

QUARTERLY REPORT

March 2017 Quarterly Report

26 April 2017

SUMMARY

- Coal production targeted to start end of third quarter / beginning of fourth quarter of 2017
- Major Haul Route upgrades either complete or underway:
 - Banana Creek Bridge completed February 2017
 - Sealing of 13.5km road section commenced January 2017 with 3km sealed to date with practical completion expected in Q3 calendar 2017
 - Golding Contractors work on the Dawson Highway Overpass continues with practical completion expected in Q3 calendar 2017
- Baralaba South – Mining Lease Application process commenced
- New resource and reserve estimates for Baralaba South Project released
- No significant impact from recent tropical cyclone Debbie
- Brett Garland commenced as Chief Executive Officer in January 2017

OVERVIEW

Baralaba Coal Company Limited (“Baralaba” or “Company”) (ASX:BCL) is pleased to present the market with its quarterly update for the quarter ended 31 March 2017. The Company continued with infrastructure works associated with restarting the Baralaba North mine with a total of \$9.9million expenditure incurred on road works during the quarter (\$6.5m cash spent). An additional \$25.4m cash is required to complete the first phase of the road works for the Baralaba North mine. These upgrades are required in order to haul more than 1 million tonnes of coal per annum on the 60km haul route between the Baralaba North mine and the Company’s new train load-out facility located 2km east of Moura, Queensland. These upgrades are expected to substantially lower the Company’s coal haulage costs and improve the road safety for all users. A second series of road upgrades are required to be completed within 18 months of the restart of operations at the Baralaba North mine and these are expected to cost approximately \$15million to complete.

The below diagram illustrates the sections where works are currently being undertaken on Baralaba Coal’s haul route.

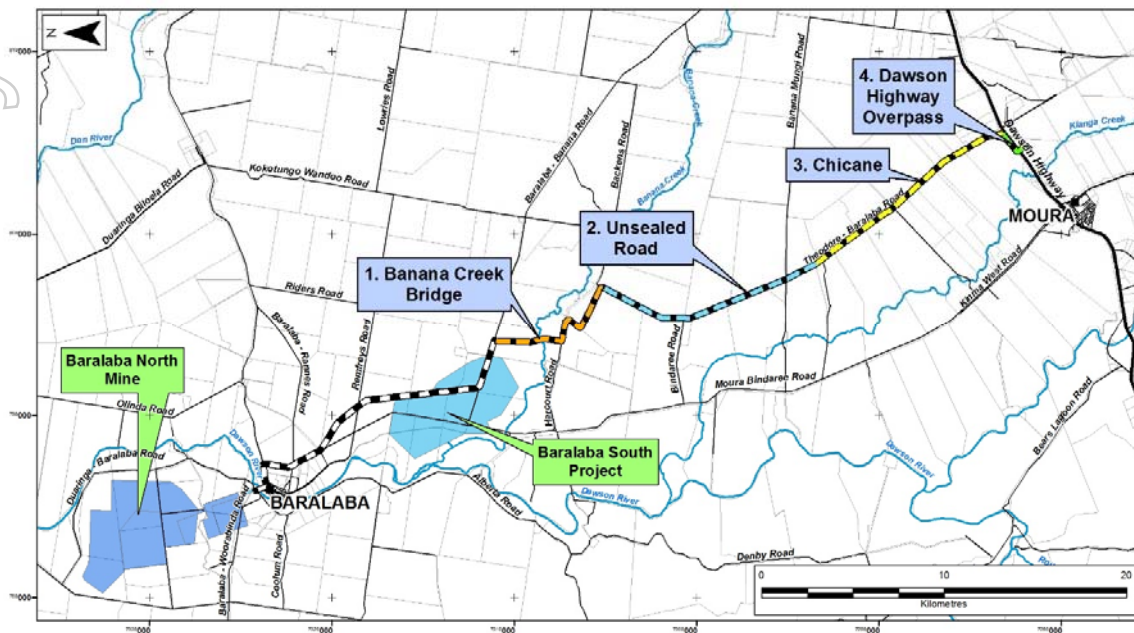


Figure 1 - Location of sections currently under construction

1. Banana Creek Bridge Replacement Project

The new \$2.9 million, 9.5 meter wide bridge over Banana Creek is now complete and fully open to traffic. The new bridge was completed on 28 February 2017.



Figure 2 - Completion of the Banana Creek Bridge

2. Dawson Highway Overpass / Train Load Out ("TLO") Access Road

Golding Contractors Pty Ltd was awarded the \$14.5 million project for the Dawson Highway Overpass and private TLO access road on 31 October 2016 with work commencing in November 2016. Figure 3 below is looking eastward along the Dawson Highway. The Dawson Highway will be re-aligned to go over the BEBO Arch (which is under construction in the foreground) and coal trucks will travel through the BEBO arch (under the realigned Dawson Highway) to the Company's new train load out facility on the southern side of the highway (just off the picture to the right). The haul route pavement works have been completed with the final road sealing applied in early-March 2017 (as can be seen on the left hand side of the picture below). The overpass ramps are well underway along with the completion of the BEBO arch construction.



