30 JUNE 2018 ANNUAL FINANCIAL REPORT

Cokal Limited ACN 082 254 1437
Annual Financial Report for the year ended 30 June 2018

Contents

Competent Person Statement

The Total Coal Reserve estimate announced on 1st August 2017 is based on information compiled by Robert de Jongh who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of ASEAMCO Pty Ltd. Mr de Jongh is a qualified mining engineer and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Explorations Results, Mineral Resources and Ore Reserves.

The Total Coal Resource estimate was announced on 29 April 2016, titled "Updated JORC Resource Statement for BBM". The information in the report relating to Mineral Resources is based on information compiled by Yoga Suryanegara who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of Cokal Limited. Mr Suryanegara is a qualified geologist and 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 29 April 2016 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 29 April 2016 continue to apply and have not materially changed.

Corporate Information

DIRECTORS
Domenic Martino
Patrick Hanna
Garry Kielenstyn

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Louisa Martino
Teuku Juliansyah

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ASX Code: CKA

INTERNET ADDRESS
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AUSTRALIAN BUSINESS NUMBER
ABN 55 082 541 437

Chairman's Letter to Shareholders

Dear Shareholders,

Coming out of one of the longest and toughest downturns of the global coal industry, Cokal has been in negotiations with a number of potential investors for project funding as interest and demand for metallurgical coal grows worldwide. With the welfare of shareholders in mind, the Board has made difficult decisions in most cases and rejected many of these offers.

At this point in time, Cokal continues to negotiate with a number of potential joint venture partners in developing the BBM Project.

During the financial year the Company announced its maiden JORC Reserve Statement for the Eastern portion of the BBM Project, estimating 20.2MT of open-pit Run-of-Mine, producing 16.9MT of Marketable Reserves[1]. The results of the Valmin Report announced in August 2017 confirmed viability of the BBM Project with the study estimating the Net Present Value of the BBM Project ranges from US$172m to US$202m with a likely value of US$186m. The total valuation of BBM, TBAR, BBP and AAK is estimated at US$209m2.

Whilst waiting for a recovery in the coal industry, Cokal challenged itself to small scale production at the BBM Anak site. The operations provided an excellent opportunity for Cokal to test the mining conditions and the accessibility of the upper part of the Barito River. The Company has ceased operating BBM Anak, amalgamating it with BBM PCI, with the introduction of new funding.

During the financial year, Cokal conducted a search for candidates to fill the position of CEO left vacant since January 2017 with the death of our friend and colleague, Mr Peter Lynch. Mr Jim Coleman, an experienced mining engineer with a high awareness of the application of shallow river barging systems from his experience in Mozambique, was appointed in July 2017. Mr Coleman has been incentivised with the issue of options that vest on production targets, barging and shipping of coal milestones. The Board looks forward to working closely with Jim to develop the Company's projects in what will be an exciting year to come.

During the audit process, the Board was made aware of possible financial irregularities and fraudulent activity which has impacted the Company's financial statements for the year ended 30 June 2018. The Board is currently investigating the irregularities and activities which concern the Company's Chief Financial Officer and seven employees and a supplier of barging services to the Company in Indonesia. The Company notes that amounts are currently still outstanding and payable to this supplier, which will not be paid until the investigation is complete. Some of the money received by the employees has been repaid and the Board is confident that with the repayment by employees, and the outstanding amounts owing being reduced by agreement with the supplier, there will be no financial loss to the Company.

We thank you for your on going support.

Domenic Martino
Chairman

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[1] Refer ASX Announcement 1st August 2017 – the Company is not aware of any new information or data that materially affects the information contained in this announcement

[2] Refer ASX Announcement 23rd August 2017 – the Company is not aware of any new information or data that materially affects the information contained in this announcement

Review of Operations

Cokal Limited (ASX: CKA) is an Australian listed company with the objective of becoming a metallurgical coal producer with a global presence. Cokal has interests in four projects in Central Kalimantan, Indonesia considered prospective for metallurgical coal.

BBM, BBP, AAK, and TBAR are within the highly prospective Central Kalimantan coking coal basin and are located adjacent to Indomet's extensive coking coal tenements. During the year the Company has focussed on the BBM Project, as discussed further below.

