



ABN 13 112 682 158

16 March 2011

The Manager - Companies
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

(41 pages by email)

Dear Madam

HALF YEAR REPORT

I attach the Company's Interim Financial Report for the half year ended 31 December 2010. This Interim Financial Report should be read in conjunction with the Company's 30 June 2010 Annual Report.

For further information, contact Mark Lichtenberg or Peter Nightingale on +61 2 9300 3333.

Yours sincerely

Peter J. Nightingale
Director

pjn5899

COCKATOO COAL LIMITED

A.B.N. 13 112 682 158

and its controlled entities

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2010**

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

Your Directors have pleasure in submitting their report together with the consolidated financial report of the Group, being Cockatoo Coal Limited and its controlled entities, for the half year ended 31 December 2010 and the review report thereon.

DIRECTORS

The names of the Directors of the Company in office during or since the end of the half year are:

Norman Alfred Seckold - Executive Chairman

Director since 28 January 2005.

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 30 years in the full time management of natural resource companies, both in Australia and overseas.

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

Mr Seckold is currently a director of Cerro Resources N.L., a precious metals exploration company currently developing a project in Mexico, Planet Gas Limited, a coalbed methane and geothermal energy exploration and development company operating in Australia and the USA, and Augur Resources Ltd, a minerals exploration and development company operating in Australia and Indonesia.

Mark Hamish Lochtenberg - Managing Director

Director since 28 January 2005.

Mark Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 20 years.

Mr Lochtenberg was the co-head of Glencore International AG's worldwide coal division following his heading up of the coal trading desk of Glencore's Australian coal trading operations. During that time, he was actively involved in purchasing, managing and aggregating the coal project portfolio which became Xstrata Coal.

Prior to this Mr Lochtenberg had established a coal 'swaps' market for Bain Refco (Deutsche Bank) after having served as coal marketing manager for Peko Wallsend Limited.

Mr Lochtenberg is a director of Australian Transport and Energy Corridor Limited ('ATEC') and an alternate director of Surat Basin Rail Pty Ltd.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Directors' Report

Peter James Nightingale - Executive Director, Chief Financial Officer and Company Secretary

Director since 28 January 2005.

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 N.L.. Mr Nightingale is currently Chairman of ASX listed Callabonna Uranium Limited and a director of Augur Resources Ltd, Planet Gas Limited and Sumatra Copper & Gold plc and unlisted public companies Equus Resources Limited and Nickel Mines Limited.

John Gillis Broinowski AM - Independent, Non-executive Director

Director since 25 July 2005.

Gillis Broinowski is a Fellow of the Institute of Company Directors and formerly a director of the NSW Division of the Australian Institute of Company Directors. He is currently Managing Director of Vielun Pty Limited, Chairman of VLP Products Pty Limited and Chancellor Hattersley Lloyd Pty Limited, Chairman of The Thalidomide Foundation and director of the Stanford Australia Foundation. Former President and director of the Foundation for National Parks & Wildlife and former President and Director of the NSW Chamber of Commerce & Industry (Australian Business Limited, Chamber of Manufacturers of NSW).

Mr Broinowski has had in excess of 25 year's experience in the resources industry and is a former director of Peko Wallsend Operations Limited, Newcastle Wallsend Coal Co. Limited, Robe River Limited and former executive Chairman of Simsmetal Limited.

Joo-Ok Chang - Independent, Non-executive Director

Director since 3 March 2010

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.

Paul Gregory Chappell - Independent, Non-executive Director

Director since 19 December 2005

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

Mr Chappell is a graduate of the University of Newcastle, completing a Bachelor of Commerce in 1982, 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.

COCKATOO COAL LIMITED
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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.

Lindsay Ross Flint - Independent, Non-executive Director

Director since 25 July 2005.

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

For more than 20 years, he carried various portfolios of responsibilities in Shell's international coal business working in Australia and the UK. These provided a broad exposure to coal sourcing and transportation from Australia, South Africa, China, Canada and the Americas and to markets in Asia, Europe, the Middle East and Latin America. As General Manager Marketing, he was responsible for Shell Coal's global sales and distribution until Shell divested its coal interests to Anglo American in 2000. He continued with Anglo Coal Australia as General Manager Marketing for the following 2 years and has since maintained an active coal industry involvement as a contractor.

Hak Hee Lee - Independent, Non-executive Director

Director since 30 November 2006.

Hak Hee Lee is a director of SK Energy Australia Pty Limited, a subsidiary of SK Networks Co. Limited, one of the largest trading houses in Korea with major business areas being resources & energy, telecommunication, car life and fashion. Mr Lee has spent 25 years in the energy industry in new business development and overseas investment positions with a focus on coal.

Kenneth Scott Andrew Thompson - Independent, Non-executive Director

Director since 27 November 2009

Scott 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 organisations including Anglo American and PT Adaro Indonesia. Mr Thompson holds a 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.

Sun Moon Woo - Independent, Non-executive Director

Director since 25 September 2007.

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

He joined the Pohang Iron and Steel Company ('POSCO') in 1983, since then has worked in the Raw Materials Purchasing Division and the Investments Division for more than 25 years, accumulating a profound knowledge about the resources industry. He has conducted various investment projects in iron ore and coal mines all over the world including Australia and Brazil.

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

COCKATOO COAL LIMITED
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Directors' Report

Robert Ainslie Yeates - Independent, Non-executive Director

Director since 25 July 2005.

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

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

Dr Yeates has gained operating, business development and infrastructure experience as a director of Port Waratah Coal Services (Newcastle Port), Port Kembla Coal Terminal, Great Northern Mining Corporation NL and Cyprus Australia Coal and for the past 9 years has been principal of his own mine management consultancy, providing a wide range of technical, management and strategic planning services to the mining industry.

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

COCKATOO COAL LIMITED
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Directors' Report

REVIEW OF OPERATIONS

Overview

The half year ended 31 December 2010 has been another significant period in the development of Cockatoo Coal Limited and its controlled entities ('Cockatoo' or the 'Company').

A summary of the Company's principal objectives during the half year is as follows:

- Operate the Baralaba mine as efficiently as possible in the prevailing extreme adverse weather conditions.
- Advance Bowen Basin exploration activities to increase the quantity and quality of resources and reserves to meet the requirements of an expansion of the Bowen Basin operations to utilise an increased port capacity through Stage 1 of the Wiggins Island Coal Export Terminal which is scheduled for 2014.
- Advance Surat Basin exploration activities to increase the quantity and quality of resources and reserves to meet the development requirements of the Surat Basin operations to satisfy the conditions to secure increased port capacity through Stage 2/3 of the Wiggins Island Coal Export Terminal which is scheduled for 2016.
- Manage the Company's tenements to meet the project development schedules.
- Ensure that the Company is positioned to secure a maximum entitlement to port and rail infrastructure capacity.
- Continue to expand the Company's operations through strategic 'right price, right fit' corporate transactions.

During the period under review these principal objectives were met with major achievements including:

Corporate highlights:

- Completion of the acquisition of interests in three coal projects located in the Surat Basin, Queensland, for \$105.5 million.
- Completed the acquisition of a 30% interest in the Hume project located in the Sydney Basin, NSW, from Pohang Iron and Steel Company ('POSCO') by the issued 46,059,957 shares to POSCO for \$21.5 million.
- Korea Electric Power Corporation ('KEPCO') granted the Company a 3 year call option to purchase a 30% interest in the Bylong project located in the Sydney Basin, NSW.
- The successful completion of a \$153.3 million fully underwritten accelerated renounceable pro-rata entitlement offer and institutional share placement equity raising, by the issue of 367,529,571 shares.
- Entered into an Exclusivity Agreement with Mitsui & Co. Ltd ('Mitsui') regarding the possible acquisition of an interest in some or all of the Company's Surat Basin projects.
- Legal proceedings initiated by Republic Coal Pty Limited settled.
- JFE Shoji Trade Corporation ('JFE Shoji') acquired ownership of the minority interest shareholding in Baralaba Coal Pty Limited ('Baralaba Coal') and Wonbindi Coal Pty Limited ('Wonbindi').

Operational highlights:

Baralaba Mine, Queensland:

- Baralaba mine coal production was severely adversely affected by wet weather and flooding during the half year.
- 158,172 tonnes of coal produced at the Baralaba mine.
- 55,497 tonnes of PCI coal and 158,054 tonnes of thermal coal sold.

COCKATOO COAL LIMITED
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Directors' Report

Bowen Basin, Queensland:

- Exploration activities hampered by wet weather.
- Total JORC compliant resources at the Company's Bowen Basin projects were increased by 19% to 158.5 million tonnes.
- JORC compliant marketable reserves totalling 33.5 million tonnes were defined at the Company's Bowen Basin projects.
- Exploration drilling continued with geophysically logged cumulative down hole coal intercepts of up to 24.9 metres.
- Exploration potential remains open.

Surat Basin, Queensland:

- Exploration activities hampered by wet weather.
- Total JORC compliant resources at the Company's 100% owned Surat Basin projects (excluding Kingaroy) were increased by 15% to 478.5 million tonnes.
- JORC run of mine reserves totalling 64.3 million tonnes (unwashed 26.5% ash product), alternatively JORC marketable reserves totalling 40.6 million tonnes (washed 9.5% ash product), were defined at the Woori project.
- The acquisition of the Collingwood and Taroom projects added 221.9 million tonnes to the Company's inventory of attributable JORC compliant resources.
- The Company's attributable JORC compliant resources in the Surat Basin project areas, including the Kingaroy project, now approximate 979.2 million tonnes.
- Strike length of the Tin Hut Creek deposit extended by 6.0 kilometres to 13.5 kilometres from northwest to the southeast.
- Exploration drilling continued with geophysically logged cumulative down hole coal intercepts of up to 21.3 metres.
- Exploration potential remains open.