Figure 3 – Dawson Highway overpass looking east



Figure 4 - View looking towards Moura township down the Dawson Highway and private haul road (looking west). The Company's train load out facility and under construction Dawson Highway overpass are shown in far-ground.

Train Load Out Facility

This facility is located approximately 2km east of Moura.



Figure 5 - TLO facility

3. Sealing the Unsealed Section of the Theodore-Baralaba Road ("Middle Road")

The \$8.2 million package of works for the widening (to 10 meters) and sealing of the 13.5km unsealed section of the Theodore-Baralaba Road was awarded to Golding Contractors Pty Ltd. Construction commenced on this package of works in mid-February 2017 and the first 3km section has been sealed. A second 3km section is due for completion in late April 2017. The completion of all sections is expected by the end of July 2017.



Figure 6 – Sealing of the first 3 km section of the Theodore-Baralaba Road (Middle Road)

4. Chicane Straightening

The tender for the straightening of the chicane on the southern end of the haul route, approximately 7.5km north of the Dawson Highway intersection, was awarded to Golding Contractors Pty Ltd on 24 March 2017. This \$0.8 million works package will see the chicane straightened to improve the visibility and safety for all travelers of this area.



Figure 7 - Aerial of current chicane alignment

Production plan

Resumption of coal production at the Baralaba North mine is targeted for late third quarter / early fourth quarter of calendar year 2017 with estimated production for the calendar year of 150k – 200k tonnes of saleable product (previous estimate for calendar year 2017 was 600k-800k tonnes). In calendar year 2018, production of 2.0Mtpa – 2.2Mtpa is targeted (no change to previous estimate).

The change in the calendar year 2017 production target is due to the road works taking longer to complete than initially anticipated.

Major Contracts Status

The major contracts associated with the recommencement of the Baralaba North mine; contract mining agreement, coal road haulage, rail transport and Port of Gladstone, are to be entered into in due course.

BARALABA SOUTH

Mining Lease Application Process commenced

The Company has recommenced the Environmental Impact Statement (EIS) process¹ for the Baralaba South Project. The Baralaba South Project is contained within MLA 80193 and the Initial Advice Statement (project description) and the draft Terms of Reference were submitted to the Department of Environment and Heritage Protection on 6 February 2017 and accepted.

The proponent for the Baralaba South project is the Company's 80% owned subsidiary, Wonbindi Coal Pty Ltd, (Wonbindi). Wonbindi proposes to develop a greenfield, multi-seam, open-cut coal mine using truck and excavator methods to mine up to 6 Mtpa of run-of-mine coal to produce pulverised coal injection and thermal coal product for up to 40 years within an area of 2,214 hectares covered by MLA 80193. The Baralaba South Project lies between the Baralaba North Mine and the company's train load out facility, along the Baralaba North mine haul route, approximately 8km south of the township of Baralaba.

The Baralaba South Project would be operated in conjunction with the existing Baralaba North mine at product coal production rates up to the maximum limits of the Company's infrastructure approvals at any given time, which currently stand at 3.5 Mtpa.

The public notification period for stakeholder review and comment on the Baralaba South Project draft Terms of Reference commenced on 6 March 2017 and closed on 18 April 2017.