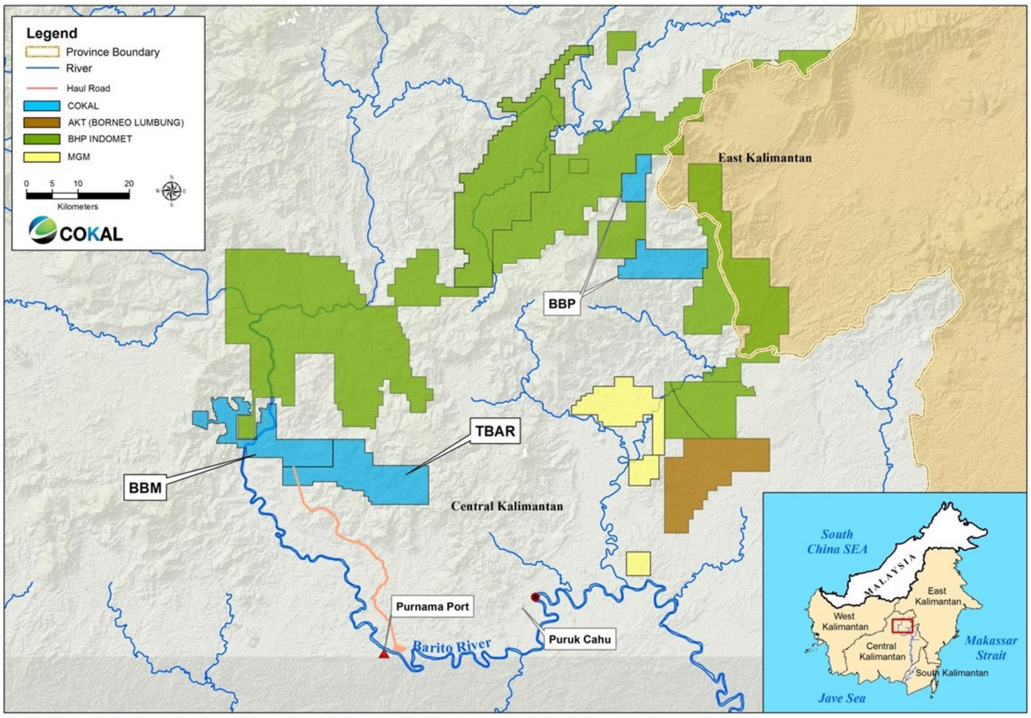

Figure 1: Location of Indonesian Coal Assets

Indonesian Coal Assets

Highlights

Whilst waiting for the recovery of the coal industry, Cokal has been proactive in improving value, and preparing future developments of, its metallurgical coal assets in Indonesia. These activities include:

- BBM Reserves Statement – an estimation of open cut Coal Reserves in accordance with the JORC Code has been completed for the BBM Coal project.
- Valmin Study – an independent study of all of Cokal's assets in accordance with the Valmin Code, indicating, due to Cokal's exploration and mining studies, an up-lift in current value to approximately US$209 million[3].
- BBM ANAK Project – this small-scale mining operation of PCI coal beside the Barito River continued throughout the financial year, until in June 2018, when it was amalgamated with BBM PCI, pending funding.

These activities are detailed in the following sections.

[3] Refer ASX Announcement 23rd August 2017– the Company is not aware of any new information or data that materially affects the information contained in this announcement

Review of Operations

Ownership of Indonesian Coal Assets

The status of the Company's ownership in its Indonesian coal assets is summarised as follows:

- 60% of the shares in companies which own the Bumi Barito Mineral (BBM) and Borneo Bara Prima (BBP) projects located in Central Province, Kalimantan, Indonesia. The BBM project area comprises approximately 15,000ha and the BBP project comprises approximately 13,050ha.
- Cokal has completed the agreement to acquire 75% of the shares in the company PT Tambang Benua Alam Raya (TBAR), which owns an exploration tenement covering an area of approximately 18,850ha. This tenement is located adjacent southeast to the Company's BBM project.
- 75% of the shares in companies that own the Anugerah Alam Katingan (AAK) project. This project is also located in Central Province, Kalimantan, Indonesia and comprises 5,000ha. Applications for the Exploration Forestry Permit (IPPKH) and Clean and Clear Certificates continue to be processed. Following receipt of the official handover letter (dated 12 January 2016), AAK is currently on 'on-hold' status by Provincial Police Department (Polda Kalteng). The Police have investigated a dispute over the ownership of AAK (pre-dating Cokal's interest in the Project). Cokal is an aggrieved party and will await the outcome of the Police investigation.

Bumi Barito Mineral (BBM) Project

The Bumi Barito Mineral Project (BBM) is located in the Central Province, Kalimantan, Indonesia and comprises approximately 15,000ha.

During the year the Company has focussed on financing the BBM Project (comprising BBM Anak; small production of premium low volatile PCI coal, BBM PCI; a small scale initial mine of PCI coal, and BBM Coking Coal; the largest of the three projects focussing on hard coking coal).

Renjian Offtake Financing

In September 2017 Cokal received a Letter of Intent (LOI) for a Coal Offtake Financing transaction from Renjian International Trading (Shanghai) Co. Ltd ("Renjian"). As a result of this LOI, Cokal and Renjian undertook detailed negotiations, with commercial terms substantially agreed and both parties proceeding with binding documentation.

However, on the 16th January 2018, as a consequence of intensive negotiations with Renjian, the outcome from extensive financial modeling demonstrated the proposed discounts requested by Renjian to secure pre-funding proved to be unacceptable to Cokal. The Board is of the view that it was in the Company's and shareholders best interests not to proceed with the terms as discussed with Renjian.

Domain Term Sheet Signed

On 11th May 2018, Cokal announced that it had signed a Term Sheet for a financing package for the development of its BBM Coking Coal Project with Domain International Holdings Limited ("Domain").

Under the Agreement, Domain is to provide Cokal with a debt and equity financing package sufficient to fully fund development of the BBM Coking Coal Project to a capacity of 2 Mtpa production of coking coal. [4] The Agreement is not binding until an initial payment of A$1 million is received.

Other Funding Transactions

Subsequent to year end the Company has announced negotiation of two further potential transactions (Aahana and BMA) for the funding of the BBM Project. Cokal continues to negotiate with potential investors.

[4] Refer ASX Announcements 2nd November 2016 and 1st August 2017– the Company is not aware of any new information or data that materially affects the information contained in this announcement

Review of Operations

BBM ANAK Project

In June 2017, work commenced on the construction of BBM Anak. By July 2017, construction had been completed. Mining commenced in July 2017, and the first barge of BBM coal was launched on 1st August 2017.

The operation provided an excellent opportunity for Cokal to test the mining conditions and the accessibility of the upper part of the Barito River. Cokal was the first company to successfully barge coal down the Barito River in that region and was able to learn a lot about the condition of the river flow and the river channel.

The mining operation also demonstrated that Cokal can produce and deliver a very low ash coal product without the necessity for a coal beneficiation plant.

Cokal has ceased operating the BBM Anak mine so as to amalgamate this project and the BBM PCI Project with the new funders.

