Surat Joint Venture with Mitsui at 49% equity; and
- influential Korean entities as major shareholders (Posco 13%, SK Australia 5%, Kores Australia 4%, Korea East-West Power 3%, Kepco Australia 2%).

Valuation: Sum of parts valuation of $0.60/sh

Our valuation is the sum of:

- Discounted cash flow models of: the Baralaba mine and expansion (COK 80%) producing 3.5Mtpa ramping up from FY15; and the North Surat Joint Venture (COK 51%) risked at 50% and producing 10Mtpa ramping up from 2016; and
- EV/Resource valuations for resource estimates outside of the abovementioned projects.

Table 1 - COK sum of parts valuation

Baralaba mine	NPV (100%)	NPV (COK)	Risk weight	Risked NPV (COK)	$/sh	NPV t+1	$/sh	NPV t+2	$/sh
Baralaba mine & expansion	520	416	100%	416	0.41	448	0.44	554	0.54
WICET preference equity	34	27	100%	27	0.03	30	0.03	33	0.03
Collingwood	267	136	50%	68	0.07	75	0.07	83	0.08
Taroom	260	132	50%	66	0.07	73	0.07	81	0.08
Subtotal				578	0.57	625	0.61	750	0.74
Other resources (at A$0.15/t)				137	0.13	137	0.13	137	0.13
Corporate				(70)	(0.07)	(70)	(0.07)	(70)	(0.07)
Net cash/(debt)				(39)	(0.04)	(51)	(0.05)	8	0.01
Total				**606**	**0.60**	**641**	**0.63**	**825**	**0.81**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Our DCF models are based off the following coal price and currency forecasts.

Table 2 - Coal price (benchmark) and currency forecasts

Year ending 30 Jun		2012f	2013f	2014f	2015f	LT real
Hard coking coal	US$/t	265	235	230	215	180
Semi-hard coking coal	US$/t	223	201	188	182	155
LV PCI	US$/t	208	190	170	170	146
Semi-soft coking coal	US$/t	200	160	145	140	120
Thermal coal	US$/t	120	118	113	108	90
Currency	US$/A$	1.02	0.98	0.94	0.85	0.85

SOURCE: BELL POTTER SECURITIES ESTIMATES

Valuation sensitivities

The following scenarios highlight how a 5% and 10% uplift in our base case forecast coal price profile (holding currency forecasts level) impacts our COK valuation:

- A 5% increase in prices increases our COK valuation by 24%.
- A 10% increase in prices increases our COK valuation by 48%.

Table 3 - Valuation sensitivities to increments to coal prices

	Base case		Prices + 5%		Prices + 10%	
	NPV	$/sh	NPV	$/sh	NPV	$/sh
Baralaba mine	416	0.41	527	0.52	632	0.62
WICET preference equity	27	0.03	27	0.03	27	0.03
Collingwood	68	0.07	93	0.09	117	0.12
Taroom	66	0.07	91	0.09	116	0.11
Subtotal	**578**	**0.57**	**738**	**0.72**	**892**	**0.88**
Other resources (at A$0.15/t)	137	0.13	137	0.13	137	0.13
Corporate	(70)	(0.07)	(70)	(0.07)	(70)	(0.07)
Net cash/(debt)	(19)	(0.02)	(19)	(0.02)	(19)	(0.02)
Total	**626**	**0.61**	**786**	**0.77**	**940**	**0.92**
				+24%		**+48%**
Long term forecasts (real)						
LV-PCI coal	146		154		160	
Thermal coal	90		95		100	
US$/A$	0.85		0.85		0.85	

SOURCE: BELL POTTER SECURITIES ESTIMATES

Short-term capital requirements

- We estimate that COK has funds available (cash plus debt) of around $45m (see Table 4).
- In the September 2011 quarter, COK spent around $11m on exploration and evaluation, project development and administration.
- If the Baralaba mine is able to perform as COK expect, this project should produce around $10m per quarter.
- We anticipate a capital raising or further funding agreements/transactions to be announced over the next six months.

Table 4 - COK's short term capital requirements

Funds available		
Cash balance (30 September 2011)	$m	12.2
Receivable from Woori sell-down	$m	37.3
KEB Australia loan facility	$m	65.0
Macquarie Bank, bank guarantee	$m	50.0
Total available funds		**164.5**
Drawings / uses		
Debt drawn	$m	88.4
WICET commitments (BP est.)	$m	30.0
Total drawings/ uses		**118.4**
Remaining funds available		**46.1**

SOURCE: BELL POTTER SECURITIES ESTIMATES

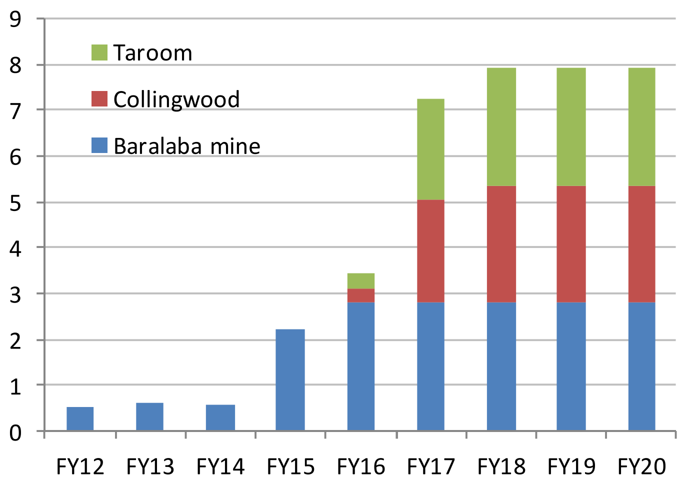
Asset summary: Bowen & Surat Basins

Table 5 - COK key asset summary

Project	Baralaba Mine	Baralaba Expansion (North & South)	Collingwood	Taroom	Woori
COK equity	63%	80%	51%	51%	51%
JV partner	JFE Shoji	JFE Shoji	Mitsui	Mitsui	Mitsui
Location	Bowen Basin - 150 km west of Gladstone and 50 km north of Moura	Bowen Basin - 150 km west of Gladstone and 50 km north of Moura	Surat Basin, 10km northeast of Wandoan, adjacent to proposed Surat Basin Rail	Surat Basin, 50km north of Wandoan, 35km west of proposed Surat Basin Rail	Surat Basin, 16km south of Wandoan, adjacent to existing rail infrastructure connecting to proposed Surat Basin Rail
Resource - 100%	34Mt	135Mt	229Mt	433Mt	84Mt
Reserve - 100%	1Mt	26Mt			41Mt
Product	70% PCI & 30% Therm	90% PCI & 10% Therm	Thermal	Thermal	Thermal
Project stage	Currently producing	BFS compele mid-2012	moving to PFS	moving to PFS	moving to PFS
Port	Gladstone: Tanna 0.5Mtpa allocation	Gladstone: WICET Stage 1 3Mtpa + RG Tanna 0.5Mtpa allocations	Wiggins Stage 2A/B allocations end-2011	Wiggins Stage 2A/B allocations end-2011	Wiggins Stage 2A/B allocations end-2011
Rail	Moura System	Moura System	Surat Basin Railway & Moura System	Surat Basin Railway & Moura System	Surat Basin Railway & Moura System
COK estimates					
Capacity - ROM	750ktpa CY12&13	4.7Mtpa FY15			
Capacity - Product	750ktpa CY12&13	3.5Mtpa FY15	6Mtpa	5Mtpa	3-3.5Mtpa
Ramp-up from	Na	2014	CY16	CY16	CY16
Bell Potter Securities estimates					
Mine method	Open pit	Open pit	Open pit	Open pit	Not modelled
Strip ratio bcm:t LOM	9-11:1	11:1	5:1	5:1	-
Capacity - Product	750ktpa CY12&13	3.5Mtpa FY15	5Mtpa	5Mtpa	-
Capex A$m	na	A$400m	A$500m	A$500m	-
Cost $/t FOB LOM	A$120/t	A$120/t	A$70/t	A$70/t	-
Discount rate	10% real	10% real	10% real	10% real	-
Mine life	2 years	20 years	20+ years	20+ years	-
NPV $m	na	A$520m	A$267m	A$260m	-