Sydney Basin, NSW:

- The Company diversified its geographic and project activities by the acquisition of a 30% interest in the Hume project and a 3 year call option for a 30% interest in the Bylong project, both located in the Sydney Basin.
- The acquisition of the Hume project added 34.5 million tonnes to the Company's inventory of attributable JORC compliant resources.

Infrastructure:

- Discussions advanced with both Queensland Rail and Surat Basin Rail for future capacity to Gladstone.
- Queensland Co-ordinator General approves Surat Basin Rail EIS, permitting project development.
- Company selected as a 3.0 million tonnes per annum Wiggins Island Stage 1 user.
- Expression of Interest lodged to participate in the development of WICET Stage 2/3.

COCKATOO COAL LIMITED
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D i r e c t o r s ' R e p o r t

CORPORATE ACTIVITIES

Completion of the Acquisition of Interests in Development and Exploration Projects

On 24 December 2010, agreements with Anglo American plc ('Anglo') to acquire development and exploration assets located in NSW and Queensland were completed.

The projects acquired, as advised by Anglo, are:

- Collingwood, Surat Basin - 236.9 million tonnes (64.5 million tonnes Indicated and 172.4 million tonnes Inferred) export grade thermal coal resource.
- Taroom, Surat Basin - 198.2 million tonnes (36.4 million tonnes Measured, 89.0 million tonnes Indicated and 72.8 million tonnes Inferred) export grade thermal coal resource.
- Ownaview, Surat Basin - 171.0 million tonnes Inferred export grade thermal coal resource.
- Hume, Sydney Basin - 115.0 million tonnes Indicated export grade metallurgical/thermal coal resource.
- Bylong, North West Sydney Basin - 423.0 million tonnes (150.0 million tonnes Indicated and 273.0 million tonnes Inferred) export grade thermal coal resource.

A summary of the transaction structure is:

- KEPCO acquired 100% of Anglo Coal (Bylong) Pty Ltd from Anglo and granted a 3 year call option for a 30% interest to Cockatoo. The 3 year call option has no up-front cost and entitles Cockatoo to acquire a 30% interest in Bylong for \$157.1 million 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% p.a.).
- POSCO acquired 100% of Anglo Coal (Sutton Forrest) Pty Ltd from Anglo and has transferred a 30% interest to Cockatoo for \$21.5 million. The project has been redesignated the Hume project.
- Cockatoo acquired 100% of Anglo Coal (Taroom) Pty Ltd which owns 51% of the Taroom, Collingwood and Ownaview assets for \$105.5 million. Cockatoo intends, as part of the abovementioned call option with KEPCO, to transfer ownership of the 51% interest in Ownaview to KEPCO subject to satisfaction of certain conditions precedent.

Following completion, Cockatoo's attributable resources have increased by 256.4 Mt, excluding any potential contribution from Bylong.

Capital Management

During the half year, the Company issued 46,059,957 new fully paid ordinary shares to POSCO for consideration of \$21.5 million to fund Cockatoo's purchase of its 30% interest in the Hume project.

In addition, the Company successfully completed a \$153.3 million fully underwritten accelerated renounceable pro-rata entitlement offer and institutional share placement equity raising comprising:

- the issue of 241,003,571 new fully paid ordinary shares on the basis of a 2-for-5 accelerated renounceable pro-rata entitlement offer ('Entitlement Offer') at an issue price of \$0.40 per new share to raise \$96.4 million; and
- the issue of 126,526,000 new fully paid ordinary shares on the basis of an institutional share placement ('Institutional Placement') at an issue price of \$0.45 per share which was determined via an institutional bookbuild to raise \$56.9 million.

COCKATOO COAL LIMITED
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D i r e c t o r s ' R e p o r t

On 17 September 2010, the Company successfully completed the institutional component of the Entitlement Offer ('Institutional Entitlement Offer') and the Institutional Placement. Under the Institutional Entitlement Offer, new shares equivalent in number to entitlements not taken up by shareholders were sold by way of an accelerated bookbuild process, resulting in a clearing price of \$0.45 per new share, representing a 12.5% premium to the underwritten issue price for the Entitlement Offer. Therefore institutional shareholders who elected not to take up their entitlements received \$0.05 for each new share not taken up (less any applicable withholding tax).

On 15 October 2010, the Company successfully completed the retail component of the Entitlement Offer ('Retail Entitlement Offer'). Under the Retail Entitlement Offer, new shares equivalent in number to entitlements not taken up by shareholders were sold by way of a bookbuild process, resulting in a clearing price of \$0.51 per new share, representing a 27.5% premium to the underwritten issue price for the Entitlement Offer. Therefore shareholders who did not take up their entitlements received \$0.11 for each new share not taken up (less any applicable withholding tax).

Exclusivity Agreement with Mitsui

During the half year, the Company entered into an Exclusivity Agreement with Mitsui regarding the possible acquisition by Mitsui of an interest in some or all of the Company's 100% owned Surat Basin assets.

As a result of the acquisition of 51% of the Taroom and Collingwood assets, by the Company, Mitsui is the Company's 49% joint venture partner in these two projects. The Company has a 100% interest in approximately 4,000 km² of coal bearing tenements in the Surat Basin. The rationale behind entering the Exclusivity Agreement with Mitsui is to facilitate the study of a proposed equalisation of interests between the Company and Mitsui in these tenements which, if achieved, will provide a stronger joint venture relationship with Mitsui and will enhance the development of the Company's Surat Basin tenements and the infrastructure required to deliver and export coal through the port of Gladstone.

Discussions with Mitsui regarding their intention to acquire an interest in some or all of the Company's 100% owned Surat Basin assets are ongoing.

Baralaba/Wonbindi Projects - Minority Interests

On 19 October 2010, orders were made by consent in the Supreme Court of New South Wales dismissing the proceedings commenced by Republic Coal Pty Ltd ('Republic') in April 2009 against Cockatoo, Baralaba Coal, Cockatoo Coal Marketing Company Pty Ltd, Mark Lochtenberg, Peter Nightingale and Norman Seckold. It was a condition of the settlement that the terms be kept confidential.

Subsequently, on 20 October 2010, the Company was pleased to advise that JFE Shoji had acquired all of the issued shares in Republic.

Republic holds a 37.5% interest in Baralaba Coal, the holder of the Company's operating Baralaba mine, and a 20% interest in Wonbindi, the holder of the Company's Wonbindi and Baralaba North projects. The Company holds the remaining 62.5% interest in Baralaba Coal and 80% interest in Wonbindi. There is no change in this ownership structure of Baralaba Coal or Wonbindi as a result of JFE Shoji acquiring all of the issued shares in Republic.

COCKATOO COAL LIMITED
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Directors' Report

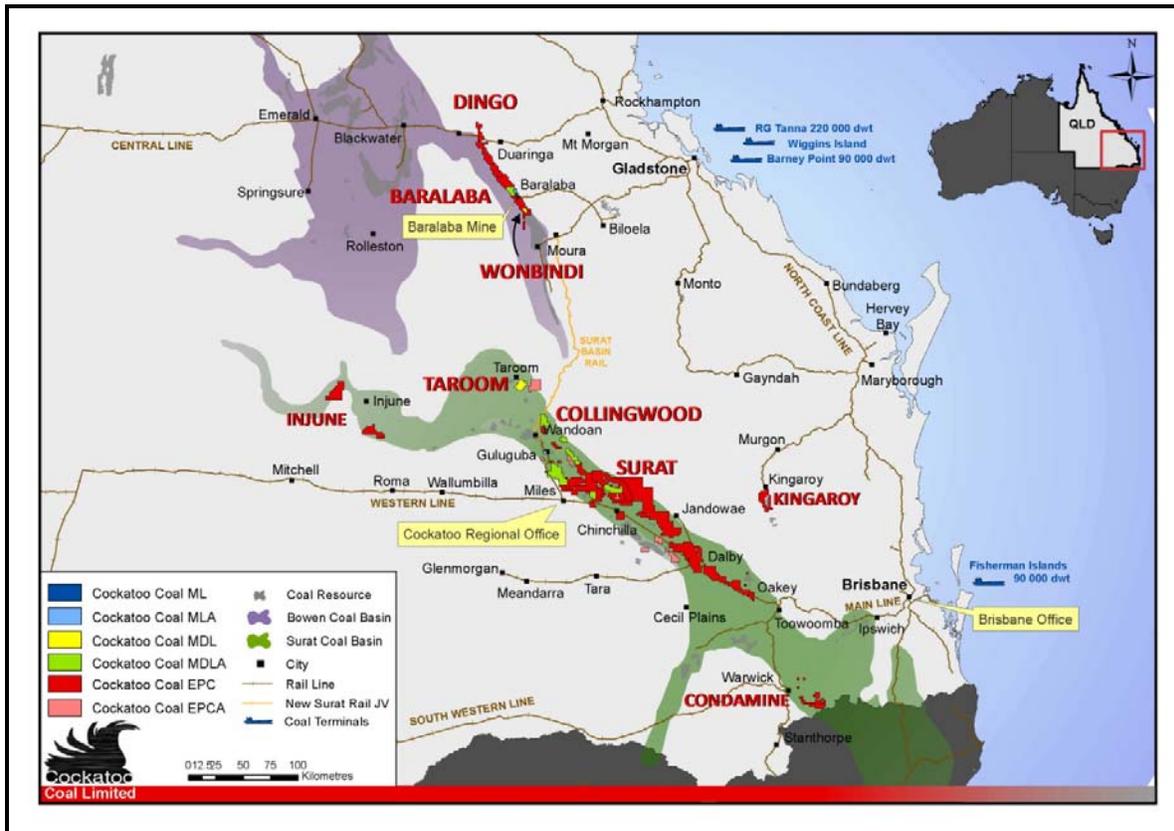
OPERATING ACTIVITIES

The Company is a coal mining, exploration and development company with projects in the Bowen and Surat Basins in Queensland and the Sydney Basin in New South Wales. As detailed below, the Company has a significant tenement portfolio with an equity interest in total of 74.2 million tonnes of JORC compliant marketable reserves and 1,172.2 million tonnes of JORC compliant resources.