Tambang Benua Alam Raya (TBAR) Project

On 31st October 2017, Cokal announced that it had reached a commercial settlement with the vendors of PT Tambung Benua Alam Raya (**TBAR**) in respect of the Company's 75% ownership in TBAR. TBAR is the owner of Exploration License IUP 188.45/204/2012, which covers an area of approximately 18,850ha and is located adjacent to the southeast of Cokal's BBM Project. Cokal has now cleared all outstanding vendor matters pertaining to its 75% interest in TBAR. Cokal owed US$$2,750,000 (approximately AUD$3,500,000) in vendor payments. These amounts were shown as Contingent Liabilities in the Company's 2017 annual report. Cokal and the vendors could not agree on the execution of the respective post completion requirements and have therefore agreed on a substantially discounted settlement to remove all of these vendor liabilities from Cokal's 75% interest in TBAR. The settlement provides the vendors with the ability to participate in the successful development of the TBAR Project through their shareholding in Cokal. Cokal is now in a position to take control of these requirements and progress the administrative approvals in a more timely manner.

TBAR, which is on the Clean and Clear (CNC) List, has over 80% of the lease covered by either production or limited production forestry lease, that is, it is available for exploration subject to the issuance of an exploration forestry permit.

The application for exploration forestry permit was submited in 2014 and continues to be processed by the Environment and Forestry Ministry of Indonesia. Following its transfer process from Murung Raya to Provincial Government, Cokal continues its efforts to acquire regulatory approval for the IUP (exploration license) upgrade process application to a Production and Operation IUP (equivalent to a mining license).

Cokal's exploration mapping program to date has defined significant coal potential across the Central, Northern, Western and Southern Blocks of the TBAR Coal Project. Mapping is yet to be completed in the eastern portion of the lease. Based on this data 69 coal outcrops ranging from 0.15m to 1.90m have been identified. Interpretation of B, C, D and J seams have been interpreted to outcrop along 13km of strike, J seam, and 16km of strike B, C and D seams. The outcrop strike lengths are interpreted to be more extensive than at BBM and indicate potential for a much greater resource of shallow open cut coal tonnages than delineated at BBM to date.

The Company has been keen to acquire the approvals for the Forestry Permit for Exploration with TBAR, as it intends to pursue an aggressive exploration and development plan for TBAR in the New Year. The Cokal team has the track record and experience to complete all administrative approvals and is confident that the exploration and development plan can commence in the New Year.

Review of Operations

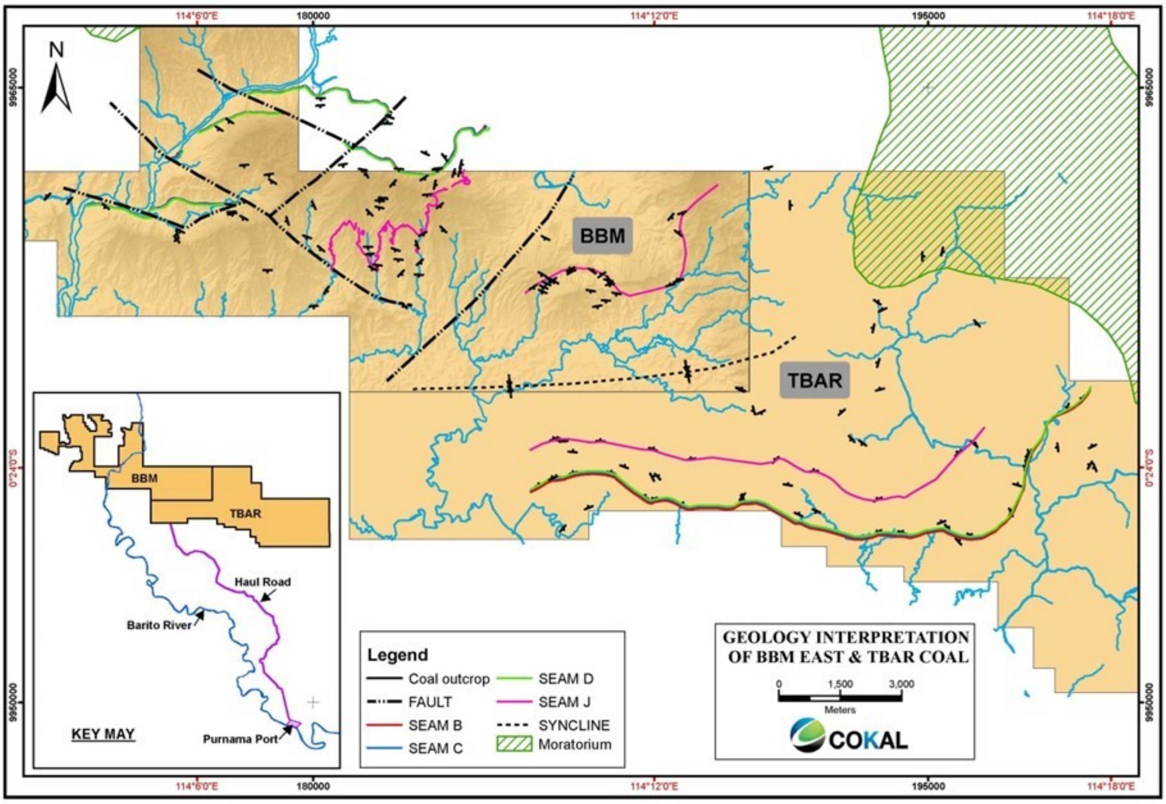

Figure 4: Geology interpretation of BBM East and TBAR

Borneo Bara Prima (BBP) Project

Cokal owns 60% share in Borneo Bara Prima (BBP) project which covers 13,050Ha in Murung Raya Regency, Central Kalimantan.

BBP has been granted an Exploration Forestry Permit (IPPKH), and has been confirmed on the Central Government's Clean and Clear list. The IUP was transferred to the Central Government where it now awaits approval to be upgraded to a mining license (Production and Operation IUP).

No exploration activity was conducted on BBP during the period.