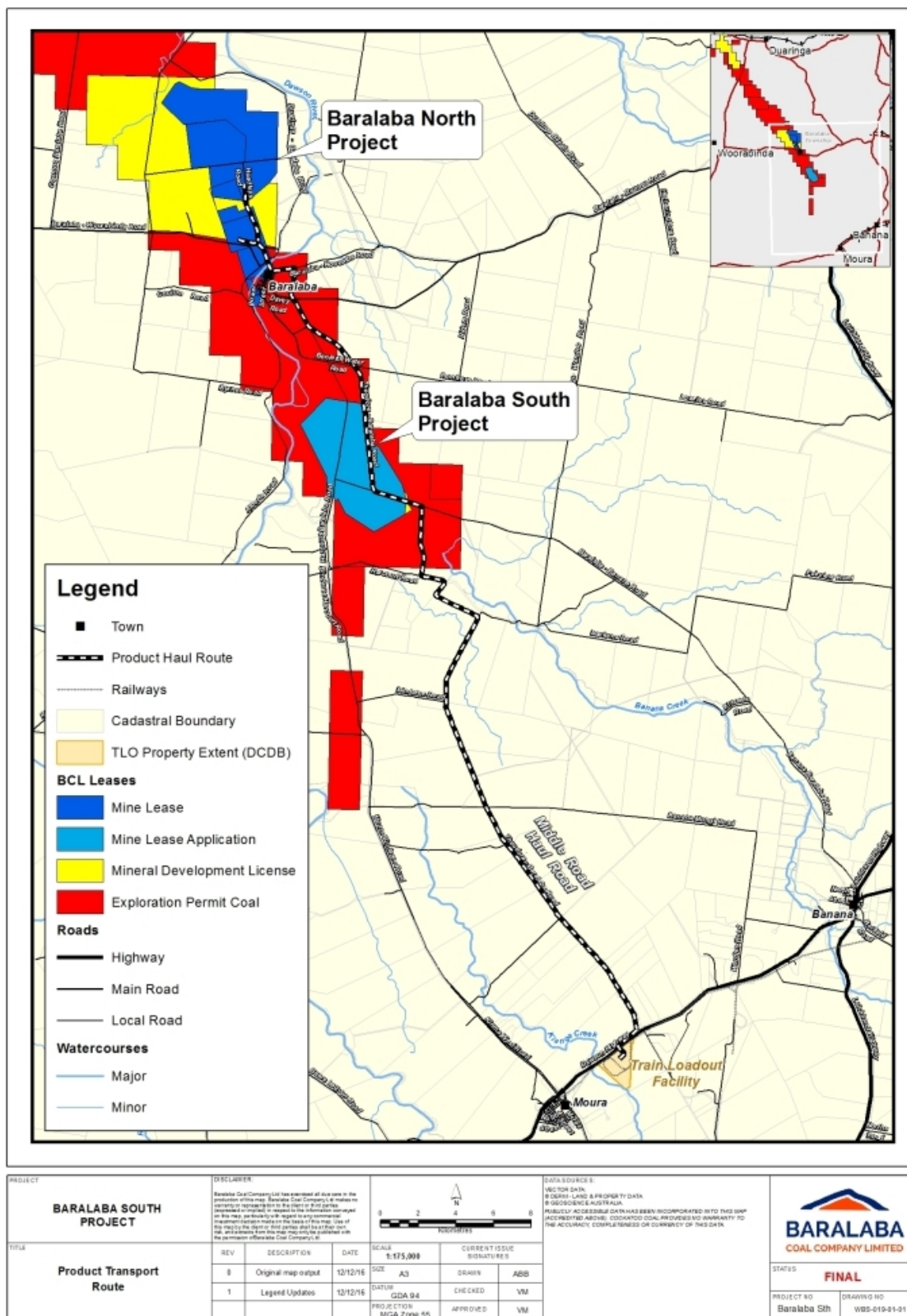
Once the Terms of Reference are finalised, the Company will have two years to complete the EIS for the Baralaba South Project. Assuming completion and submission of the EIS occurs during the 2019 calendar year, it is anticipated that operations at Baralaba South would commence in 2020/2021.

Coal resources and reserves

The company has released a coal resources and reserves update separately to this quarterly report that contains the details of updates to the Baralaba South coal resources and reserves.

1 – www.ehp.qld.gov.au/management/impact-assessment/eis-processes/

Figure 8 – Baralaba South project location



OPERATIONS

Safety and Environment

The Company recorded zero injuries in the quarter ended March 2017. Care and maintenance activities continue without diminishing the Company's commitment to the health and safety of its workforce. The Company's 12 month rolling TRIFR is 0, compared to the results released in December 2016 for the Queensland Open Cut Coal Mines which showed an average of 13.33.

The Baralaba North mine and Baralaba Central mine (closed) remain in compliance with all safety, environmental and statutory obligations. Ongoing and routine monitoring and compliance continued throughout the quarter.

Baralaba North mine

With the Baralaba North mine in care and maintenance mode for the quarter ended March 2017 there was no coal sold or produced during that period and no overburden removed. The main focus for the Baralaba North mine was pit dewatering and the maintenance of the mine area.

EXPLORATION / TENURE

The Company continues to minimise expenditure on exploration while it focuses on the re-start of the Baralaba North mine. A total of \$119k expenditure was incurred on evaluation and administration across the Company's exploration portfolio, not including Baralaba North, during the quarter ended March 2017.

Following the strategic review of the Company's tenure portfolio in 2016, a number of Exploration Permits for Coal (EPC) were previously submitted for surrender. Two of the surrender applications were approved during the quarter. A drill hole rehabilitation audit is currently underway to allow approval of the remaining four EPC surrender applications. The table below shows the tenure surrendered during the quarter and tenure with pending surrender applications.

Project	Area	Relinquished	Relinquishment Submitted
Broadmere	Taroom		EPCs 1436, 1556 and 1558
Rolleston North	Rolleston	EPC 1467 and 2191	EPC 1531

CORPORATE

Cash Position

As of 31 March 2017, the Company had cash and cash equivalents of approximately \$9.4 million available for capital expenditures and working capital (this does not include \$41 million of restricted cash that cash-back guarantees in favour of the State of Queensland).

Capital Requirements

The Board is currently finalising the financing plan to fund the required remaining capital expenditures needed to restart the Baralaba North mine.

Chief Executive Officer

Mr Brett Garland commenced as Chief Executive Officer during the quarter, formally beginning on 30 January 2017. Mr Garland is a mining engineer with over 30 years' experience in the Australian coal mining industry, and possesses significant experience in Queensland open-cut coal mining operations.

Forward Looking Statements

This announcement contains certain "forward-looking" statements. The words "intends", "expected", "proposed", "forecast", "target", and "will" and other similar expressions are intended to identify forward looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these statements. To the full extent permitted by law, the Company and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

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