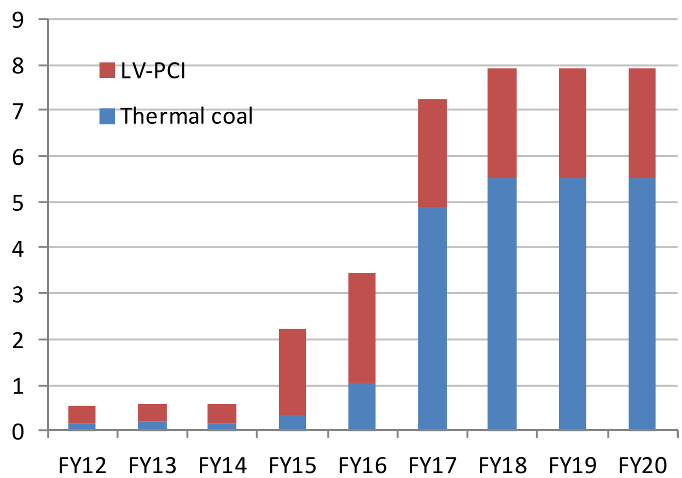
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 1 - COK production profile (by mine) (equity) Mt



SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 2 - COK production profile (by product) (equity) Mt



SOURCE: BELL POTTER SECURITIES ESTIMATES

Bowen Basin: 3.5Mtpa LV-PCI from FY15

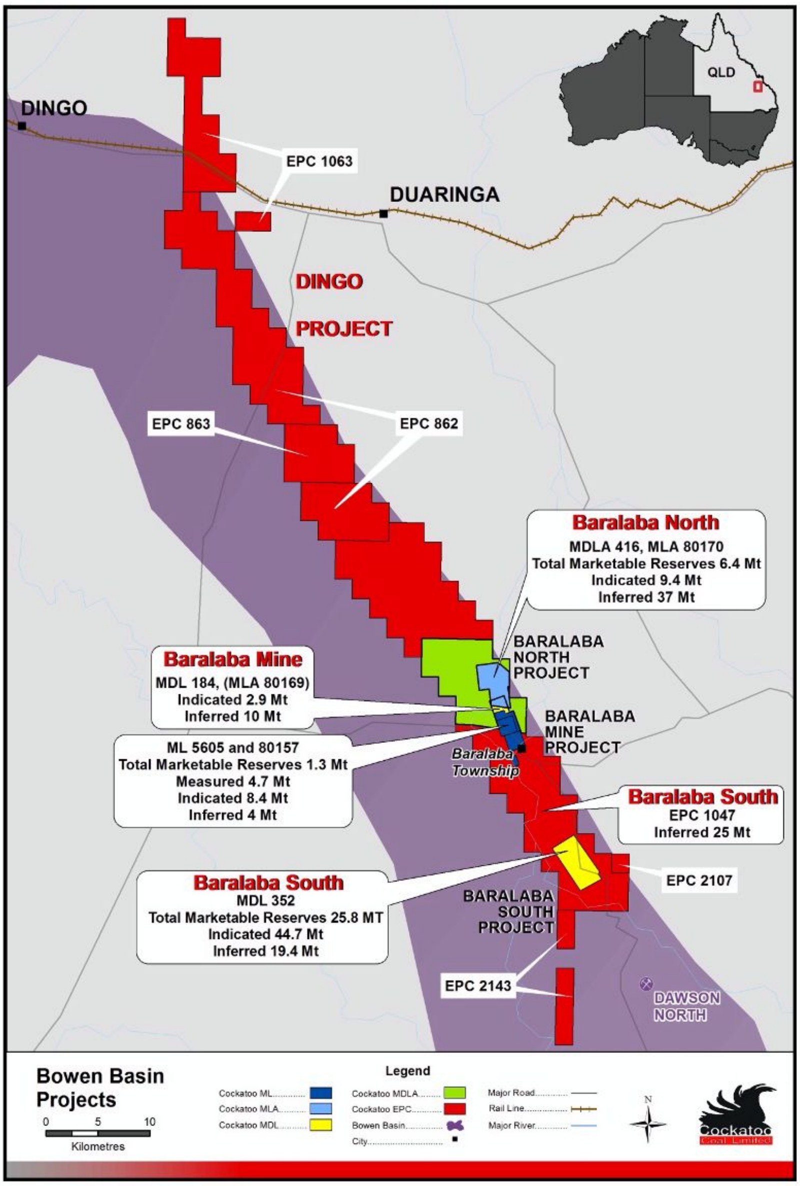
Baralaba (63% COK) 0.5Mtpa + expansion (80% COK) 3Mtpa

COK's key Bowen Basin assets are:

- **Baralaba mine operating at around 0.5-0.75Mtpa:** COK announced the acquisition ($52.5m) of 62.5% of the Baralaba coal mine from Peabody Pacific P/L in November 2008. The acquisition of this operating coal mine further consolidated COK's position in the southern Bowen Basin; and
- **Baralaba expansion to 3.5Mtpa:** the proposed expansion (BFS due mid-2012) of the Baralaba mine to a 3.5Mtpa operation including coal wash plant and rail load-out facilities. COK has secured 3Mtpa port capacity at WICET for the expansion:

The Baralaba mine and expansion sits within a 550 square kilometre tenement package controlled by COK.

Figure 3 - Baralaba mine location and tenement package



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Baralaba mine: 500ktpa at 60-70% LV-PCI, 30-40% thermal

The current Baralaba mine is open pit with selective truck and shovel mining of LV-PCI and thermal coal fractions. Since the March 2009 quarter, sales have averaged around 0.4Mtpa, split 60% thermal coal and 40% LV-PCI.

The Baralaba mine is a joint venture between COK (62.5%) and JFE Shoji (37.5%).

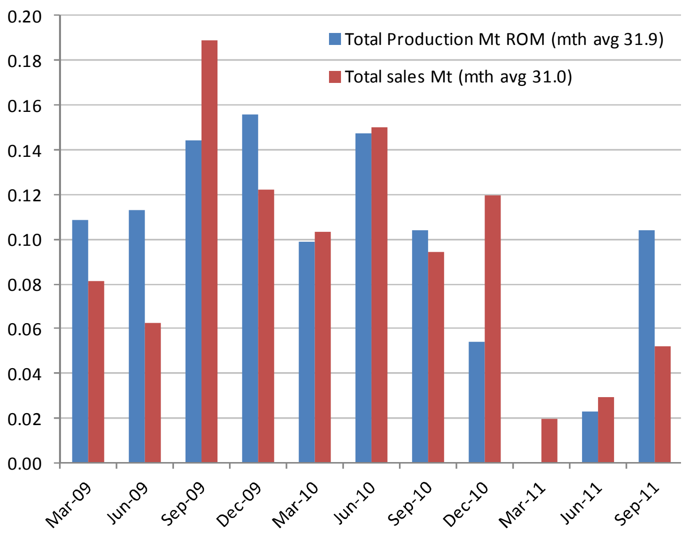
Baralaba mine short-term goals: 750ktpa at $115/t FOB

Since the January 2011 Queensland floods, COK has recovered production to rates of around 50kt per month (0.6Mtpa rates). The company expects to further lift production to 65kt per month rates in 2012 (~0.75Mtpa rates), with sales split roughly 70% LV-PCI coal and 30% thermal coal. COK estimates that current costs are around A$115/t.