Anugerah Alam Katingan (AAK) Project

Cokal has a 75% share of Anugerah Alam Katingan (AAK) projects also located in Central, Kalimantan, Indonesia. The AAK project area comprises of 5,000ha.

Applications for the Exploration Forestry Permit (IPPKH) and Clean and Clear Certificates continue to be processed.

Cokal continues to monitor the progress of the regulatory upgrade approvals for AAK. No exploration activity was conducted on AAK during the period.

Review of Operations

JORC Code Statements

Since June 2016, no further exploration activity was conducted in the field on any of Cokal's assets. Consequently, the updated JORC Resources Statement for the BBM Project announced on 29th April 2016, remains current. The total Resource estimate remains at 266.6Mt for BBM, with the coal resource categories of Measured and Indicated at 19.5Mt Measured and 23.1Mt Indicated respectively, and the balance at Inferred status. [5]

On 1st August 2017, Cokal announced its maiden JORC Reserves Statement. The Coal Reserve statement is only for the Eastern portion of the Bumi Barito Mineral (BBM) coal project.

The highlights of this Reserve statement report included: [6]

- Coal Reserve estimate of 20.2Mt of openpit Run-of-Mine (ROM) for BBM, producing 16.9Mt of Marketable Reserves in accordance with the 2012 JORC Code.
- Reserve estimate comprised of 13.0Mt Proved and 7.2Mt Probable ROM Reserves, (totalling 20.2Mt ROM coal) for B, C, D and J Seams at US$150/tonne.
- Marketable Coal Reserves comprise 12.8Mt Coking Coal Product at US$150/tonne and 4.1Mt PCI Product at US$112.50/tonne (totalling 16.9Mt Marketable Coal Reserves).
- B, C and D coking and Premium PCI (low Vol) products have premium qualities consisting low ash, low sulphur, low moisture and ultra-low phosphorus.
- Low Volatile PCI and medium to low Volatile Coking Coal suited to nearby Asian markets.

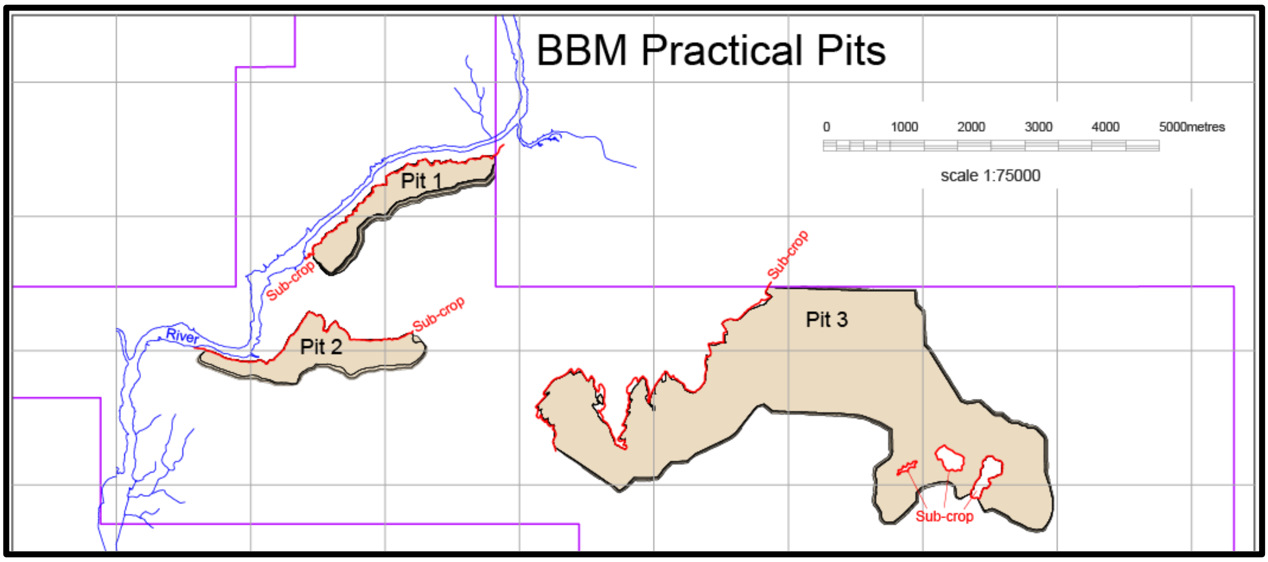

Figure 2: Economic Openpits in Eastern Portion of BBM Tenement

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[5] Refer ASX Announcements 29th April 2016 – the Company is not aware of any new information or data that materially affects the information contained in this announcement

[6] Refer ASX Announcements 1st August 2017 – the Company is not aware of any new information or data that materially affects the information contained in this announcement