The Company's lead project is an operating mine and contiguous tenements located in the Bowen Basin, with a focus on ultra low volatile ('ULV') PCI and thermal coal products. In addition, the Company has an extensive tenement portfolio in the Surat Basin with a focus on thermal coal and interests, as described above, in the Sydney Basin.

As part of the ongoing development of the Company's projects, the following changes to the Company's tenements have occurred during the period under review:

- ML 80157 and EPCs 2107 and 2143 were granted.
- MLAs 80169 and 80170, MDLAs 451 and 452 and EPCAs 2207 and 2231 were lodged.
- MDLs 158 and 275, EPC 640 and AUTH 349 were acquired.
- MDL 138 was sold for a future royalty.



Queensland projects and tenements

A summary of the Company's interest in currently defined and reported coal reserves and resources, by project, based on drilling for which details of drill hole co-ordinates, cumulative thickness of coal and BCM:T strip ratios for drilling have been reported by the Company and are included on the Company's website is as follows:

COCKATOO COAL LIMITED
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Directors' Report

Project	Tenement	Depth of Resource (m)	JORC Classification				
			Reserves	Resources			
			Marketable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Baralaba Mine	MDL 184 (MLA 80169)	200	1.3	0	2.9	10.1	13.0
	ML 80157	200		1.4	2.2	4.6	8.2
	ML 5605	100		1.2	0.5	0.5	2.2
Baralaba North	MDLA 416 (MLA 80170)	200	6.4	0	9.4	36.4	45.8
Baralaba South	EPC 1047	200	0	0	0	25.2	25.2
Wonbindi	MDL 352 EPC 1047	175	25.8	0	44.7	19.4	64.1
Bowen Basin Total			33.5	2.6	59.7	96.2	158.5

Project	Tenement	Depth of Resource (m)	JORC Classification				
			Reserves	Resources			
			Marketable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Woori	MDL 187 MLAs 50247/50248	110	40.6	84.3	0	0	84.3
Davies Road	EPCs 1041/813 MDLA 437	<150	0	0	0	75.6	75.6
Krugers	EPCs 796/1041 MDLA 441	<150	0	0	0	104.8	104.8
Bottle Tree	EPC 813 MDLA 433	<150	0	0	0	32.5	32.5
Tin Hut Creek	EPCs 1134/813 MDLA 430	<150	0	0	112.2	69.1	181.3
Collingwood	EPC 640 MDLA 452	120	0	0	32.9	87.9	120.8
Taroom	MDLs 158 and 275	120	0	18.6	45.4	37.1	101.1
Surat Basin Total			40.6	102.9	190.5	407.0	700.4

Project	Tenement	Depth of Resource (m)	JORC Classification				
			Reserves	Resources			
			Marketable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Kingaroy	EPC 882	<150	0	35.5	87.4	85.4	208.3
Kingaroy	EPC 882	150-300	0	0	40.9	29.6	70.5
Kingaroy Total			0	35.5	128.3	115.0	278.8

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Project	Tenement	Depth of Resource (m)	JORC Classification				
			Reserves	Resources			
			Marketable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Hume	AUTH 349	200	0	0	34.5	0	34.5
Sydney Basin Total			0	0	34.5	0	34.5

			Reserves	Resources			
			Marketable (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Group Total			74.2	141.0	413.0	618.2	1,172.2

BOWEN BASIN PROJECTS

The Company's Bowen Basin Projects comprise:

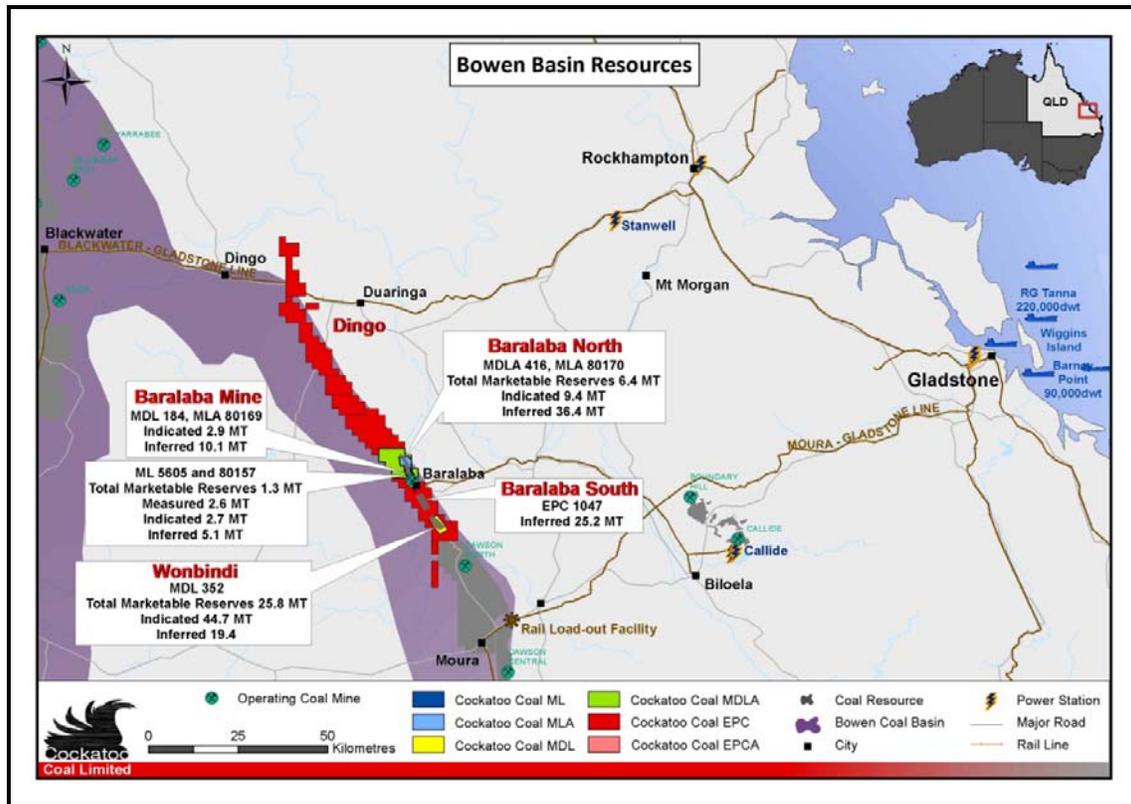
- Baralaba mine (MLs 5580, 5581, 5590, 5605 and 80157; MDL 184; and MLA 80169) which is held by the Company's 62.5% owned subsidiary, Baralaba Coal.
- Wonbindi project (MDL 352 and EPCs 1047 to the south of the Baralaba Township, 2107 and 2143) which is held by the Company's 80% owned subsidiary, Wonbindi.
- Baralaba North project (EPC 1047 to the north of the Baralaba mine and MDLAs 416 and 80170) which is held by the Company's 80% owned subsidiary, Wonbindi.
- Dingo project (EPCs 862, 863 and 1063) which is held by the Company's 100% owned subsidiary, Independent Coal Pty Limited and which is subject to a Joint Venture Farmout agreement.

The Company's Bowen Basin projects extend from the Dingo project in the north to the Wonbindi project in the south and have contiguous target areas covering an area of approximately 56,320 hectares with Permian age, Rangal Coal Measures sub-cropping over a strike length of approximately 92 kilometres. Production at the Baralaba mine has demonstrated that the seams of the Rangal Coal Measures in this area have PCI and thermal coal properties. The seams mined at the Baralaba mine have been intersected in the Wonbindi, Baralaba South and Baralaba North target areas.

The southern boundary of the Company's Bowen Basin projects is 30 kilometres north of the Moura railway and 180 kilometres from the coal port of Gladstone. The northern tip of the Company's Bowen Basin projects is bisected by the Blackwater railway and is 225 kilometres from the coal port of Gladstone. In addition, the disused Baralaba railway easement is within close proximity to the Baralaba North and Wonbindi project areas.

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Baralaba Mine

The Baralaba mine is located near the town of Baralaba in the south eastern limb of the Bowen Basin, Queensland which comprises the Rangal Coal Measures.

The Baralaba mine is an open-pit operation, managed by the Company and operated by contractors providing blasting, mining, and haulage. The Company undertakes its own coal preparation services. PCI coal for steel making and thermal coal are produced from multiple seams forming the well known Rangal Coal Measures. All the coal sold is exported from the Port of Gladstone.

Baralaba Mine Production

Coal production for the half year ended 31 December 2010 was adversely affected by severe wet weather in Queensland during the half year. Access for both road transport of product stocks and personnel entry to the Baralaba mine was restricted by flooding along the Dawson River and in late December 2010, flood water levels in the Baralaba region reached record levels, equivalent to the 1:100 year flood design levels at the mine and the Baralaba mine was flooded.

No Company or contract personnel associated with the mine were injured as a result of the flooding and all Baralaba mine's key capital assets, including offices, workshop and coal processing equipment at Baralaba mine remained undamaged and on high ground.

Dewatering of the Baralaba mine is underway in accordance with relevant Queensland state environmental regulations and prestripping of an area of low strip (<10:1) ratio PCI coal adjacent to the main pit has commenced as the main pit dewatering sequence occurs.

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A phased program of dewatering/mining is expected to continue for some time as the mine returns to planned production capacity (~150,000t/quarter) in the June 2011 quarter.

The Moura rail line has re-opened and transport of stockpiled coal to the Port of Gladstone has recommenced.