Potential short term cash flow of ~$10m per quarter

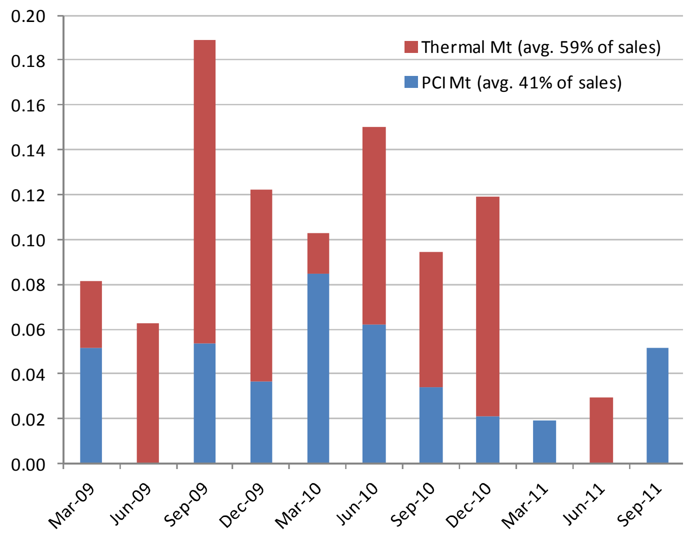
Operating at 750ktpa rates, $115/t costs and with LV-PCI coal prices of US$200/t and thermal coal prices of US$120/t, the Baralaba mine should produce EBITDA of greater than $10m per quarter.

Figure 4 - Baralaba production & sales Mt



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 5 - Baralaba sales by product Mt



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Baralaba expansion: 3.5Mtpa, 85% LV-PCI

3.5Mtpa product coal split 85% LV-PCI & 15% thermal coal

The Baralaba expansion is a joint venture between COK (80%) and JFE Shoji (20%).

Key components of the Baralaba expansion include:

- expanding the Baralaba mine long strike (north and south) to an open pit operation producing around 4.7Mtpa run of mine (ROM) coal;
- the construction of a coal wash plant, supporting site infrastructure, haul road and rail load-out facility;
- our estimated capital cost of $400m, including pre-strip; and
- production of 3.5Mtpa product coal (75% yield), which we estimate will be split 85% LV-PCI (3Mtpa) and 15% thermal coal (0.5Mtpa).

Project stage and funding: BFS due mid-2012

COK has completed feasibility studies for the Baralaba expansion and expects to complete a bankable feasibility study by mid-2012.

We think it is likely that COK will sell-down equity in the Baralaba expansion to assist funding the capital cost. While there are several equity partnering options, there is potential that JFE Shoji could equalise it's equity in the Baralaba expansion with its equity in the existing Baralaba mine (i.e. increasing its position by 17.5% to 37.5%). We do not expect a decision on funding the Baralaba expansion until completion of the BFS.

Resources & reserves: We estimate a 22-year mine life

Current measured and indicated resources across the Baralaba project total 85Mtpa. We expect further expansion of this resource along strike, and a significant proportion to be converted to reserve category. Ultimately, we estimate a 22-year mine life.

Table 6 - Baralaba resources and reserves

	Measured	Indicated	Inferred	Total	Reserves	COK Equity
Baralaba mine	7	10	16	**34**	1	63%
Baralaba North	7	16	23	**46**	6	80%
Baralaba South	-	45	44	**89**	26	80%
Total (100%)	15	71	83	**168**	33	
Total (COK equity)	**11**	**55**	**64**	**129**	**27**	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Capex of around $400m for pre-strip and infrastructure

Our $400m capital cost estimate includes:

- land purchases;
- mine pre-strip;
- wash plant with ROM capacity of up to 5Mtpa;
- site infrastructure including conveyors linking north and south pits; and
- a haul road and load-out infrastructure to the Moura rail system.

We anticipate an 18-month build time.

3Mtpa WICET Stage 1 allocation + 0.5Mtpa through RG Tanna

From mid-2014, COK will export Baralaba coal at rates of 3Mtpa through WICET Stage 1 and 0.5Mtpa through the RG Tanna Coal Terminal, both in Gladstone.

WICET Stage 1 @ ~27Mtpa from mid-2014

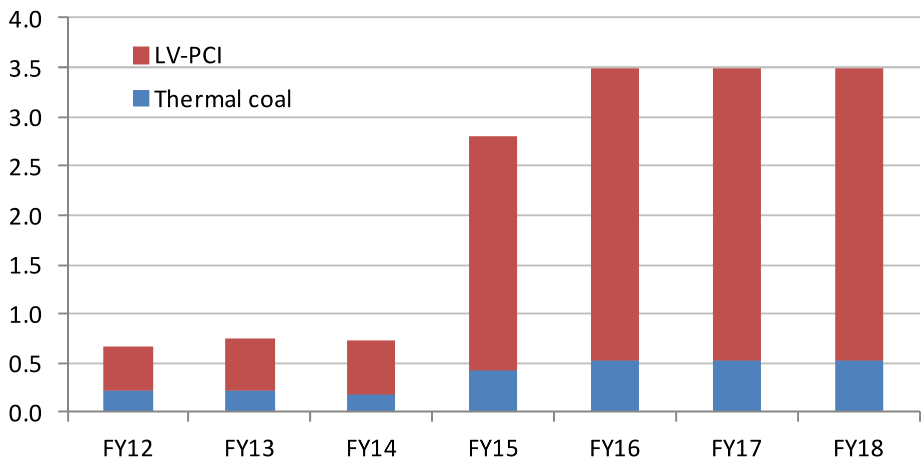
Successful completion of financing package and tenure arrangements (financial close) of WICET Stage 1 occurred in early October 2011. The port is now under construction with commissioning expected in mid-2014.

Stage 1 members and our estimates of their capacity allocations (27Mtpa total) are:

- Aquilla Resources (AQA) – 1.6Mtpa;
- Bandanna Energy (BND) – 4Mtpa;
- Caledon Resources – 4Mtpa;
- Cockatoo Coal (COK) – 3Mtpa;
- Northern Energy Corporation (NHC) – 0.5Mtpa;
- Wesfarmers Curragh (WES) – 1.5Mtpa;
- Yancoal – 1.5Mtpa; and
- Xstrata Coal (XTA) – 11Mtpa.

Baralaba expansion production ramp-up (BP estimates)

Figure 6 - Baralaba expansion production ramp-up (100% basis) Mt



SOURCE: BELL POTTER SECURITIES ESTIMATES

Surat Basin: Key coal assets

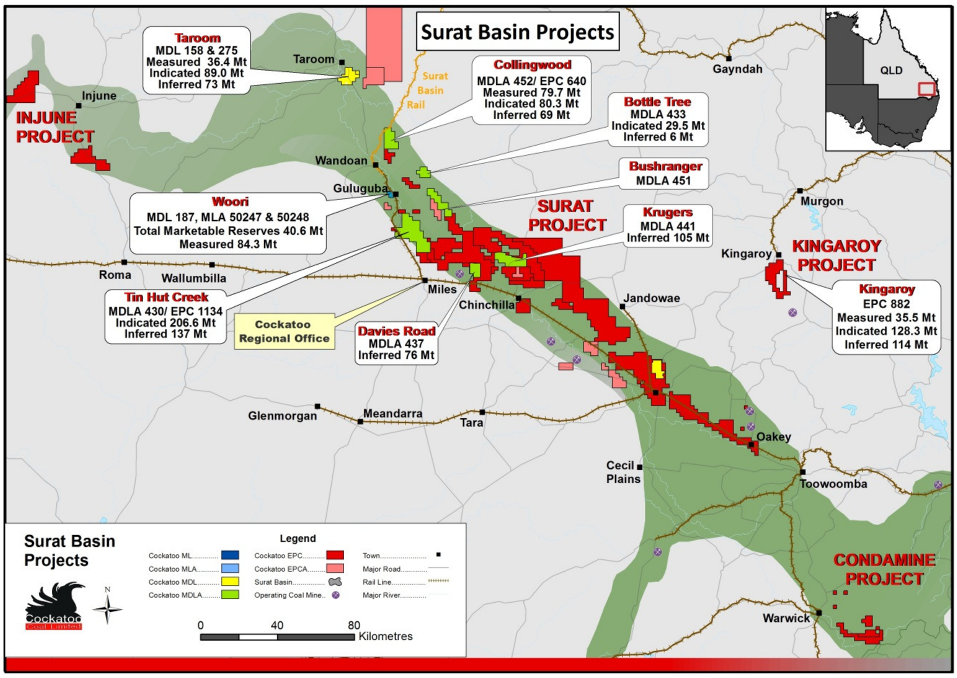
North Surat Joint Venture (COK 51% / Mitsui 49%)

COK's key Surat Basin thermal coal assets are housed in the North Surat Joint Venture (NSJV). COK is the manager of the NSJV. The three properties currently in the NSJV are:

- **Collingwood (EPC 640 MDLA 452):** Located approximately 10km north of Wandoan adjacent to the proposed Surat Basin Rail line;
- **Taroom (MDLs 158 and 275):** Located approximately 50km north of Wandoan and 35km west of the proposed Surat Basin Rail line; and
- **Woori (MDL 187 MLAs 50247/50248:** located approximately 16km south of Wandoan and adjacent to existing rail infrastructure connecting to the proposed Surat Basin Rail line.