Review of Operations

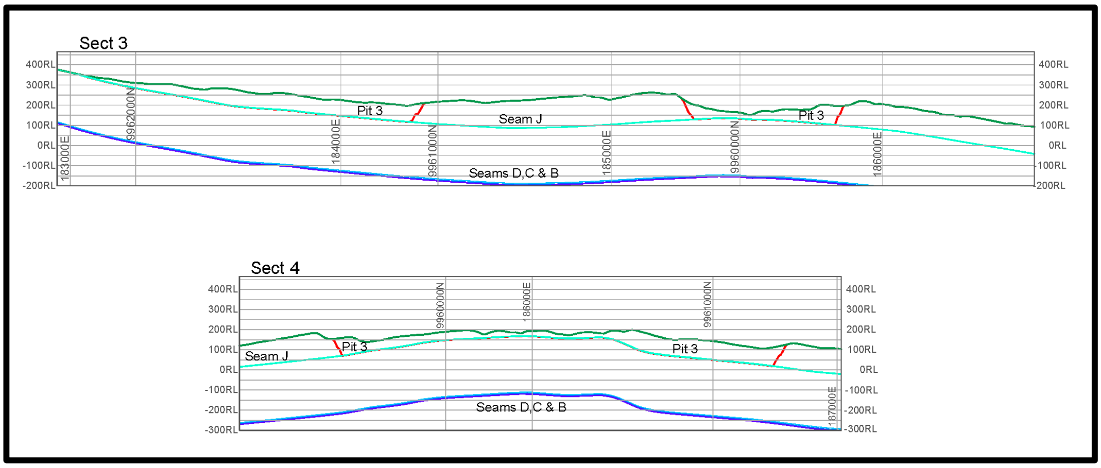

Figure 3: Cross Section through Openpits

The J Seam Reserves (5.5Mt Proved and 3.2Mt Probable Marketable Coal Reserves) is 100% coking coal. In the case of Seams B, C and D, 3.0Mt Proved and 1.1Mt Probable is Coking Coal Marketable Reserves, while 2.4Mt Proved and 1.7Mt Probable is PCI Marketable Coal Reserves. [7]

Economic Reserves were determined by using the Definitive Feasibility Study, that was prepared in 2014 by Resindo, and recently updated to reflect reduced fuel costs and depreciation of the Rupiah in November 2016. [8]

Valmin Report

On 23rd August 2017, Cokal announced the results from an independent study of all of Cokal's assets in accordance with the Valmin Code, indicating, due to Cokal's exploration and mining studies, a significant uplift in the current value of these assets.

The Valmin Report has confirmed the viability of the BBM mine and associated transport system. [9]

- The Study estimates the NPV for BBM ranges from US$172million to US$202million with a likely value of US$186million.
- The total valuation for BBM, TBAR, BBP and AAK is estimated at US$209million.
- The value of Cokal's equity interest in the Coal Assets is considered to lie in a range of US$116million to US$138million, with a likely value of US$127million.

External Relations

Permits

As previously mentioned, Cokal has acquired all regulatory permits to allow for the commencement of coal mining up to 6mtpa in the BBM coal project. These permits include:

- IUP Produksi – Mining License
- AMDAL – Environment Permit
- IPPKH – Forestry Permit for Coal Production
- Port Construction and Operation Approval

As mentioned above, the application of exploration forestry permit for TBAR continues to be processed by the Environment and Forestry Ministry.

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[7] Refer ASX Announcements 1st August 2017 – the Company is not aware of any new information or data that materially affects the information contained in this announcement

[8] Refer ASX Announcements 2nd November 2016 – the Company is not aware of any new information or data that materially affects the information contained in this announcement

[9] Refer ASX Announcements 23rd August 2017 – the Company is not aware of any new information or data that materially affects the information contained in this announcement

Review of Operations

Safety and Health

As Safety and Health are both a key and integral part of our strategy to become a significant participator in the metallurgical coal sector, Cokal continues to implement OH&S procedures to international levels during the year which resulted in the following outcomes:

- Zero Lost Time Index (LTI) and Zero Fatality performances for 2013 – 2018 period.

- A repeat of formal commendation from the Provincial Government for both the standard and compliance of reporting with BBM achieving the highest compliance score of the more than 60 IUP's operating in the Regency.

- Regular inspection protocols of equipment and facilities on a regular basis including Work Place Inspection, Camp & Facility Inspection, Fire Extinguisher Inspection, Fire Alarm Inspection, Vehicle Inspection, Speed Boat Inspection, Generator House Inspection, Water Treatment Inspection, Road & Bridge Inspection, Clinic Inspection & Hygiene Inspection. At least 4 times of inspections are conducted in monthly basis.

- Complete Health, Safety and Environmental Induction process for all employees, contractors and visitors including specific inductions for water transport and site flora and fauna protection. Currently total approx. 570 persons have been inducted during 2013 – 2018 period.

- Health and Safety awareness campaigns carried out on a regular basis including daily and weekly meetings, including/mainly Safety Talk sessions in all BBM offices (at Krajan Site, Puruk Cahu, and Jakarta Office).

- Providing safety socialisations to local community who access BBM mine area for their farming activities.

Environmental

Sound management of the environment is a critical part of Cokal's strategy in becoming a global supplier in the metallurgical coal sector. In developing a high level work practices in order to establish environmental compliance, a number of key steps have been undertaken during the year including:

- The continuation of baseline water and environmental monitoring at the BBM project area. For pH monitoring, it is conducted on bi-monthly basis. Impacts from seasons (dry season and rainfall season) and also local activities (illegal mining activities in upstream area) are key factors to this pH condition at BBM site.

- The continuation of the environmental awareness programme aimed at "grass roots" level and presented in such a manner that it is easily comprehendable to surrounding community with limited education. Topics include forest burning, illegal logging, gold sluicing and rubbish disposal which are critical issues in this area.

- The monitoring of an authorised waste storage area. The drums, batteries and waste oil were taken by a licenced hazardous materials contractor and taken to an approved and registered disposal facility in Banjarmasin. In addition, an ongoing contract has been established with the licenced operator to remove drums and waste oil from the PT BBM site so that we comply with the maximum on site storage time of 3 months. A Register of Hazardous material has been established in order to ensure that hazardous material is disposed of correctly.

Review of Operations

Community Development

Cokal continues to implement its Corporate Social Responsibility (CSR) program. In November 2016, Cokal provided an intense First Aid Training and Basic Safety Awareness course for over 80 BOSF (Borneo Orangutan Survival Foundation) personnel. The program was conducted over 3 days and was carried out at international standards. The CEO of BOSF, Dr Jamartin Sihite, presented a Certificate of Appreciation, noting it was the first time ever that BOSF had presented such a certificate to a mining company.

Corporate

Magna Convertible Note

On 11th October, 2017, Cokal announced that it had entered into an agreement to raise up to AU$4,000,000 in funding. The funds were raised for development of BBM PCI, general working capital and corporate purposes.