Current plans remain subject to:

- ongoing mine access availability,
- continuous environmental discharge monitoring and compliance,
- availability of contracted mining and related equipment, and
- further revision should circumstances require.

An estimate of the cost of flood reparation works has been made and at 31 December 2010 a flood reparation provision of \$6.9 million has been recorded in the Company's half year financial statements. Although there is uncertainty in relation to the total costs that will be incurred and have to be paid by the Company, the Directors consider it appropriate to record this provision which is based on their best estimate at 31 December 2010.

During the half year, mining lease ML 80157 was granted, enabling mining at the Baralaba mine to continue north from the current operations in ML 5605. Mining in ML 80157 is expected to continue for approximately 24 months during which time the engineering works necessary to optimise mining beyond an Anabranche to the Dawson River, which is immediately north of the ML 80157 boundary, will be investigated.

A further mining lease application, MLA 80169, was made over the existing MDL 184 tenement. This mining lease application and adjacent MLAs, together with the grant of ML 80157 and the operating mine within ML 5605, map out the future expansion plans of the Baralaba mine and Baralaba North projects. The Company continues to assess the development options of the area of MDL 184 between ML 80157 and MLA 80169, which is coincident with the Dawson River Anabranche.

Coal production for the half year ended 31 December 2010 was as follows:

	September 2010 Quarter	December 2010 Quarter	Half Year Ended 31 December 2010
ROM coal (tonnes)	103,885	54,287	158,172
Overburden (bcm)	1,144,382	747,780	1,892,162

Baralaba Mine Coal Sales and Marketing

Shipments	September 2010 Quarter	December 2010 Quarter	Half Year Ended 31 December 2010
PCI (tonnes)	34,249	21,248	55,497
Thermal (tonnes)	60,038	98,016	158,054
Totals	94,287	119,264	213,551

As detailed above, shipment volumes were constrained during the half year due to the effect of local flooding restricting access to the Baralaba mine and transportation of product coal from mine to port.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

Bowen Basin Exploration, Resources and Reserves

Despite exploration activities in the Bowen Basin projects being restricted during the half year by adverse weather conditions, some exploration drilling was carried out, focussing on core drilling for raw coal quality and washability test work, to systematically advance the geological and coal quality understanding, exploration and mine development potential of the Baralaba mine and Baralaba North projects.

The culmination of these exploration activities is as follows:

- Total JORC compliant resources at the Company's Bowen Basin projects were increased by 19% to 158.5 million tonnes.
- The continuation of the coal quality coring program, laboratory analysis and interpretation of existing data has led to refinement in the geological models and enabled the upgrade of JORC Resource classifications.
- Conclusion of Resource modelling of the Baralaba South area, located between the Wonbindi project area and the township of Baralaba, has enabled the estimation of a previously undefined 25.2 million tonnes of Inferred Resources.
- Newly defined Measured and Indicated Resources are expected to directly contribute to additional Marketable Reserves following mine planning evaluation of the results.

The fault-bound structural domains are comprised of JORC Measured, Indicated and Inferred categories depending on the number of Points of Observation (drill holes) within each area and the probability of economically viable development. Drilling activities and coal quality analytical efforts have focused on the distinct structural domains and as such upgrades in the JORC Resource categories have occurred within these defined areas.

Consistent with the Company's other Bowen Basin projects, the Area of Influence of drill holes in the Inferred Resource area is up to 4,000 metres. At this stage, no core drilling has been completed in the Inferred Resource area and, as a result, default seam densities derived from the nearby Wonbindi project have been used in the resource estimation.

Conceptual mine planning over the Wonbindi and Baralaba mine projects will be further refined following the upgraded resources. The Company envisages future production from the Baralaba mine, Baralaba North and Wonbindi project areas, subject to rail and port upgrades, as a key step in the realisation of the Company's strategic goals.

Activities upon recommencement of drilling activities will focus on:

- Core drilling for raw coal quality and washability data in the MLA 80170 area of the Baralaba North project.
- Additional open holes for structure and cored holes for raw coal quality and washability data within MDLA 416 and EPC 1047, where drilling will seek to further increase the known area of the coal resource, which is currently open in all directions.
- Additional open holes and coal quality core drilling in the Wonbindi project area.

Also during the half year, the Company reported maiden Marketable Reserves estimate for the Bowen Basin projects, a summary of which is as follows:

- JORC Marketable Reserves totalling 33.5 million tonnes defined in the Baralaba mine, Baralaba North and Wonbindi project areas.
- Sufficient Reserves have been defined for Wiggins Island Stage 1 coal export application.
- With further drilling, existing JORC Inferred Resources in the Baralaba mine, Baralaba North and Wonbindi project areas, which total 96.2 million tonnes and are excluded from the Reserve estimate, provide substantial upside potential.

COCKATOO COAL LIMITED
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Directors' Report

On a project basis, the distribution of total Marketable Reserves is:

- Baralaba mine project: 1.3 million tonnes (0.7 million tonnes Proven and 0.6 million tonnes Probable) Marketable Reserves.
- Baralaba North project: 6.4 million tonnes Probable Marketable Reserves.
- Wonbindi project: 25.8 million tonnes Probable Marketable Reserves.

The Minserve Group Pty Ltd has reported a total of 88.5 million tonnes of potential product contained within designed pit shells, including the 33.5 million tonnes Marketable Reserve estimate within the Baralaba mine, Baralaba North and Wonbindi projects. These Reserves are based only on JORC Indicated and Measured Resources.

Further coal quality and washability drilling that is currently underway is designed to elevate the classification of the JORC Inferred Resources which total 86.8 million tonnes. It is expected that upon completion of this drilling and integration of the results, the Reserve estimate will be increased substantially. Further, the deposits at the Baralaba North and Wonbindi project remain open to the north, east and west, while the Wonbindi project also remains open to the south, emphasising the excellent growth potential.

Drill hole coordinates, coal qualities and cumulative thickness of coal have been reported by the Company and are available on the Company's website.

Dingo Project

The Dingo project is held by the Company's 100% owned subsidiary, Independent Coal Pty Limited and is subject to a joint venture farmout agreement. Limited exploration activities were undertaken during the half year. At 31 December 2010, the Company's joint venture partner had earned a 50% interest in the Dingo project.

SURAT BASIN PROJECTS

The Company's Surat Basin projects, including the Kingaroy project, comprise the following projects:

- Woori project (MDL 187 and MLAs 50247 and 50248).
- The Surat project (EPCs 796, 813, 1041, 1134, 1135, 1136, 1170, 1278, 1322 and 1950, MDLAs 430, 433, 437, 441 and 451 and EPCAs 1593, 1967, 2092, 2207 and 2231).
- Collingwood project (EPC 640 and MDLA 452).
- Taroom project (MDLs 158 and 275).
- Kingaroy project (EPC 882).
- Condamine project (EPCs 963 and 1130).
- Injune project (EPCs 1017 and 1018).

The Company has been appointed as manager of the Collingwood and Taroom projects which are 51% owned. All other Surat Basin projects are 100% owned by the Company.

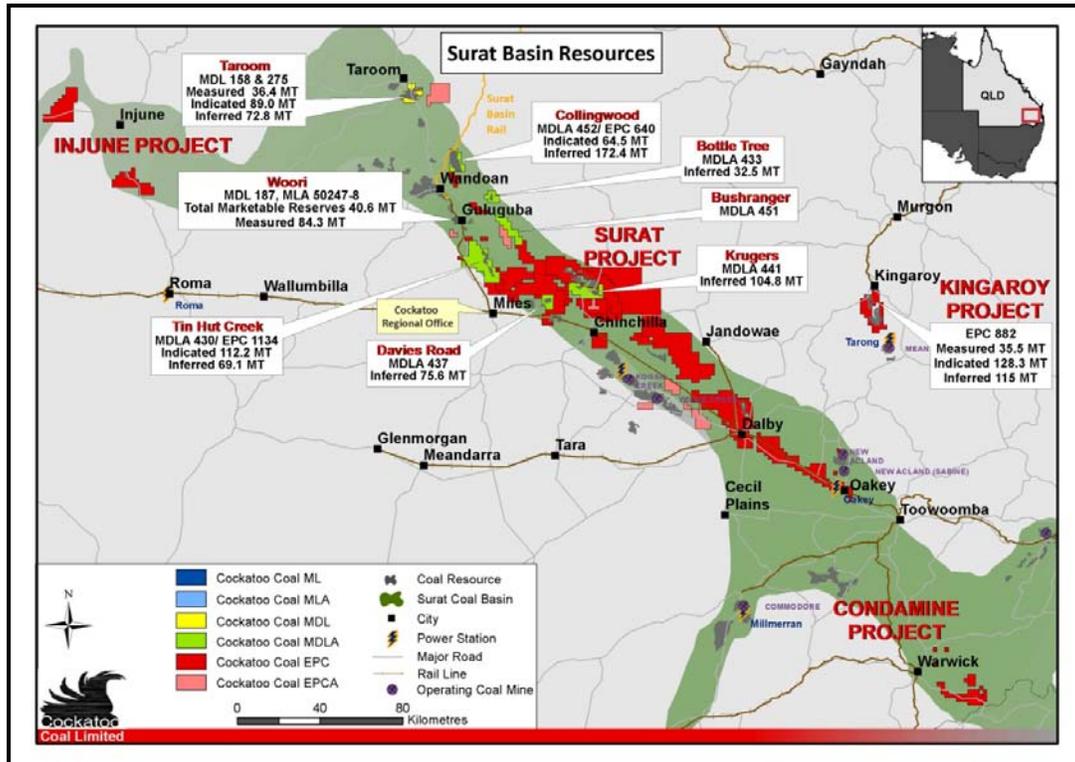
The Company's Surat Basin projects cover an area of approximately 4,000 km². The Juandah and Taroom Coal Measures of the Walloon Sub-Group both sub-crop within the Surat project area. The Woori and Tin Hut Creek projects comprise the Juandah Coal Measures. The Bottle Tree and Krugers prospects, which form part of the Surat project, and the Collingwood and Taroom projects are located within the Taroom Coal Measures.