These NSJV assets have a combined resource of 747Mt (381Mt attributable to COK). COK's concept studies have these three properties producing a total of 14Mtpa (7Mtpa attributable to COK) thermal coal, through open pit mining.

Figure 7 - COK's Surat Basin assets



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

NSJV resources and reserves

Table 7 - Baralaba resources and reserves

	Measured	Indicated	Inferred	Total	Reserves	COK Equity
Collingwood	80	80	69	**229**	-	51%
Taroom	158	149	126	**433**	-	51%
Woori	84	-	-	**84**	41	51%
Total (100%)	322	230	195	**747**	41	
Total (COK equity)	**164**	**117**	**99**	**381**	**21**	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Development of the NSJV, SBR & WICET

COK needs to secure capacity at WICET and on SBR

To develop the NSJV, COK needs to secure capacity at WICET and on the Surat Basin Rail (SBR) line.

The development of the Queensland Surat Basin is dependent upon the development of:

- **Port infrastructure:** WICET Stage 2A/2B, a 55-60Mtpa port expansion at Gladstone and
- **Rail infrastructure:** The SBR project is a 214km, 50-100Mtpa rail line connecting the Queensland Surat Basin with the Bowen Basin Moura Rail System and therefore to ports at Gladstone.

The SBR investment decision is largely dependent upon the development of WICET Stage 2A/2B and the allocation of port capacity from this facility to Surat Basin coal project developers.

We factor in COK being allocated 10Mtpa at WICET and on SBR

We think that COK is well placed to secure at least 10Mtpa port capacity at WICET Stage 2A/2B and rail capacity along the SBR and Moura rail systems:

- **COK's Surat Basin projects are well defined:** The key NSJV projects have measured and indicated resources likely to convert to mineable reserves and ongoing feasibility studies;
- **COK's Surat Basin projects are close to proposed rail infrastructure:** Proximity to rail significantly reduces the capital cost and environmental requirements for project development, reducing feasibility hurdles;
- **COK has 14Mtpa of FFFAs for WICET Stage 2A/2B:** Feasibility Funding Facility Agreements arise from COK being a founding WICET member and have attached priority capacity rights for Stage 2A/2B;
- **COK has lodged an expression of interest for 30Mtpa capacity at WICET Stage 2A/2B:** COK's EOI is supported by its view that the ultimate medium-term production capability of its Surat Basin tenements could reach up to 30Mtpa;
- **XTA will likely approve Wandoan development in late-2011:** A final investment decision on Wandoan would guarantee a positive final investment decision on SBR and politically favour the allocation of WICET Stage 2A/2B to Surat Basin projects.

Capacity of 10Mtpa allows for some scaling back of COK's FFFA priority capacity rights and EOI for WICET Stage 2A/2B capacity.

WICET Stage 2A/2B: 55-60Mtpa port capacity from 2016

It is currently anticipated that WICET Stage 2A and Stage 2B will be developed concurrently, approximately 18-months following the development of Stage 1. The total capacity of Stage 2A/2B will be 55-60Mtpa.

Stage 2A/2B capacity is yet to be allocated among project participants. We expect this process and financial close to be completed in 2012. WICET Stage 1 is scheduled to ramp up from mid-2014. We expect WICET Stage 2A/2B to ramp up from early 2016.

Requirements for WICET allocation: BFS or 11 years reserves by financial close

Capacity at WICET is offered under long-term (10+ years) take-or-pay contracts. By the financial close for each stage of WICET, companies requesting capacity will have to demonstrate a bankable project (BFS) with reserves of at least 11 years. Companies with projects yet to be granted a mining license must provide a bank guarantee for a value equal to one year's port fees, which we estimate at around $13/t of annual capacity.

Bowen Basin projects have historically been preferred for WICET

Given that the construction of WICET will be substantially debt funded, capacity has been allocated based on a project feasibility and risk basis. WICET Stage 1 capacity was allocated only to Bowen Basin mine expansions or projects.

A risk ranking would allocate capacity in the following order of priority:

1. Expansions of existing mines in the Bowen Basin currently on the Blackwater or Moura rail lines;
2. Greenfield projects in the Bowen Basin currently on the Blackwater or Moura rail lines; then
3. Projects in the Surat Basin.

However, we expect a material proportion of WICET Stage 2A/2B capacity will be allocated to projects in the Surat Basin which have relatively low risk.

Surat Basin Rail: 214km linking the Surat and Bowen Basins

The proposed Surat Basin Rail line runs approximately 214km between Wandoan and Banana, Queensland. The rail line will connect the Surat Basin to Bowen Basin rail infrastructure, and therefore ports at Gladstone.

The Queensland Government has mandated that the SBR line will be an open-access, multi-use rail facility. Final investment decision on SBR and financial close is due in 2012.

COK well positioned with equity in SBR joint venture partner

Surat Basin Rail Joint Venture equal partners include:

- **ATEC:** Australian Transport and Energy Corridor Ltd, a public unlisted infrastructure developer;
- **Xstrata Coal:** Coal producing major and owner of the proposed 30Mtpa Wandoan thermal coal project; and
- **QR National:** Australian listed rail freight operator and developer.

COK has 4.6% equity and is a top ten shareholder in ATEC. COK Managing Director, Mark Lochtenberg was appointed to the ATEC board in 2008. Mr Lochtenberg is also an alternate director of the Surat Basin Rail JV. Private equity is the largest shareholder in ATEC.

Xstrata Coal has first call on 22Mtpa on SBR and at WICET

XTA provided initial funding for feasibility studies for WICET and SBR and therefore has first option on 22Mtpa of capacity on SBR and at WICET. The majority of this capacity will be for XTA's Wandoan project, a proposed open pit thermal coal mine which will ultimately ramp-up to 30Mtpa production.

We estimate that XTA has been allocated around 11Mtpa of capacity at WICET Stage 1 for the expansion of its Bowen Basin operations.

XTA to reach FID on Wandoan by late 2011

We expect XTA to make a final investment decision on its Wandoan project in late 2011. A positive decision for the development of Wandoan is required to underwrite the feasibility of the SBR.

We think a positive decision on Wandoan is likely. However, the ramp-up to full production at Wandoan is likely to take many years. With a realistic ramp-up at Wandoan and XTA's other port projects (Balaclava Island, see Appendix), we expect there to be significant capacity available at WICET stages subsequent to Stage 1 for other WICET consortium members to secure.

Surat Basin coal quality: We estimate a 6-8% price discount

We estimate a 6-8% price discount on COK's NSJV coal compared with the Newcastle thermal coal benchmark. COK has released limited coal quality data to date. However, we expect its NSJV coal to be typical of Surat Basin projects, with energy of around 5,850kcal/kg (GAR), and sulphur of around 0.35%. Newcastle thermal coal has energy of around 6,200kcal/kg.