Subsequently, after receiving Tranche A of AU$2,000,000, on 11th December 2017, Cokal announced that it had decided not to draw down the second and third tranches of the Magna Convertible Note, totalling A$2,000,000.

Private Capital Raisings

During the financial year, the Company executed two private share placements to assist with working capital for Cokal.

On 17th July 2017, Cokal announced the placement of 19,444,445 fully paid new ordinary shares to be issued at AU$0.036 per share to raise AU$700,000. The Placement price of AU$0.036 per share represented a 10% discount to Cokal's closing price on 12 July 2017, the last day Cokal shares traded on the ASX prior to announcement of the capital raising.

On 2nd February 2018, Cokal announced completion of a AU$1,507,300 capital raising by way of placement to sophisticated and professional investors. The placement was at AU$0.045 per share, representing a 10% discount to the last traded price of AU$0.05 per share.

Appointment of CEO

During the period from May to June 2018, Cokal conducted a search of candidates to fill the position of CEO left vacant since January 2017 with the death of our friend and colleague, Mr Peter Lynch. A number of highly worthy candidates were interviewed and assessed, and the Board finally decided on the appointment of Mr. James Coleman.

Mr Coleman has 50 years of experience in open cut and underground mining including mine management, project development and operations. He has lead integrated project development in Australia, Mozambique, Thailand, the Philippines, India and throughout South East Asia.

He has led multi-faceted teams and consortia for large coal projects in developing countries and also specialised in deep mines in soft saturated strata. Mr Coleman was responsible for the development of Thailand's 11 million tonnes per annum coal mine which feeds directly into EGAT's on-site power station in northern Thailand.

Review of Operations

As a mining engineer, he has over 50 years' experience in open cut and underground mining specialising in mine management, project development and operation using a variety of equipment including extensive application of in-pit crushing and conveying systems. He designed strategic mine planning to optimise economic returns for various coal operations. He was also responsible for the development of integrated projects in Australia, Mozambique, Thailand, The Philippines, India and throughout SE Asia. Mr. Coleman has specific expertise in application of selective mining systems of low ash high quality coals to minimise dilution.

Mr. Coleman possesses a high awareness in the application of shallow river barging systems to transport coal from inland projects over long distances. He participated in the successful evaluation of 500 km shallow water barging on the Zambezi River in Mozambique for the transportation of coking coal from Riversdale's Benga project to off-shore mother vessels. This experience is in line with Cokal's plans to use shallow-river barging on the Barito River for delivering the coking coal in good condition to the nearby Asian market place.

Through the 1980s and 1990s, he owned and managed a highly successful mining consulting business (Coleman and Associates) employing some 40 mining professionals and managing operations concurrently throughout Australia and in five countries including Australian Government aid funded projects in SE Asia.

Mr Coleman is incentivised to grow the Company through the issue of options which vest as follows:

- production of 20,000 tonnes per month of coal (including PCI) for three consecutive months;
- production of 40,000 tonnes per month of coal (including PCI) for three consecutive months;
- commencement of shallow river barging and
- first shipment of coking coal from BBM.

Conversion of loans from Northrock and Wintercrest to royalties.

The Group has agreed in principal to the conversion of the Wintercrest and Northrock debt to royalty. Discussions continue between parties to complete the conditions precedent to the conversion. Documentation is almost finalised to formalise an extension of 18 months for satisfaction of conditions precedent (refer Note 16).

Directors' Report

Your Directors present their report for the year ended 30 June 2018.

The following persons were Directors of Cokal Limited ("Group", "consolidated entity" or "Cokal") during the financial year and up to the date of this report, unless otherwise stated:

Domenic Martino, Non-Executive Chairman
(Appointed Director on 24 December 2010 and Chairman on 27 January 2017)
B. Bus, FCPA
Mr. Martino, 62 is a Chartered Accountant and an experienced director of ASX listed companies. Previously CEO of Deloitte Touch Tohmatsu in Australia, he has significant experience in the development of "micro-cap" companies.

- Former CEO Deloitte Touche Tohmatsu Australia.
- Key player in the re-birth of a broad grouping of ASX companies including Sydney Gas, Pan Asia, Clean Global Energy, NuEnergy Capital.
- Strong reputation in China.
- Lengthy track record of operating in Indonesia, successfully closed key energy and resources deals with key local players.
- Proven track record in capital raisings across a range of markets.

During the past three years Domenic has also served as a Director of the following ASX listed companies:

- Pan Asia Corporation Limited (since 24 December 2010, resigned 4 July 2018)
- Australasian Resources Limited* (since 27 November 2003)
- ORH Limited* (since 6 May 2009)
- South Pacific Resources Limited* (appointed 3 August 2012)
- Skyland Petroleum Group Limited (appointed 19 December 2013)*

* denotes current directorship

Mr. Martino is the Chairman of the Audit Committee.

Patrick Hanna, Non-Executive Director
(Appointed on 24 December 2010)
B. Applied Science (Geology), CPI, FAusIMM
Mr Hanna has over 40 years' experience as a coal geologist in the areas of exploration and evaluation including planning, budgeting and managing drilling programs in Australia and Indonesia, gained since graduating from the University of New South Wales in 1976. Mr Hanna has authored and co-authored numerous coal industry publications.

- Geologist, 65, over 40 years' experience all in coal.
- Extensive experience in Indonesian coal.
- Exploration Manager for Riversdale Mining, principal responsibility for discovery and documentation of new coking coal basin in Mozambique.
- Ex-member of JORC committee.
- Principal Geologist SRK Australia for 6 years.
- Author of 19 technical publications.
- Reviewed and consulted on over 40 coal projects globally.

Mr. Hanna is a member of the Audit Committee.

During the past three years Patrick has not served as a director of another listed company.