COCKATOO COAL LIMITED
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Directors' Report

All projects, other than the Woori project, have not been fully explored and have further significant resource potential.

Existing exploration data for the Collingwood and Taroom projects will be reviewed with a view towards developing further plans.



The Surat Basin is a well established energy province, with existing power developments, regional centres and service industries and existing infrastructure. The potential for development of a significant export coal industry from the Surat will be enhanced by the planned development of the Surat Basin Railway, connecting the region to the port of Gladstone by developing a new rail freight corridor from Wandoan northwards to the existing Moura-Gladstone rail line, joining at the township of Banana.

The construction of the Surat Basin Railway project will be the single biggest economic injection ever for the Darling Downs, which encompasses the Surat Basin, and will open up the production and export of thermal coal from the coal rich Surat Basin.

In anticipation of the development of both new rail and port infrastructure to facilitate coal exports, the Company has pursued a strategy to be a significant early mover in the development of the Surat Basin coal industry. This strategy has been implemented by securing highly prospective exploration tracts by either acquisition or direct lodgement of application for exploration areas with the Queensland Government and embarking on an aggressive drilling program to fast track the definition and upgrading of resources.

Acquisition of the Collingwood and Taroom Projects

As detailed above and consistent with the Company's Surat Basin development strategy, on 24 December 2010 the Company completed the acquisition of 100% of Anglo Coal (Taroom) Pty Ltd which owns 51% of the Collingwood, Taroom and Ownaview projects. Cockatoo intends, as part of the Bylong call option with KEPCO described above, to transfer ownership of the 51% interest in Ownaview to KEPCO subject to satisfaction of certain conditions precedent.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' R e p o r t

The Collingwood and Taroom projects comprise a high quality, export thermal coal resource with low ash/sulphur content and high calorific values. The location of these assets in the northern Surat Basin is highly complementary to Cockatoo's existing strategic position in the emerging Surat Basin region.

Collingwood is located 22 kilometres north of the township of Wandoan, the location from which the proposed Surat Basin Railway will connect the Surat Basin to Queensland Rail's existing Gladstone to Moura rail network. Taroom is located 7 kilometres south of the township of Taroom and approximately 50 kilometres north of Wandoan.

Due to the timing of completion of the acquisition, no exploration activities were carried out during the half year, however, the acquisition of the Collingwood and Taroom projects added an equity interest of 221.9 million tonnes of resources to the Company's inventory of coal resources.

Surat Basin Exploration, Resources and Reserves

Despite exploration activities in the Surat Basin projects being restricted during the half year by adverse weather conditions, some exploration drilling was carried out, focussing on the Tin Hut Creek project where the strike length of the Tin Hut Creek deposit was extended to 13.5 kilometres from northwest to the southeast. The deposit is approximately 1.6 kilometres wide from east to west and to a depth of approximately 150 metres.

Drill holes in the south of the Tin Hut Creek deposit consistently intercepted in excess of 15.0 metres of cumulative coal at strip ratios less than 7:1. The east-west drill lines illustrate continuity of the Juandah Coal Measures, with the Macalister, Wambo and Iona Seams present in cumulative thicknesses of up to 21.3 metres.

The culmination of these exploration activities is as follows:

- Total JORC compliant resources at the Company's 100% owned Surat Basin projects (excluding Kingaroy) were increased by 15% to 478.5 million tonnes.
- JORC Proven Run of Mine Reserves totalling 64.3 million tonnes (unwashed 26.5% ash product), alternatively JORC Marketable Reserves totalling 40.6 million tonnes (washed 9.5% ash product), were defined in the Woori project.
- With further drilling, the Company's equity interest in existing JORC Inferred Resources which total 407.0 million tonnes and are excluded from the Reserve estimate, provide substantial upside potential.

The Proven Run of Mine Reserves estimate is based on a Woori project prefeasibility study with mining pit shells that accommodate surface infrastructure and waste dumping requirements and maximise the extraction of the 84.3 million tonnes of Measured Resource. It is possible that the 64.3 million tonnes of ROM coal, with 26.5% ash (air dried), could be sold unwashed. Alternatively, The Minserv Group Pty Ltd has reported a JORC Proven Marketable Reserve estimate of 40.6 million tonnes of washed coal with an ash content of 9.5% (air dried).

Further optimisation of the development of the Company's Surat Basin projects is likely as the viability of all of the projects is enhanced by their collective location, coal quantity and quality.

Drill hole coordinates, coal qualities and cumulative thickness of coal have been reported by the Company and are available on the Company's website.

Other Surat Basin Projects

The Company holds a 100% interest in the Kingaroy project and the Taabinga coal deposit therein, the Condamine and Injune projects.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

The Kingaroy project tenement, EPC 882, is situated south of Kingaroy in, the South Burnett Region. The northern area of EPC 882, described as Taabinga, has a JORC compliant resource totalling 278.8 million tonnes. The three main seams present at Taabinga are the Kunioon, Swain and Goodger seams.

The Kingaroy project is strategically located 25 kilometres from the Tarong power station, one of the largest power stations in Queensland. Tarong Energy Corporation has announced that it will develop the Kunioon coal deposit (MDL 201) acquired by Tarong Energy Corporation in February 2008 for \$152 million, for future supply to Tarong power station.

The Kunioon deposit is encircled by the Company's Kingaroy project and potential synergies with Tarong Energy are being evaluated by the Company.

No field exploration work was undertaken at the Kingaroy, Condamine, or Injune projects during the half year.

SYDNEY BASIN PROJECTS

The Company has an interest in the following Sydney Basin projects:

- Hume project (Auth 349) - 30% interest.
- Bylong project (Auths 287 and 342) - 30% call option.

The Company has been appointed as the manager of the Hume and Bylong projects and is currently establishing full project teams to undertake exploration, evaluation and development activities.

Due to the timing of completion of the acquisition of these projects, limited activities were undertaken during the half year.

Hume Project

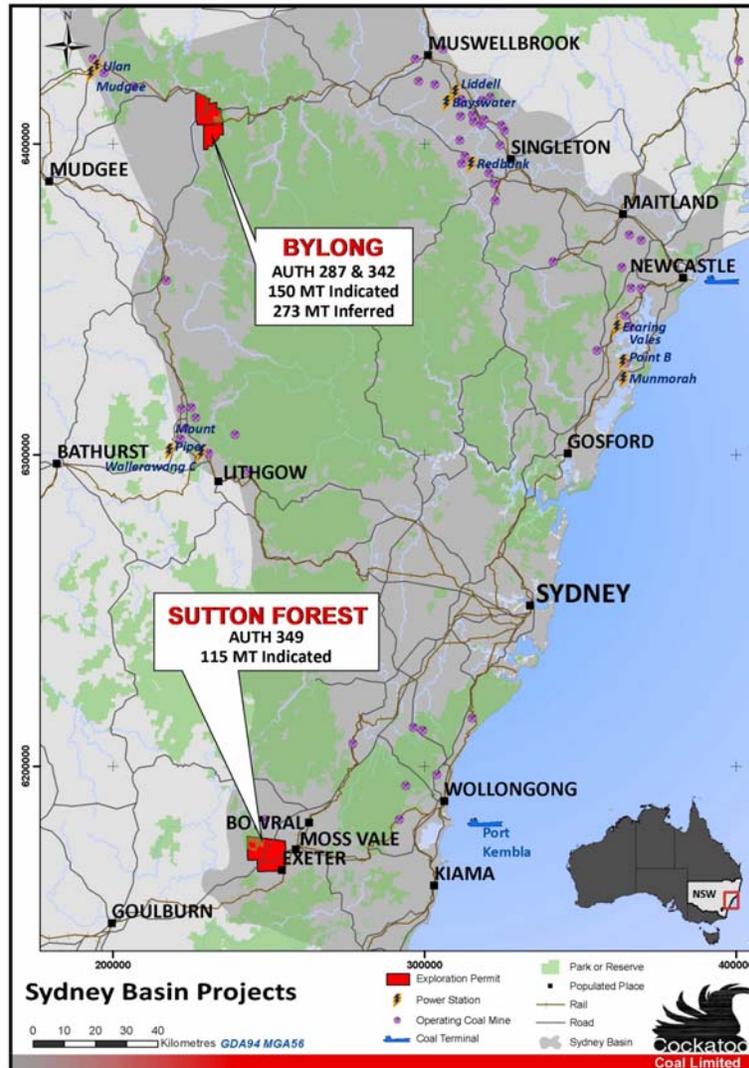
The Hume project is located in the southwest portion of the Southern Coalfield of NSW, approximately 160 kilometres from Sydney and 75 kilometres from Port Kembla. The project, which is located in an established coal field which has existing rail infrastructure providing access to Port Kembla, has a 115.0 million tonne JORC compliant Resource allowing both coking and thermal coal production. The coking coal exhibits strong metallurgical properties of very low phosphorus, high CSN, and good fluidity.

Bylong Project

The Bylong project is located in the Western Coalfield of the Sydney Basin in NSW, approximately 300 kilometres northwest of Sydney and 200 kilometres west of Newcastle. The Bylong project has a 423.0 million tonne JORC compliant Resource comprising a high quality export thermal coal with low ash/sulphur content and high calorific values. Bylong is located in an established coal field which has existing rail infrastructure providing access to the port of Newcastle.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Directors' Report



INFRASTRUCTURE

Queensland Rail

During the half year, the Company continued discussions with Queensland Rail in relation to infrastructure needed to support the development of the Company's Bowen Basin and Surat project developments to the Port of Gladstone and the planned Wiggins Island Coal Terminal where the Company has been selected as a designated Stage 1 user with an allocated port capacity of 3.0 million tonnes per annum.