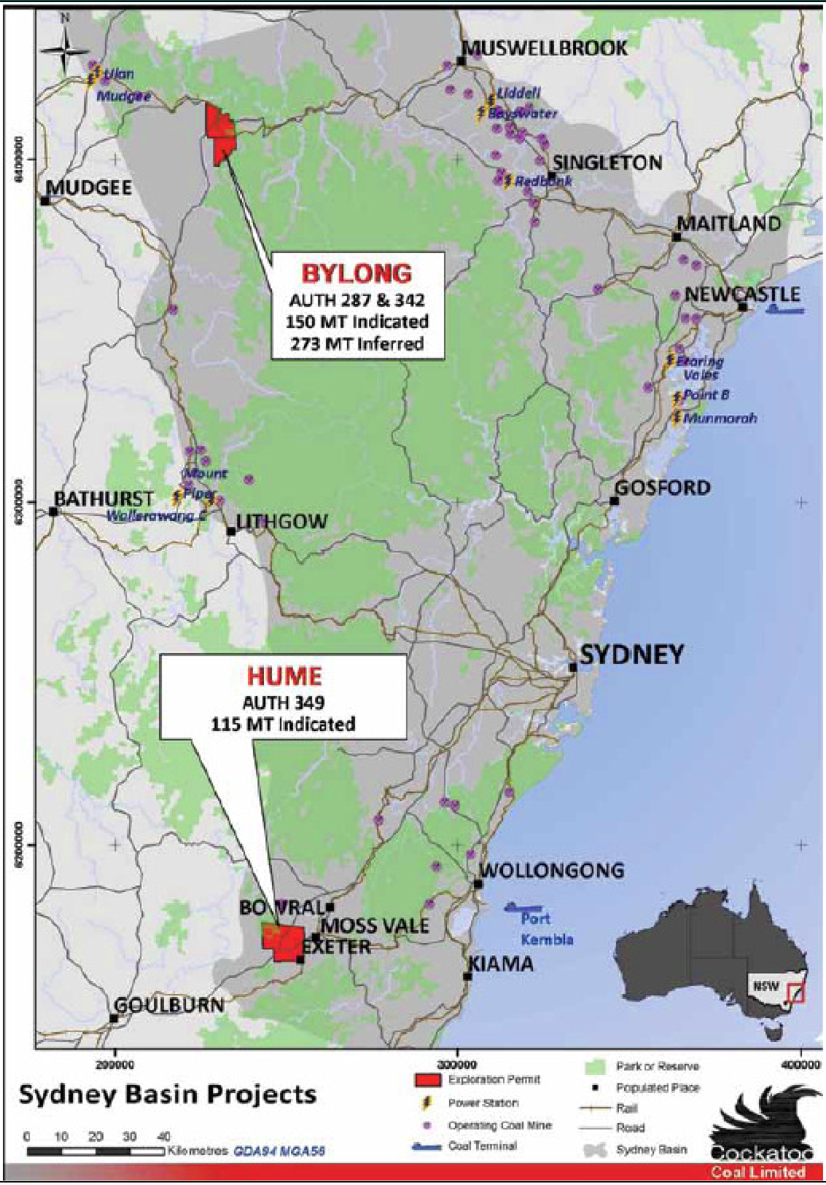
NSW projects: Bylong & Hume

Longer dated New South Wales coal projects

COK's New South Wales projects include:

- **Hume (30% COK):** A hard coking coal and thermal coal resource of 115Mt located in the Southern Highlands of New South Wales, around 60km west of Wollongong. Posco is COK's joint venture partner in this project; and
- **Bylong (30% 3-year call option):** A PCI coal and thermal coal resource of 423Mt, located in the Hunter Valley around 40km east of Mudgee. KEPCO is COK's partner in this project. The 3-year call option is to acquire a 30% interest in Bylong for \$157m plus an amount to repay KEPCO for 30% of the exploration and development expenditure incurred during the option period (grossed up to include interest at 10% per annum). This 3-year option expires in 2013.

Figure 8 - COK's New South Wales coal projects



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Cockatoo Coal Ltd (COK)

Company description:

COK has a portfolio or met coal and thermal coal assets in the Queensland Bowen and Surat Basins, and in New South Wales.

Near term, COK will develop the Baralaba expansion (COK 80%, JFE Shoji 20%), increasing production from around 0.5Mtpa (70% LV-PCI, 30% thermal) to 3.5Mtpa (85% LV-PCI, 15% thermal). COK has port capacity at WICET Stage 1 for this project.

The development of the North Surat Joint Venture (COK 51%, Mitsui 49%) as port capacity becomes available (we estimate 2016), could add at least a further 10Mtpa thermal coal production.

COK's has solid relationships with its key joint venture partners (JFE Shoji and Mitsui) and has major Korean entities as substantial shareholders (Posco 13%, SK Australia 5%, Kores Australia 4%, Korea East-West Power 3%, Kepco Australia 2%).

Investment strategy: Buy, Price Target of $0.60/sh

COK is currently trading at a deep discount to our $0.60/sh price target, based off our sum of parts valuation of $0.60/sh.

We expect COK will be re-rated by the market with positive new flow as the company brings its Baralaba project through BFS stage and progresses its North Surat Joint Venture and other projects.

Valuation of $0.60/sh (sum of parts, 10% real discount rate)

Our $0.60/sh valuation is the sum of:

- Discounted cash flow models of: the Baralaba mine and expansion (COK 80%) producing 3.5Mtpa ramping up from FY15; and the North Surat Joint Venture (COK 51%) risked at 50% and producing 10Mtpa ramping up from 2016; and
- EV/Resource valuations for resource estimates outside of the abovementioned projects.

Risks

Risks include, but are not limited to:

- **Commodity price and exchange rate fluctuations:** Similar to other commodity producers, COK is subject to fluctuations in commodity prices and exchange rates.
- **Coal quality:** Variations to coal quality from our assumptions may result in lower realised coal prices and lower asset valuations.
- **Funding:** The development of COK's coal projects will require significant capital.
- **Infrastructure access:** We have assumed that COK's NSJV is granted port access at subsequent stages of WICET.
- **Project development:** COK will develop several significant coal projects over the next few years. There are risks that development costs will be higher than expected and lead-times longer than expected.
- **Resource growth:** We have factored in reserve upgrades for COK's projects. Our reserve upgrade estimates give rise to risks to our assumptions of each project's mine life.

Appendix 1:Queensland coal ports

Abbot Point Coal Terminal (APCT), Bowen – 50Mtpa and expanding

The existing 50Mtpa capacity Abbot Point Coal Terminal (99-year lease) was acquired by Adani Enterprises in May 2011 for $1.82b. The port was previously owned by North Queensland Bulk Ports (Queensland State Government). Capacity allocation remains on a common user basis.

The T2-T3 expansion (also known as X80-X110) will add a further 60Mtpa capacity in two 30Mtpa increments. BHP Billiton and Hancock Coal have been selected as preferred developers for this expansion. Capacity will be common user.

Expressions for interest for the development of T4-T7 closed on 1 August 2011.

Abbot Point mostly services northern Bowen Basin mines and will be the key port for Galilee Basin developments.

Dalrymple Bay Coal Terminal (DBCT), Mackay – 85Mtpa

Current capacity is 85Mtpa. DBCT is a declared asset for third party access under the Queensland Competition Authority Act. The DBCT is located near Mackay.

All current capacity is contracted under long-term take-or-pay contracts with coal producers in the Bowen Basin. The terminal currently services around 8 parent companies with approximately 16 coal mines.

Dudgeon Point Coal Terminal, Mackay – proposed 90-150Mtpa

Dudgeon Point is expected to have capacity of 90Mtpa (SMR release) to 150Mtpa (MCC target's statement) upon full expansion with the potential for 2 to 3 new coal terminals. Stage 1 is expected to commence construction in 2013, with port operations to commence by 2016.

The Queensland Government has granted Adani Group preferred proponent status for the development of Dudgeon Point.