Gerhardus (Garry) Kielenstyn, Executive Director
(Appointed 27 January 2017)
Mr. Kielenstyn, 63 has been a member of the senior management team in the capacity of Chief Operating Officer since June 2016 and prior to that was Cokal's Indonesian Country Manager / President Director PT Cokal (PT Cokal is a 100% owned subsidiary of Cokal) since May 2013.

Mr. Kielenstyn is an expatriate based in Kalimantan, he is a veteran of the Indonesian mining and civil contracting industries. His first Indonesian based role was in the 1974 and has been living and working in country since 1990. His previous roles include:

- Project Manager and Area Manager with Petrosea one of Indonesia's biggest mining and civil contractors
- Construction Manager, Mining Manager, Operations Manager, General Manager and Resident Manager for well recognized Indonesian Mining Companies such as PT PT Indo Muro Kencana / Straits Resources, PT Yuga Eka Surya, PT Ganda Multi Energi and PT Baramulti Sugih Sentosa.

Garry has a strong track record for bringing projects through construction to production in remote parts of Indonesia. Importantly he has a long and successful track record in the Murung Raya regency where Cokal's premier Bumi Barito Mineral (BBM) project is located.

Directors' Report

The following person was Chief Executive Officer of Cokal Limited ("Group", "consolidated entity" or "Cokal") during the financial year and up to the date of this report, unless otherwise stated:

James (Jim) Coleman, Chief Executive Officer (Appointed on 27 July 2018)
B. Eng (Hons, Mining), FAusIMM
Mr Coleman, 73 has a proven 45-year track record in corporate management of operations for large successful companies including Riversdale Mining, The Griffin Group, The Electricity Trust of South Australia, Utah Development Company, Rio Tinto and BHP.

He has led multi-faceted teams and consortia for large coal projects in developing countries and also specialised in deep mines in soft saturated strata. Mr Coleman was responsible for the development of Thailand's 14 million tonnes per annum coal mine which feeds directly into EGAT's on-site power station in northern Thailand.

As a mining engineer, he has over 50 years' experience in open cut and underground mining specialising in mine management, project development and operation using a variety of equipment including extensive application of in-pit crushing and conveying systems. He designed strategic mine planning to optimise economic returns for various coal operations. He was also responsible for the development of integrated projects in Australia, Mozambique, Thailand, The Philippines, India and throughout SE Asia. Mr Coleman has specific expertise in application of selective mining systems of low ash high quality coals to minimise dilution.

Mr Coleman possesses a high awareness in the application of shallow river barging systems to transport coal from inland projects over long distances. He participated in the successful evaluation of 500 km shallow water barging on the Zambezi River in Mozambique for the transportation of coking coal from Riversdale's Benga project to off-shore mother vessels. This experience is in line with Cokal's plans to use shallow-river barging on the Barito River for delivering the coking coal in good condition to the nearby Asian market place.

Through the 1980s and 1990s, he owned and managed a highly successful mining consulting business (Coleman and Associates) employing some 40 mining professionals and managing operations concurrently throughout Australia and in five countries including Australian Government aid funded projects in SE Asia.

The following persons were Chief Financial Officer and Company Secretaries of Cokal Limited ("Group", "consolidated entity" or "Cokal") during the financial year and up to the date of this report, unless otherwise stated:

Teuku Juliansyah, Chief Financial Officer (CFO) and Joint Company Secretary (Appointed on 24 June 2016)
Over 9 years' practical experience in finance roles involving finance policy and procedure strategy, and implementation, accounting, budgeting, auditing and other financial consulting type of work.

Duncan Cornish, Joint Company Secretary (Appointed on 24 December 2010, Resigned 9 August 2017)
B.Bus (Accounting), CA
Mr. Cornish is an accomplished and highly regarded corporate administrator and manager. He has many years' experience in pivotal management roles in capital raisings and stock exchange listings for numerous companies on the ASX, AIM Market of the London Stock Exchange and the Toronto Stock Exchange.

Highly skilled in the areas of Group financial reporting, Group regulatory, secretarial and governance areas, business acquisition and disposal due diligence, he has worked with Ernst & Young and PricewaterhouseCoopers both in Australia and the UK.

Mr. Cornish is currently Company Secretary and CFO of other listed companies on the ASX and TSX-V where he has assisted in their listing and capital raising. He is supported by a small experienced team of accountants and administrators.

Louisa Martino (Youens), Joint Company Secretary (Appointed on 9 August 2017)
BCom, CA
Ms Martino provides company secretarial and accounting services to a number of listed entities through Indian Ocean Capital.

Previously Ms Martino worked for a corporate finance company, assisting with company compliance (ASIC and ASX) and capital raisings. She also has experience working for a government organisation in its Business Development division where she performed reviews of business opportunities and prepared business case analysis for those seeking Government funding.

Prior to that, Ms Martino worked for a major accounting firm in Perth, London and Sydney where she provided corporate advisory services, predominantly on IPOs and also performed due diligence reviews.

She has a Bachelor of Commerce from the University of Western Australia, is a member of Chartered Accountants Australia and New Zealand and a member of the Financial Services Institute of Australasia (FINSIA).

Directors' Report

Interests in Shares and Options

At the date of this report, the interests of the Directors in the shares of Cokal Limited are shown in the table below.

	Ordinary Shares	Options
Domenic Martino	31,920,001	-
Patrick Hanna	25,800,000	-
Garry Kielenstyn	-	9,000,000*

* Options are unlisted:
- 4,000,000 options exercisable at US$0.10 with an expiry date of 24 February 2019;

- 1,000,000 options exercisable at US$0.09 with an expiry date of 22 December 2020 (subject to vesting conditions); and

- 4,000,000 options exercisable at US$0.12 with an expiry date of 22 December 2020 (subject to vesting conditions).