The Surat Basin Railway ('SBR') is a key link to be developed that will open up the Surat Basin coalfields to the Port of Gladstone.

Negotiations to advance the SBR project and to secure rail capacity for the Company's projects continued in the quarter. The timing focus of all parties is to successfully align the attainment of future capacity at Wiggins Island for the Surat in a co-ordinated fashion with development of the SBR.

COCKATOO COAL LIMITED
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Directors' Report

As previously reported, SBR advise that they have received notification from the Queensland State government that, having fulfilled a further tranche of SBR's obligations under their Exclusive Mandate, the Government are prepared to commence the declaration of the relevant State Development Area – an essential step in the securing of SBR's rail corridor.

In addition, in December 2010, the Queensland State Co-ordinator-General announced that the Environmental Impact Statement and supporting reports, government approvals and evaluation of public submissions on SBR had received approval from the Department of Infrastructure and Planning, thus allowing the SBR project to proceed to the next stage of development.

Wiggins Island Coal Export Terminal - Gladstone

During the half year, the Company was selected as a 3.0 million tonne per annum Stage 1 user of the proposed Wiggins Island Coal Export Terminal ('WICET') at Gladstone, Queensland.

The Company plans to use this Stage 1 allocation, together with its existing RG Tanna port allocation at Gladstone, to expand its Bowen Basin PCI and thermal coal total sales output from its current level of 550,000 tonnes per annum to 3.0 million tonnes per annum from 2014.

The Company advises that sufficient rail capacity to deliver these increased WICET Stage 1 coal volumes to Gladstone is expected to be available via the Company's existing rail access route.

A total of eight coal producers have committed to a total of 27 million tonnes per annum capacity for the Stage 1 development of WICET. All Stage 1 allocations are subject to the applicants signing Take or Pay Agreements and WICET reaching financial close, which is scheduled for the end of April 2011. Each applicant, including Cockatoo, has entered into a deed, supported by a bid bond, detailing its intention to execute a binding Take or Pay Agreement and to meet its proportionate share of WICET's ongoing project costs up to financial close.

Coal shipments through Stage 1 of WICET are expected to commence in 2014.

To support the Company's planned Surat Basin projects development, an expression of interest has been lodged to participate in Stage 2/3 of the WICET development which is expected to bring the total annual WICET export capacity to up to 80.0 million tonnes from 2015/16. The Company will undertake Agreements with WICET, along with other interested industry participants, to support the development of Stage 2/3 of the terminal by WICET.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Directors' Report

OTHER

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Oliver Holm, geologist, who is a Member of the Australasian Institute of Mining and Metallurgy. Oliver Holm is a full-time employee of the Company who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Oliver Holm has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 38 and forms part of the directors' report for the half year ended 31 December 2010.

Signed at Sydney this 16th day of March 2011
in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Director



Mark H. Lochtenberg
Managing Director

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed interim statement of financial position
as at 31 December 2010

	Notes	Consolidated	
		31 December 2010	30 June 2010
		\$	\$
Current assets			
Cash and cash equivalents		33,414,227	32,158,253
Trade and other receivables		1,030,752	5,786,244
Inventories	7	4,676,674	10,026,547
Other assets	8	336,162	56,600
Total current assets		39,457,815	48,027,644
Non-current assets			
Investments	9	9,005,001	6,961,001
Investments in equity accounted investees	10	21,607,446	113,033
Exploration and evaluation expenditure	11	161,005,311	51,818,836
Property, plant and equipment	12	13,633,891	5,094,647
Other assets	8	45,364,771	24,010,855
Total non-current assets		250,616,420	87,998,372
Total assets		290,074,235	136,026,016
Current liabilities			
Trade and other payables		8,982,202	14,770,354
Borrowings	13	-	5,000,000
Provisions	14	7,118,175	152,257
Total current liabilities		16,100,377	19,922,611
Non-current liabilities			
Provisions		2,774,346	2,774,346
Total non-current liabilities		2,774,346	2,774,346
Total liabilities		18,874,723	22,696,957
Net assets		271,199,512	113,329,059
Equity			
Issued capital	6	338,673,924	171,427,569
Reserves		6,449,669	3,261,907
Retained losses		(68,250,669)	(61,361,033)
Total parent entity interest		276,872,924	113,328,443
Non-controlling interest		(5,673,412)	616
Total equity		271,199,512	113,329,059

The condensed interim statement of financial position should be read in conjunction with the accompanying notes.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed interim statement of comprehensive income
for the half year ended 31 December 2010

	Notes	Consolidated	
		31 December 2010	31 December 2009
		\$	\$
Coal sales revenue		22,677,358	28,194,332
Cost of sales		(26,577,681)	(26,292,437)
Gross profit/(loss)		(3,900,323)	1,901,895
Other income		528,594	529,792
Foreign exchange gain		37,789	2,066,395
Administration and consultants expenses		(1,947,414)	(2,361,230)
Impairment losses	9	(660,000)	-
Share based payments	17	(201,187)	(694,849)
Travel expenses		(319,695)	(127,199)
Write down of inventory	7	(976,818)	-
Mining contractor termination payment		-	(1,000,000)
Flood reparation provision	14	(6,932,526)	-
Other expenses		(750,880)	(381,077)
Results from operating activities		(15,122,460)	(66,273)
Financial income		2,599,303	358,966
Financial expense		(24,920)	(210,913)
Net finance income		2,574,383	148,053
Share of profit/(loss) in associate	10	(15,587)	21,875
Profit/(loss) before income tax		(12,563,664)	103,655
Income tax expense		-	-
Profit/(loss) for the period		(12,563,664)	103,655
Other comprehensive income for the period		2,704,000	-
Total comprehensive profit/(loss) for the period		(9,859,664)	103,655
Profit/(loss) for the period attributable to:			
- Equity holders of the parent		(6,889,636)	103,655
- Non-controlling interest		(5,674,028)	-
Profit/(loss) for the period		(12,563,664)	103,655
Total comprehensive profit/(loss) for the period attributable to:			
- Equity holders of the parent		(4,185,636)	103,655
- Non-controlling interest		(5,674,028)	-
Total comprehensive profit/(loss) for the period		(9,859,664)	103,655
Basic earnings/(loss) per share attributable to ordinary equity holders	5	(0.87) cents	0.02 cents
Diluted earnings/(loss) per share attributable to ordinary equity holders	5	(0.87) cents	0.02 cents

The condensed interim statement of comprehensive income should be read in conjunction with the accompanying notes.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed interim statement of changes in equity
for the half year ended 31 December 2010

	Note	Attributable to equity holders of the Company				Non-controlling interest	Total equity
		Share capital	Reserves	Retained losses	Total		
		\$	\$	\$	\$	\$	\$
For the half year ended 31 December 2010							
Balance at 1 July 2010		171,427,569	3,261,907	(61,361,033)	113,328,443	616	113,329,059
Total comprehensive income for the period							
Loss		-	-	(6,889,636)	(6,889,636)	(5,674,028)	(12,563,664)
Net change in fair value of available-for-sale financial assets	9	-	2,704,000	-	2,704,000	-	2,704,000
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of shares	6	174,848,128	-	-	174,848,128	-	174,848,128
Cost of issue	6	(7,601,773)	-	-	(7,601,773)	-	(7,601,773)
Issue of options	6, 17	-	483,762	-	483,762	-	483,762
Balance at 31 December 2010		338,673,924	6,449,669	(68,250,669)	276,872,924	(5,673,412)	271,199,512
For the half year ended 31 December 2009							
Balance at 1 July 2009		128,535,762	3,306,514	(64,878,602)	66,963,674	616	66,964,290
Total comprehensive loss for the period							
Profit		-	-	103,655	103,655	-	103,655
Other comprehensive income		-	-	-	-	-	-
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of shares	6	43,359,700	-	-	43,359,700	-	43,359,700
Cost of issue	6	(562,500)	-	-	(562,500)	-	(562,500)
Balance at 31 December 2009		171,332,962	3,306,514	(64,774,947)	109,864,529	616	109,865,145

The condensed interim statement of changes in equity should be read in conjunction with the accompanying notes.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Condensed interim statement of cash flows
for the half year ended 31 December 2010

	Notes	Consolidated	
		31 December 2010	31 December 2009
		\$	\$
Cash flows from operating activities			
Cash receipts from customers		27,361,568	29,770,508
Payments for production		(26,888,364)	(25,783,580)
Net cash flow generated from production activities		473,204	3,986,928
Other cash payments in the course of operations		(2,819,996)	(2,043,807)
Payments for exploration and evaluation		(4,322,591)	(3,198,627)
Cash absorbed in operations		(6,669,383)	(1,255,506)
Interest paid		(124,646)	(359,406)
Interest received		2,190,951	390,533
Net cash used in operating activities		(4,603,078)	(1,224,379)
Cash flows from investing activities			
Payments for mining development		(956,950)	-
Payments for property, plant and equipment		(6,655,654)	(505,684)
Proceeds from sale of property, plant and equipment		-	250,000
Payments for security deposits	8	(21,702,733)	(4,233,705)
Payments for other assets		-	(250,000)
Payments for acquisition of subsidiary, net of cash acquired	15	(100,251,981)	-
Loans to other entities		(150,444)	-
Net cash used in investing activities		(129,717,762)	(4,739,389)
Cash flows from financing activities			
Repayment of borrowings	13	(10,190,991)	(7,500,000)
Proceeds from issue of shares	6	153,338,128	43,359,700
Cost of issuing shares	6	(7,601,773)	(562,500)
Net cash from financing activities		135,545,364	35,297,200
Net increase in cash and cash equivalents		1,224,524	29,333,432
Cash and cash equivalents at 1 July		32,158,253	10,053,505
Effect of exchange rate adjustments on cash held		31,450	(34,692)
Cash and cash equivalents at 31 December		33,414,227	39,352,245

The condensed interim statement of cash flows should be read in conjunction with the accompanying notes.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Notes to the condensed interim financial statements

Note 1 - Reporting entity

Cockatoo Coal Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the half year ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at Level 2, 66 Hunter Street, Sydney, NSW , 2000 or at www.cockatoocoal.com.au.