The Dudgeon Point Coal Terminal site is located 15km south of Mackay adjacent to the Dalrymple Bay and Hay Point Coal Terminals.

Hay Point Coal Terminal, Mackay – 55Mtpa

Owned and operated by BHP Billiton Mitsubishi Alliance (BMA). BMA has sole access rights to this coal terminal.

Current capacity is 44Mtpa. Stage Three Expansion will increase capacity to 55Mtpa and reduce storm vulnerability.

Balaclava Island Coal Export Terminal, Rockhampton – proposed 35Mtpa

Xstrata Coal is conducting a pre-feasibility study into the potential development a 35Mtpa capacity coal terminal south of Rockhampton.

A Draft Terms of Reference for an Environment Impact Statement for the project have been released (February 2011). The Queensland Coordinator-General has declared the Balaclava Island Coal Export Terminal a significant project (May 2010).

RG Tanna Coal Terminal, Gladstone – 68Mtpa

State owned and operated by the Central Queensland Port Authority. The RG Tanna Coal Terminal currently has capacity of 68Mtpa. This port is located at Gladstone and has no capacity for expansion.

RGTCT is a multi user port, fully contracted under long-term take-or-pay agreements.

Barney Point Coal Terminal, Gladstone – 7Mtpa slated for closure

The Barney Point Coal Terminal is state owned and operated by the Central Queensland Port Authority. The terminal has capacity of 7Mtpa and is due to be closed on completion of WICET.

Wiggins Island Coal Export Terminal (WICET), Gladstone

Stage 1: 27Mtpa commissioning from 2014

The WICET consortium includes 16 coal companies, 8 of which are Stage 1 owners.

Stage 1 owners and our estimates of their capacity allocations (27Mtpa total) are:

- Aquilla Resources (AQA) – 1.6Mtpa;
- Bandanna Energy (BND) – 4Mtpa;
- Caledon Resources – 4Mtpa;
- Cockatoo Coal (COK) – 3Mtpa;
- Northern Energy Corporation (NHC) – 0.5Mtpa;
- Wesfarmers Curragh (WES) – 1.5Mtpa;
- Yancoal – 1.5Mtpa; and
- Xstrata Coal – 11Mtpa.

There have been ongoing delays to the financial close and commencement of construction for Stage 1 of WICET. We now expect financial close to be announced by the end of September 2011.

We expect Stage 1 to ramp up to half capacity during the year to June 2015, before ramping up to full capacity the following year.

Subsequent 27-30Mtpa WICET stages: Stage 2A from late 2016, Stage 2B from 2018

The WICET consortium is progressing feasibility studies for subsequent stages of WICET, namely Stage 2A, Stage 2B and Stage 3. Each of these stages will be built consecutively and have capacity of 27-30Mtpa. We expect that the stages subsequent to Stage 1 will have a 1-2 year construction lead-time.

Appendix 2: ASX coal comps

Table 8 - ASX coal comps

Company	EV A$m	Resource Mt	Reserve Mt	EV A$/t	Key mines/project(s)
Aston Resources Limited (AZT)	2,183	576	280	3.79	Maules Creek (NSW), ramp-up 11Mtpa by 2016, 20% therm, 80% met
Aspire Mining Ltd (AKM)	339	331		1.02	Ovoot Project (Mongolia) targeting 12Mtpa met coal from 2017
Bandanna Energy Ltd (BND)	287	1,261	147	0.23	Springsure Creek (Bowen Basin) with 4Mtpa WICET capacity from 2014
Bathurst Resources Ltd (BTU)	453	82	13	5.54	Buller Coal Project (NZ) ramping up to 2Mtpa hard coking coal
Carabella Resources Ltd (CLR)	224	141		1.59	Mabbin Creek Complex (Bowen Basin) 3-5Mtpa met coal from 2015
Coalspur Mines Ltd (CPL)	1,147	1,458	260	0.79	Vista Coal Project (Canada) 9Mtpa thermal coal in BFS stage
Coalworks Ltd (CWK)	68	852		0.08	Vickery South JV (50%) 50Mt NSW met & thermal coal prospect
Cockatoo Coal Ltd (COK)	446	1,629	67	0.27	Baralaba (Bowen Basin) ramping up to 3.5Mtpa 90% PCI, 80% COK
Endocoal Ltd (EOC)	58	349		0.17	Orion Downs (Bowen Basin) thermal project requiring WICET Stage 2
Gloucester Coal (GCL)	1,320	279	76	4.73	Gloucester Basin (NSW) and Middlemount (Bowen Basin) mines
Guildford Coal Ltd (GUF)	373	926		0.40	Hughenden Project (Galilee) & recent Mongolian acquisitions
Gujurat NRE Coking Coal Ltd (GNM)	388	652	125	0.59	Wollongong met coal operations targeting 6Mtpa ROM by 2015
Kangaroo Resources Ltd (KRL)	553	4,623	656	0.12	Pakar Thermal Coal Project (East Kalimantan) ramping up to 20Mtpa
Macarthur Coal Ltd (MCC)	4,567	1,761	168	2.59	Bowen Basin met coal ramping up to 9.2Mtpa by FY14 (3.9Mt in FY11)
Metrocoal Ltd (MTE)	114	1,016		0.11	Bundi & Columboola thermal projects (Surat Basin)
New Hope Corporation Ltd (NHC)	4,907	2,048	656	2.40	New Acland mine and Elimatta Project (Brisbane/Surat Basins)
Newland Resources Ltd (NRL)	57	150		0.38	Comet Ridge & Spring Creek prospects (Bowen Basin)
Nucoal Resources NL (NCR)	223	505		0.44	Doyles Creek thermal project (NSW), 2015 ramp-up 4-5Mtpa
Resource Generation Ltd (RES)	103	2,271	539	0.05	Boikarabelo thermal project (South Africa), 15-20Mtpa potential
Rey Resources Ltd (REY)	49	536		0.09	Canning Basin (WA) 2Mtpa thermal 10-year potential from 2014
Stanmore Coal Ltd (SMR)	120	328		0.37	The Range thermal project (Surat), targeting 5Mtpa by 2015
Tigers Realm Coal (TIG)	91	248		0.37	Amaam coking coal project (NE Russia) 80%, 240-380Mt target
White Energy Company Ltd (WEC)	96	684		0.14	Coal briquette technology & South Australia Coal resource
Whitehaven Coal Ltd (WHC)	2,845	1,486	354	1.91	Gunnedah basin thermal & met coal mines producing >4mtpa
Xanadu Mining Limited (XAM)	65	327		0.20	Mongolia explorer in met coal JV with Noble Group
Weighted average				**0.86**	
Weighted average - producers				**1.23**	
Weighted average - developers				**0.46**	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Appendix 3: Coal M&A comps