The financial report was authorised for issue by the directors on 16 March 2011.

Note 2 - Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2010.

Note 3 - Significant accounting policies

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2010.

Presentation of transactions recognised in other comprehensive income

From 1 July 2010 the Group as applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project. The change in accounting policy only relates to disclosures and had no impact on earnings per share or net income. The changes have been applied retrospectively and allow the Group to disclose transactions recognised in other comprehensive income in the notes to the interim financial report.

Note 4 - Estimates

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

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2010.

During the half year ended 31 December 2010 management reassessed its estimates in respect of:

- Note 7 – Inventories
- Note 9 – Investments
- Note 11 – Exploration and evaluation expenditure
- Note 14 – Provisions
- Note 15 – Acquisition of controlled entities
- Note 17 - Share based payments

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

	Consolidated	
	31 December 2010	31 December 2009
	\$	\$
Note 5 - Earnings per share		
Basic and diluted earnings per share have been calculated using:		
Net profit/(loss) for the half year attributable to equity holders of the parent	(6,889,636)	103,655
Weighted average number of shares used as the denominator:		
- Number for basic earnings/(loss) per share	787,607,722	539,552,620
- Number for diluted earnings/(loss) per share	787,607,722	558,402,620

Note 6 - Capital and reserves

Share capital	Number of shares	Number of shares
Ordinary shares on issue 1 July – fully paid	602,507,380	474,652,788
Issue of shares	413,589,528	127,854,592
Ordinary shares on issue closing balance– fully paid	1,016,096,908	602,507,380

During the half year ended 31 December 2010:

- The Company issued 46,059,957 ordinary shares at \$0.467 per share for 30% interest in Anglo Coal (Sutton Forest) Pty Limited with a fair value totalling \$21,510,000. There were no amounts unpaid on the shares issued and there were no share issue costs.
- The Company issued 126,526,000 ordinary shares at \$0.45 per share for cash totalling \$56,936,700. There were no amounts unpaid on the shares issued and share issue costs amounted to \$2,616,992.
- The Company issued 241,003,571 ordinary shares at \$0.40 per share for cash totalling \$96,401,428. There were no amounts unpaid on the shares issued and share issue costs amounted to \$4,984,781.

During the half year ended 31 December 2009:

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

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 6 - Capital and reserves (Con't)

Options

The following options were on issue at 31 December 2010, each exercisable to acquire one fully paid ordinary share:

Grant date	Expiry date	Exercise price \$	Balance at start of the half year Number	Granted during the half year Number	Exercised during the half year Number	Cancelled during the half year Number	Balance at end of the half year Number	Exercisable at end of the half year Number
5 July 2007	30 June 2012	\$0.20	750,000	-	-	-	750,000	750,000
5 July 2007	30 June 2012	\$0.25	500,000	-	-	-	500,000	500,000
5 July 2007	30 June 2012	\$0.30	500,000	-	-	-	500,000	500,000
8 Jan 2008	30 June 2012	\$0.60	1,500,000	-	-	-	1,500,000	1,500,000
8 Jan 2008	30 June 2012	\$0.70	750,000	-	-	-	750,000	750,000
8 Jan 2008	30 June 2012	\$0.80	750,000	-	-	-	750,000	750,000
3 Feb 2009	30 Sep 2013	\$0.40	1,450,000	-	-	-	1,450,000	1,450,000
3 Feb 2009	30 Sep 2013	\$0.50	950,000	-	-	-	950,000	-
3 Feb 2009	30 Sep 2013	\$0.60	950,000	-	-	-	950,000	-
3 Feb 2009	30 Sep 2013	\$0.70	10,500,000	-	-	-	10,500,000	10,500,000
31 Dec 2010	31 Dec 2013	\$0.60	-	833,331	-	-	833,331	833,331
31 Dec 2010	31 Dec 2013	\$0.60	-	833,332	-	-	833,332	-
31 Dec 2010	31 Dec 2013	\$0.60	-	833,337	-	-	833,337	-
			<u>18,600,000</u>	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>21,100,000</u>	<u>17,533,331</u>

There were no options exercised or lapsed unexercised during the half year ended 31 December 2010.

There were no options issued, exercised or lapsed unexercised during the half year ended 31 December 2009.

Dividends

There were no dividends paid or declared during the half year ended 31 December 2010 or 31 December 2009.

Consolidated	
31 December 2010	30 June 2010
\$	\$

Note 7 - Inventories

Raw coal	1,405,609	2,088,352
Saleable coal	3,271,065	7,938,195
	<u>4,676,674</u>	<u>10,026,547</u>

Baralaba mine inventory was adversely affected by wet weather and flooding during the half year, inventories written off at 31 December 2010 due to flooding amounted to \$976,818

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

	Consolidated	
	31 December 2010	30 June 2010
	\$	\$
Note 8 - Other Assets		
Current		
Prepayments	336,162	56,600
Non-current		
Deposits paid – land	-	580,000
Loans to other entities	150,444	-
Prepayments	95,334	14,595
Security deposits	45,118,993	23,416,260
	45,364,771	24,010,855

Security deposits

Security deposits for the Wiggins Island Coal Export Terminal project totalling \$23,491,777 (2010 - \$15,393,867) will be forfeited if the development of the project does not proceed. The security deposits are refundable:

- upon the development of the project proceeding and successful refinancing of the project, or
- upon transfer of ownership of the development of the project, including transfer of ownership of a majority of shareholding in Gladstone Ports Corporation to a party that is not a governmental agency.

During the half year ended 31 December 2010 an increase in the environmental bond resulted in an additional security deposit amount of \$10,589,315 lodged with the Department of Employment, Economic Development and Innovation ('DEEDI') against rehabilitation and any potential loss attributable to mining operations at Baralaba.

Deposits paid – land

During the half year ended 31 December 2010 land acquisition totalling \$6.2 million was completed and the deposits paid reallocated to property, plant and equipment, see Note 12.

Note 9 - Investments

Investments - available for sale	9,005,001	6,961,001
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Investments - available for sale

At 31 December 2010 the Directors compared the carrying value of the investment in Cougar Energy Limited ('Cougar') to the market value and recorded an impairment loss of \$660,000 (2009 - \$nil). This was based on a closing share price of 3.7 cents at 31 December 2010. The impairment charge has been allocated to the 'other' segment result in Note 16.

Subsequent to 31 December 2010, the share price of Cougar further declined to 1.7 cents on 3 March 2010, the financial impact of this further decline has not been included in the interim financial statements.

At 31 December 2010 the Directors compared the carrying value of the investment in Ambre Energy Limited ('Ambre') to the market value and recorded a fair value adjustment of \$2,704,000 (2009 - \$nil). This was based on \$1 per share capital raising made by Ambre totalling \$15.2 million between 18 January 2011 and February 2011.

During the half year ended 31 December 2009, all conditions precedent for the sale of the Company's remaining interest in the Underground Coal Gasification ('UCG') technology joint venture were met and the Company received 15.0 million shares in Cougar Energy Limited (ASX: CXY) ('Cougar') as consideration for the sale.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

	Consolidated	
	31 December 2010	30 June 2010
	\$	\$
Note 10 - Investments in equity accounted investees		
Cockatoo Coal Marketing Pty Limited – 50%	97,446	113,033
Hume Coal Pty Limited – 30%	21,510,000	-
Investments in equity accounted investees	21,607,446	113,033

During the half year ended 31 December 2010 the Company acquired 30% interest in Anglo Coal (Sutton Forrest) Pty Ltd from POSCO for \$21,510,000. Subsequent to the acquisition Anglo Coal (Sutton Forrest) Pty Ltd changed its name to Hume Coal Pty Limited.

The Company's share of loss in equity accounted investees for the half year was \$15,587 (profit in 2010 - \$13,033). During the half years ended 31 December 2010 and 31 December 2009 the Company did not receive dividends from its equity accounted investees.

Note 11 - Exploration and evaluation expenditure

Opening balance	51,818,836	45,263,397
Additions	4,145,475	8,222,049
Acquisitions	105,041,000	-
Impairment	-	(166,610)
Disposals	-	(1,500,000)
Closing balance	161,005,311	51,818,836

During the half year ended 31 December 2010 the Company completed the acquisition of 100% interest in Anglo Coal (Taroom) Pty Ltd. The acquisition resulted in a fair value allocation of \$105,041,000 to exploration and evaluation expenditure based on provisional purchase price allocation, see Note 15.

During the half year ended 31 December 2010 the Company's sold its 100% interest in Mintovale (MDL 138) for consideration of a 4% royalty of the ex-works value of any coal sold from MDL 138, up to 5.0 Mt of coal sold. On disposal, the carrying value of this project had been fully impaired.

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

Note 12 - Property, plant and equipment

During the half year ended 31 December 2010 the Group acquired assets with a cost of \$8,648,574 (2009 – \$505,684), including assets acquired through business combinations (see Note 15) and land acquisition of \$6.2 million.

Note 13 - Borrowings

Interest bearing liabilities	-	5,000,000
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During the half year ended 31 December 2010, the Company acquired 100% interest in Anglo Coal (Taroom) Pty Limited. Total consideration was \$100,384,742 and the refinance of \$5,190,991 debt payable by Anglo Coal (Taroom) Pty Limited to Anglo American Plc which became payable to the Company. At completion of the acquisition, the full debt amount was paid to Anglo American Plc.

The remaining \$5 million debt to Peabody was paid during the half year ended 31 December 2010, the debt incurred interest at 8% per annum.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 14 - Provisions

The Baralaba mine was flooded due to severe wet weather in Queensland in late December 2010, flood water levels in the Baralaba region reached record levels. Dewatering of the Baralaba mine is underway in accordance with relevant Queensland state environmental regulation.

An estimate of the cost of flood reparation works has been made and at 31 December 2010 the Group recorded a flood reparation provision amount of \$6,932,526.

In addition, at 31 December 2010, a provision for rehabilitation of \$2,744,346 (30 June 2010 \$2,744,346) was recorded in relation to the Baralaba mine.

Note 15 - Controlled entities

Particulars in relation to controlled entities:

	Consolidated	
	31 December 2010	30 June 2010
	%	%
<i>Parent Entity</i>		
Cockatoo Coal Limited		
<i>Controlled entities</i>		
Baralaba Coal Pty Ltd	62.5	62.5
Cockatiel Coal Pty Limited	100	100
Cockatoo Coal (Taroom) Pty Limited	100	-
Corella Coal Pty Limited	100	100
Dingo Coal Pty Limited	100	100
Independent Coal Pty Limited	100	100
Moreton Coal Pty Limited	100	100
SE QLD Coal Pty Ltd	100	100
SE QLD Energy Pty Ltd	100	100
Surat Coal Pty Limited	100	100
Wonbindi Coal Pty Limited	80	80

All entities are incorporated in Australia

- Cockatiel Coal Pty Limited, Cockatoo Coal (Taroom) Pty Limited, Corella Coal Pty Limited, Independent Coal Pty Limited, Surat Coal Pty Limited, SE QLD Coal Pty Ltd and SE QLD Energy Pty Ltd are wholly owned controlled entities.
- Independent Coal Pty Limited holds a 98% interest in Dingo Coal Pty Limited and the remaining 2% interest is held by the Company.
- Moreton Coal Pty Limited is a wholly owned controlled entity of Surat Coal Pty Limited.
- The Company holds an 80% interest in Wonbindi Coal Pty Limited.
- Cockatiel Coal Pty Limited holds a 62.5% interest in Baralaba Coal Pty Ltd.
- Cockatoo Coal (Taroom) Pty Limited holds a 51% interest in the Taroom, Collingwood and Ownaview assets.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 15 - Controlled entities (Con't)

Acquisition of controlled entities

During the half year ended 31 December 2010, the Company completed the acquisition of Anglo Coal (Taroom) Pty Ltd from Anglo American plc ('Anglo') to acquire development and exploration assets located in NSW and Queensland. Subsequent to completing the acquisition, Anglo Coal (Taroom) Pty Ltd changed its name to Cockatoo Coal (Taroom) Pty Limited.

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

The projects acquired are:

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

Total consideration was \$100,384,742 for the acquisition of all the shares in Cockatoo Coal (Taroom) Pty Limited and the repayment of \$5,190,991 debt payable by Cockatoo Coal (Taroom) Pty Limited to Anglo.

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

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

The fair values of assets and liabilities acquired have been determined provisionally at 31 December 2010 given the proximity of acquisition date to half year end and the complex nature of the assessments of fair values. Accordingly, fair values stated above may require adjustments.

There were no acquisitions made during the half year ended 31 December 2009.

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 16 - Segment Reporting

The Group has three reportable segments, as described below.

- Mining – production and sale of coal.
- Exploration and evaluation – exploration and evaluation activities of the Group.
- Other – corporate activities (including gains/losses from hedging, project management and foreign exchange).

Operating segments have been determined based on the analysis provided in the reports reviewed by the senior management team in assessing performance and determining strategy. The Group derives its revenue from the production and sale of coal.

Operating Segments	Mining	Exploration and evaluation	Other	Total
	\$	\$	\$	\$
31 December 2010				
Segment revenue				
Revenues – external	22,677,358	-	-	22,677,358
Intersegment revenue	-	-	3,374,481	3,374,481
Share of profit/(loss) in associate	-	-	(15,587)	(15,587)
Finance income	3,982	130	2,595,191	2,599,303
Other	-	-	566,383	566,383
	22,681,340	130	6,520,468	29,201,938
Segment expenses	(37,812,081)	(135)	(3,953,386)	(41,765,602)
Segment result	(15,130,741)	(5)	2,567,082	(12,563,664)
Segment assets	17,753,642	167,261,017	105,059,576	290,074,235
Segment liabilities	10,907,567	205,901	7761,255	18,874,723
Other material items in 2010				
Depreciation	-	-	36,181	36,181
Impairment losses	-	-	660,000	660,000
Finance expense	2,394,607	-	-	2,394,607
Flood reparation provision	6,932,526	-	-	-

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

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Notes to the condensed interim financial statements

Note 16 - Segment Reporting (Con't)

Operating Segments	Mining	Exploration and evaluation	Other	Total
	\$	\$	\$	\$
31 December 2009				
Segment revenue				
Revenues - external	28,194,333	-	-	28,194,333
Intersegment revenue	-	-	2,882,085	2,882,085
Share of profit/(loss) in associate	-	-	21,875	21,875
Finance income	4,548	151	354,266	358,965
Other	-	-	2,596,187	2,596,187
	28,198,881	151	5,854,413	34,053,445
Segment expenses	(30,557,366)	(148)	(3,392,276)	(33,949,790)
Segment result	(2,358,485)	3	2,462,137	103,655
Segment assets	23,533,248	48,964,565	54,848,151	127,345,964
Segment liabilities	23,533,248	459,614	1,434,253	17,480,819
Other material items in 2009				
Depreciation	-	-	41,746	41,746
Finance expense	2,670,732	-	-	2,670,732

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

**COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the condensed interim financial statements

Note 17 - Share based payments

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

The terms and conditions of the options granted during the half year ended 31 December 2010 were as follows:

Grant date	Expiry date	Vesting date	Exercise price \$	Granted during the half year Number	Balance at start of the half year Number	Exercised during the half year Number	Cancelled during the half year Number	Balance at end of the half year Number
31 Dec 2010	31 Dec 2013	31 Dec 2010	\$0.60	833,331	-	-	-	833,331
31 Dec 2010	31 Dec 2013	31 Dec 2011	\$0.60	833,332	-	-	-	833,332
31 Dec 2010	31 Dec 2013	31 Dec 2012	\$0.60	833,337	-	-	-	833,337
				2,500,000	-	-	-	2,500,000

There were no options granted during the half year ended 31 December 2009.

Fair value of options

The fair value of options granted is measured at grant date and recognised as an expense over the period during which the key management and senior employees become unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

The fair value of options granted on 31 December 2010 was \$483,762. The Black-Scholes formula model inputs were the Company's share price of \$0.53 at the grant date, a volatility factor of 56.87% based on historic share price performance, a risk free interest rate of 5.23% based on government bonds, and a dividend yield of 0%.

Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the half year ended 31 December 2010 as part of share based remuneration expense was \$201,187 (2009 - \$694,849).

Note 18 - Contingencies

On 19 October 2010, orders were made by consent in the Supreme Court of New South Wales dismissing the proceedings commenced by Republic Coal Pty Ltd ('Republic') in April 2009 against Cockatoo, Baralaba Coal Pty Ltd ('Baralaba Coal'), Cockatoo Coal Marketing Company Pty Ltd, Mark Lochtenberg, Peter Nightingale and Norman Seckold. It was a condition of the settlement that the terms be kept confidential.

Subsequently, on 20 October 2010, the Company was pleased to advise that JFE Shoji Trade Corporation ('JFE Shoji') had acquired all of the issued shares in Republic.

Republic holds a 37.5% interest in Baralaba Coal and a 20% interest in Wonbindi Coal Pty Limited ('Wonbindi'). The Company holds the remaining 62.5% interest in Baralaba Coal and 80% interest in Wonbindi. There is no change in this ownership structure of Baralaba Coal or Wonbindi as a result of JFE Shoji acquiring all of the issued shares in Republic which has since been renamed JS Baralaba Wonbindi Pty Ltd.

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

D i r e c t o r s ' D e c l a r a t i o n

In the opinion of the Directors of Cockatoo Coal Limited ('the Company'):

1. the financial statements and notes, set out on pages 22 to 35, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 16th day of March 2011

in accordance with a resolution of the Board of Directors:



Norman A. Seckold
Director



Mark H. Lochtenberg
Managing Director



Independent Auditor's Review Report to the
Members of Cockatoo Coal Limited

We have reviewed the accompanying interim financial report of Cockatoo Coal Limited, which comprises the condensed interim statement of financial position as at 31 December 2010, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the half year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' responsibility for the interim financial report

The Directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Cockatoo Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Cockatoo Coal Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG
Brisbane
16 March 2011

Simon Crane
Partner



Lead Auditor's Independence Declaration under
Section 307C of the Corporations Act 2001 to the
Directors of Cockatoo Coal Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'Simon Crane', written over the KPMG logo.

KPMG

A handwritten signature in black ink, appearing to read 'Simon Crane', written below the KPMG logo.

Simon Crane
Partner
Brisbane
16 March 2011

COCKATOO COAL LIMITED
AND ITS CONTROLLED ENTITIES

Corporate Directory

Directors:

Norman A. Seckold (Chairman)
Mark H. Lochtenberg (Managing Director)
Peter J. Nightingale (CFO)
J. Gillis Broinowski
Joo-Ok Chang
Paul G. Chappell
Lindsay R. Flint
Hak Hee Lee
K.. Scott A. Thompson
Sun Moon Woo
Robert A. Yeates

Company Secretary:

Peter J. Nightingale

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