Table 9 - Coal M&A comps

Bidder	Target	Date	Interest	Coal type	Deal status	Resource Mt (100%)	EV/ Resource US$/t
CVRD	AMCI Holdings Australia	Feb-07	100%	SHCC	Completed	286	2.76
Xstrata	Gloucester Coal (GCL)	Apr-07	100%	SHCC	Rejected	91	3.67
SK Corp & KORES	Angus Place (CEY)	Jun-07	50%	Thm	Completed	243	0.55
Sojitz Corp	Moolarben (FLX)	Jul-07	10%	Thm	Completed	533	1.45
CITIC Resources	Macarthur Coal (MCC)	Jul-07	8%	PCI	Completed	1,130	1.02
CRC	Yarabee (FLX)	Jul-07	49%	PCI, Thm	Cancelled	25	4.73
CVRD	Belvedere project (AQA)	Jul-07	51%	HCC	Completed	2,700	0.07
Xstrata	Tahmoor (CEY)	Sep-07	86%	HCC	Completed	193	2.82
Xstrata	Anvil Hill (CEY)	Sep-07	100%	Thm	Completed	500	0.71
Tata Steel Ltd	Riverdale Mining Ltd (RIV)	Nov-07	35%	HCC&Thm	Completed	1,225	0.21
Xstrata	Resources Pacific (RSP)	Dec-07	100%	Thm	Completed	225	3.81
Macarthur Coal	Custom Mining Ltd	Dec-07	100%	PCI	Completed	70	3.48
Anglo American	Foxleigh, QLD mine	Dec-07	70%	PCI	Completed	290	3.05
ArecelorMittal	Macarthur Coal (MCC)	May-08	20%	PCI	Completed	1,200	3.42
Posco	Macarthur Coal (MCC)	Jun-08	10%	PCI	Completed	1,200	3.42
CITIC Resources	Macarthur Coal (MCC)	Jul-08	3%	PCI	On Market	1,200	3.01
Cleveland-Cliffs	Alpha Natural Resources	Jul-08	100%	HCC, Thm	Cancelled		
BMA	New Saraji (NHC)	Jul-08	100%	HCC	Completed	690	3.48
Teck Cominco	Fording Canadian	Jul-08	100%	HCC	Completed	4,706	2.94
J-Power & EDFT	Narrabri JV (WHC)	Aug-08	15%	Thm	Completed	439	3.59
Mineralogy P/L	Waratah Coal (WCI TSX)	Oct-08	100%	Thm	Completed	4,300	0.02
Arch Coal	Jacobs Ranch (RIO)	Mar-09	100%	Thm	Completed		
Noble Energy Ltd	Gloucester Coal (GCL)	May-09	100%	SHCC, Thm	Completed	209	1.53
Yanzhou	Felix Resources (FLX)	Aug-09	100%	SSCC, Thm	Completed	1,375	1.96
Macarthur Coal	Gloucester Coal (GCL)	Dec-09	100%	SHCC, Thm	Cancelled	164	3.56
Peabody Energy	Macarthur Coal (MCC)	May-10	100%	PCI, Thm	Rejected	1,226	2.70
WISCO	Zambeze Project (RIV)	Jun-10	40%	HCC	Completed	9,045	0.22
WISCO	Riverdale Mining Ltd (RIV)	Jun-10	8%	HCC	Completed	8,087	0.19
Banpu	Centennial Coal (CEY)	Jul-10	100%	Thm	Completed	2,072	1.15
Cockatoo Coal	Anglo Surat Basin assets	Jul-10	51%	Thm	Completed	606	0.29
Cockatoo Coal	Anglo Sutton Forest	Jul-10	30%	SHCC	Completed	115	0.54
Cockatoo Coal	KEPCO (Bylong, ex-Anglo)	Jul-10	30%	Thm	Call option	423	1.07
Gloucester Coal	Middlemount JV	Aug-10	20%	SHCC, PCI	Completed	123	3.61
Adani Enterprises	LNC Galilee Basin	Aug-10	100%	Thm	Completed	7,800	0.06
ITOCHU	Maules Creek (AZT)	Dec-10	15%	PCI-Thm	Completed	610	3.69
New Hope Corp	Northern Energy Corp (NEC)	Feb-11	100%	HCC, Thm	Completed	565	0.38
Rio Tinto	Riverdale Mining Ltd (RIV)	Feb-11	100%	HCC&Thm	Completed	11,705	0.31
New Hope Corp	Northern Energy Corp (NEC)	Aug-11	100%	HCC, Thm	Pending	565	0.48
Peabody/ArcelorMittal	Macarthur Coal (MCC)	Aug-11	100%	PCI	Pending	1,717	2.80
Rio Tinto	Coal and Allied (CNA)	Aug-11	24.3%	HCC&Thm	Pending	1,989	5.61
Glencore	Optimum Coal (OPT.JSE)	Aug-11	85.7%	Thm	Pending	876	1.33
DADI Engineering Group	Metrocoal (MTE)	Sep-11	15.0%	Thm	Completed	1,016	0.13
Banpu PCL	Hunnu Coal Ltd (HUN)	Sep-11	88.0%	HCC&Thm	Pending	844	0.50
						Median	**1.53**
						Weighted average	**1.17**
						Weighted average (producers)	**3.25**
						Weighted average (deposits excluding Galilee)	**0.44**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Appendix 4: Capital structure

Capital structure

Table 10 - COK capital structure

Issued shares m	1,016.2
Share price $	0.39
Market cap $m	391.2
Net cash $m	-38.9
EV (undiluted) $m	430.2
Options (in the money) m	1.7
Issued shares (diluted) m	1,017.8
Market cap (diluted) m	391.9
Net cash + options $m	-38.5
EV (diluted) $m	430.4

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Debt facilities of $115m, $88.4m drawn at 30 September 2011

$65m loan facility with KEB Australia, $50m drawn, matures 30 Dec-2011

This facility is to support the ongoing development of the company's coal assets, infrastructure requirements and for working capital purposes.

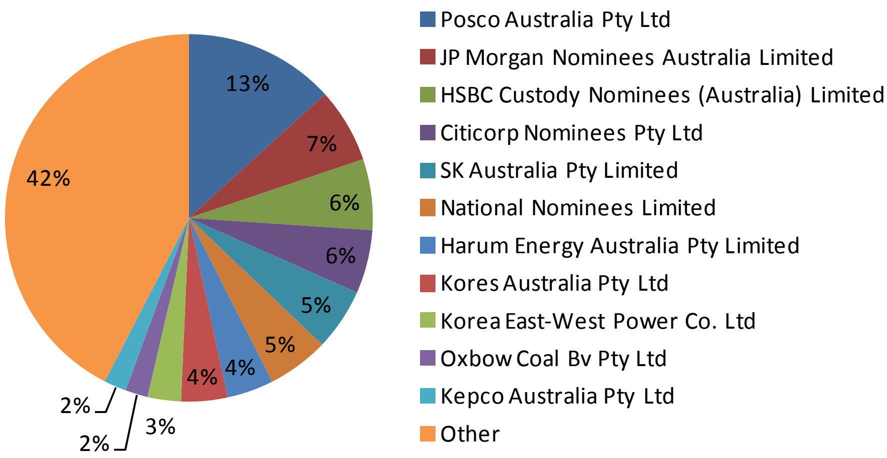
$50m bank guarantee facility with Macquarie, $38.4m drawn, matures 31 Dec-2013

To support the development of the Company's coal assets and associated infrastructure requirements.

As part of the Facility fee, the Company issued 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.

Major shareholders

Figure 9 - Shareholders at 30 June 2011



SOURCE: COK 2011 ANNUAL REPORT

Appendix 5: Management

Board of directors (11)

Norman Alfred Seckold - Executive Chairman

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 25 years in the full time management of natural resource companies, both in Australia and overseas.

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

Mr Seckold is currently a chairman and/or director of Cerro Resources N.L., a company exploring for precious and base metals in Australia and Mexico, Planet Gas Limited, a coalbed methane and diversified energy exploration and development company operating in Australia and the USA, Augur Resources Ltd, a minerals exploration and development company operating in Australia and Indonesia and unlisted public companies Equus Resources Limited and Nickel Mines Limited.

Mark Hamish Lochtenberg - Managing Director

Mark Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 20 years. Mr Lochtenberg was the co-head of Glencore International AG's world wide coal division following his heading up of the coal trading desk of Glencore's Australian coal trading operations. During that time, he was actively involved in purchasing, managing and aggregating the coal project portfolio which became Xstrata Coal. Prior to this Mr Lochtenberg had established a coal 'swaps' market for Bain Refco (Deutsche Bank) after having served as coal marketing manager for Peko Wallsend Limited. Mr Lochtenberg is also a director of Australian Transport and Energy Corridor Limited ('ATEC') and an alternate director of Surat Basin Rail Pty Ltd.

Peter James Nightingale - Executive Director and Chief Financial Officer

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

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

John Gillis Broinowski - Independent, Non-executive Director

Gillis Broinowski is a Fellow of the Australian Institute of Company Directors and is currently a director of the NSW Division of the Australian Institute of Company Directors. He is also currently a director, and former President, of Australian Business Limited and the Foundation for National Parks and Wildlife. Mr Broinowski has had in excess of 25 year's experience in the resources industry and is a former director of Peko Wallsend Operations Limited, Newcastle Wallsend Coal Co. Limited, Robe River Limited and former executive Chairman of Simsmetal Limited.

Lindsay Ross Flint - Independent, Non-executive Director

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

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

Robert Ainslie Yeates - Independent, Non-executive Director

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

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

Dr Yeates has gained operating, business development and infrastructure experience as a director of Port Waratah Coal Services (Newcastle Port), Port Kembla Coal Terminal, Great Northern Mining Corporation NL and Cyprus Australia Coal and for the past 8 years has been principal of his own mine management consultancy, providing a full range of technical, management and strategic planning services to the mining industry.

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

Paul G. Chappell - Independent, Non-executive Director

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

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

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

Hak Hee Lee - Independent, Non-executive Director

Hak Hee Lee is a director of SK Australia Pty Limited, a subsidiary of SK Corporation, the largest energy company in Korea with major business areas being petroleum refining, petrochemical and coal. Mr Lee has spent 24 years in the energy industry in new business development and overseas investment positions with a focus on coal.

Sun Moon Woo - Independent, Non-executive Director

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

He joined POSCO in 1983, since then has worked at Raw Material Purchasing Division and Investment Division for 25 years. During those careers, he accumulated a profound knowledge about natural and resources industry and conducted various investment projects in Iron Ore and Coal mines all over the world including Australia and Brazil.

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

Scott Thompson - Independent, Non-executive Director

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

Joo-Ok Chang - Independent, Non-executive Director

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

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

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

SOURCE: COK WEBSITE

Cockatoo Coal Ltd
as at 10 November 2011

Recommendation	Spec Buy
Price	$0.39
Target (12 months)	$0.60

Table 11 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
Revenue	$m	60	31	67	100	91
Operating expenses	$m	(57)	(53)	(43)	(64)	(53)
EBITDA	$m	**3**	**(22)**	**24**	**36**	**37**
Depreciation	$m	(1)	(1)	(0)	(0)	(1)
EBIT	$m	3	(23)	24	36	37
Net interest expense	$m	1	4	2	3	(0)
PBT	$m	**4**	**(19)**	**26**	**39**	**37**
Tax expense	$m	-	-	(8)	(12)	(11)
NPAT (reported)	$m	**4**	**(19)**	**18**	**27**	**26**
Abnormal items	$m	-	-	-	-	-
NPAT (adjusted)	$m	**4**	**(19)**	**18**	**27**	**26**

CASH FLOW

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
OPERATING CASHFLOW						
Receipts	$m	59	35	63	101	91
Payments	$m	(49)	(46)	(58)	(64)	(54)
Other reciepts	$m	-	3	-	-	-
Tax	$m	-	(4)	(1)	(12)	(12)
Net interest	$m	1	4	2	3	(0)
Operating cash flow	$m	**11**	**(9)**	**5**	**27**	**25**
Capex	$m	(10)	(19)	(8)	(87)	(251)
FREE CASH FLOW	**$m**	**0**	**(28)**	**(3)**	**(59)**	**(225)**

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
VALUATION						
NPAT (adjusted)	$m	4	(19)	18	27	26
Reported EPS	c/sh	0.6	1.4	1.8	2.7	2.5
EPS growth	%	na	124%	28%	52%	-7%
PER	x	62.1x	27.7x	21.7x	14.2x	15.3x
DPS	c/sh	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%
FCF/share	c/sh	(2)	(17)	3	(6)	(22)
FCF yield	%	-6%	-43%	9%	-15%	-58%
EV/EBITDA	x	133.5	(19.6)	17.7	11.9	11.5
PROFITABILITY RATIOS						
EBITDA margin	%	5%	-70%	36%	36%	41%
EBIT margin	%	4%	-74%	36%	36%	40%
Return on assets	%	3%	-7%	5%	8%	7%
Return on equity	%	3%	-7%	6%	8%	7%

RESOURCES

Resources	Unit	Equity	Meas	Ind	Inf	Total
Baralaba mine	Mt	63%	7	10	16	34
Baralaba expansion	Mt	80%	7	60	67	135
Woori	Mt	51%	84	-	-	84
Collingwood	Mt	51%	80	80	69	229
Taroom	Mt	51%	158	149	126	433
Tin Hut	Mt	100%	-	207	137	344
Bottle Tree/Krugers/Davies Road/Ki	Mt	100%	36	158	301	494
Hume	Mt	30%	-	-	115	115
Bylong 30% call option	Mt	0%	-	150	273	423
Total (100%)	**Mt**		**372**	**815**	**1,104**	**2,291**
Total (equity)	**Mt**					**1,382**

BALANCE SHEET

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
ASSETS						
Net working capital	$m	1	(12)	7	7	6
Property, plant & equipment	$m	57	192	200	286	536
Other	$m	28	67	61	62	63
Capital employed	$m	86	247	268	355	605
Net debt/(cash)	$m	(27)	(17)	(51)	8	233
Total equity	**$m**	**113**	**264**	**320**	**347**	**373**
Weighted average shares	m	571	901	1,016	1,016	1,016

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
LIQUIDITY & LEVERAGE						
ND / E	%	-24%	-6%	-16%	2%	62%
ND / (ND + E)	%	-32%	-7%	-19%	2%	38%

ASSUMPTIONS - Prices

Year ending 30 Jun	Unit	2012f	2013f	2014f	2015f	LT real
Hard coking coal	US$/t	265	235	230	215	180
Semi-hard coking coal	US$/t	223	201	188	182	155
LV PCI	US$/t	208	190	170	170	146
Semi-soft coking coal	US$/t	200	160	145	140	120
Thermal coal	US$/t	120	118	113	108	90
CURRENCY						
AUD/USD	US$/A$	1.02	0.98	0.94	0.85	0.85

ASSUMPTIONS - Production

Year ending 30 Jun	Unit	2012f	2013f	2014f	2015f	2016f
Production (100%)						
Baralaba mine	Mt	0.5	0.8	0.7	2.8	3.5
Collingwood	Mt	-	-	-	-	0.6
Taroom	Mt	-	-	-	-	0.6
Total	Mt	0.5	0.8	0.7	2.8	4.8
Production (equity)						
Baralaba mine	Mt	0.4	0.6	0.6	2.2	2.8
Collingwood	Mt	-	-	-	-	0.3
Taroom	Mt	-	-	-	-	0.3
Total	Mt	0.4	0.6	0.6	2.2	3.4
By product (equity)						
Thermal coal	Mt	0.1	0.2	0.1	0.3	1.1
LV-PCI	Mt	0.3	0.4	0.4	1.9	2.4
Total	Mt	0.4	0.6	0.6	2.2	3.4

VALUATION

Issued capital	Unit	
Shares on issue	m	1,016
Options (in the money)	m	2
Total	**m**	**1,018**

			NPV		NPV + 12 months	
NPV (COK)	$m	Risked	$m	$/sh	$m	$/sh
Baralaba mine	416	100%	416	0.41	448	0.44
WICET preference equity	27	100%	27	0.03	30	0.03
Collingwood	136	50%	68	0.07	75	0.07
Taroom	132	50%	66	0.07	73	0.07
Subtotal			578	0.57	626	0.61
Other resources (at A$0.15/t)			137	0.13	137	0.13
Corporate			(70)	(0.07)	(70)	(0.07)
Net cash/(debt)			(39)	(0.04)	(51)	(0.05)
Total			**606**	**0.59**	**641**	**0.63**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Spec Buy: Expect >30% total return on a 12 month view but carries significantly higher risk than its sector

Buy: Expect >15% total return on a 12 month view

Accumulate: Expect total return between 5% and 15% on a 12 month view

Hold: Expect total return between -5% and 5% on a 12 month view

Reduce: Expect total return between -15% and -5% on a 12 month view

Sell: Expect <-15% total return on a 12 month view

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