Principal Activities

The principal activities of the consolidated entity during the financial year were focused on the identification and development of coal within the highly prospective Central Kalimantan coking coal basin in Indonesia.

Operating Results

For the year ended 30 June 2018, the loss for the consolidated entity after providing for income tax was US$7,796,143 (2017: US$11,853,745).

The operating results have been heavily driven by production costs at BBN Anak (2017: de-recognition of pre-tenure exploration expenditures).

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year.

Review of Operations

Detailed comments on operations and exploration programs up to the date of this report are included separately in the Annual Report under Review of Operations.

Review of Financial Condition

Capital Structure
During the year, Cokal issued 52,940,002 shares to raise US$1.7 million in cash.

At 30 June 2018, the consolidated entity had 713,699,792 ordinary shares and 140,800,000 unlisted options on issue.

Financial Position
The net assets of the consolidated entity have decreased by US$2,728,514 from US$9,455,400 at 30 June 2017 to US$6,726,886 at 30 June 2018. This decrease has largely resulted from an increase in accounts payable as the Company is in the process of finalising funding.

Treasury Policy
The consolidated entity does not have a formally established treasury function. The Board is responsible for managing the consolidated entity's finance facilities.

Some goods and services purchased by the consolidated entity, along with the payments made to the vendors of the Kalimantan coal projects, are in foreign currencies (AU dollars or Indonesian Rupiah).

The consolidated entity does not currently undertake hedging of any kind.

Liquidity and Funding
The consolidated entity believes it has sufficient access to funds (see below) to finance its operations and exploration/development activities, and to allow the consolidated entity to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

Significant Changes in the State of Affairs

There have been no significant changes in the Group's state of affairs during the year ended 30 June 2018.

Significant Events after the Reporting Date

(a) On 27 July 2018 Cokal appointed Mr. James Coleman as Chief Executive Officer.

(b) On 1 August 2018 Cokal announced that it had signed a term sheet for the development of BBM PCI from Aahana Global Resources and Investment Pte Limited (Aahana). Under the agreement, Aahana will fund capital expenditure at BBM PCI in return for a 40% interest in the joint venture and equivalent share of profits from the BBM PCI operations.

(c) On 22 August 2018 Krakatau National Resources (KNR) signed a Memorandum of Understanding (MOU) with PT Bumi Barito Minerals (PT BBM) for the supply of coal. This MOU pre-empts a Domestic Market Obligation (DMO) that will be placed upon the Company, requiring coal and mineral producing companies to allocate a certain minimum percentage of its production to the domestic market.

(d) On 21 September 2018 Cokal signed a Key Principles of Agreement with PT Bara Mineral Asri (BMA Group) to develop and operate PCI and Coking Coal production. To date, Cokal has received US$1.5 million of US$2.0 million from BMA Group to secure the transaction.

(e) On 3 August 2018 and 25 September 2018, 150,000 Convertible Notes were converted to 7,591,796 shares.

(f) Subsequent to year end the convertible noteholder has advised the Company of the requirement to repay the remainder of the notes outstanding. This amount totals US$186,251, which has been paid by the Company.

Directors' Report

(g) The Company is in discussion with Platinum in respect of an extension to 31 July 2020 for the completion of the conditions under the Debt Restructure Transaction (refer Note 16) on the basis of an issue of 37.5 million new options (4 year term and exercise price of 1.6 cents), subject to shareholder approval, and Platinum agreeing not to exercise 37.5 million of existing options (with an expiry date of 20 February 2023 and an exercise price of 1.6 cents, vesting once all Platinum loans have been released and discharged).

(h) During the audit process, the Board was made aware of possible financial irregularities and fraudulent activity which has impacted the Company's financial statements for the year ended 30 June 2018.

The Board is currently investigating the irregularities and activities which concern the Company's Chief Financial Officer and seven employees having received monies from a supplier of barging services to the Company in Indonesia. The employees have notified the Board that they have received money from the supplier totalling approximately US$150,000.

In addition, the Company has allegedly been charged for services not incurred and/or charged non-arm's length amounts for services provided by that supplier. Further investigation is taking place to confirm whether the Group's barging expenses have been validly incurred by the Group, whether the cost of barging services received represented an arm's length price for those services, and the amount of the payments made and expenses accrued for the barging services that should be accounted for as other expenses on the basis they had been misappropriated.

The Company notes that amounts are currently still outstanding and payable to this supplier, which will not be paid until the investigation is complete. Some of the money received by the employees has been refunded and the Board is confident that with this, and the outstanding amounts owing being reduced by agreement with the supplier, there will be no financial loss to the Company.

Future Developments, Prospects and Business Strategies

Likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations.

There are no further developments of which the Directors are aware which could be expected to affect the results of the consolidated entity's operations in subsequent financial years.

Business Results

The prospects of the Group in developing their properties in Indonesia may be affected by a number of factors. These factors are similar to most exploration companies moving through the exploration phase and attempting to get projects into production. Some of these factors include:

- Exploration - the results of the exploration activities at the BBM project and the tenements in Central Kalimantan may be such that the estimated resources are insufficient to justify the financial viability of the projects.
- Regulatory and Sovereign - the Group operates in Indonesia and deals with local regulatory authorities in relation to the operation and development of its properties. The Group may not achieve the required local regulatory approvals or they may be significantly delayed to enable it to commence production.
- Funding - the Group will require additional funding to move from the exploration/development phase to the production phase of the BBM project and the tenements in Central Kalimantan. There is no certainty that the Group will have access to available financial resources sufficient to fund its capital costs and/or operating costs at that time.
- Development - the Group is involved in developing greenfield projects in Indonesia which could result in capital costs and/or operating costs at levels which do not justify the economic development of the project.
- Market - there are numerous factors involved with early stage development of its properties such as the BBM project, including variance in commodity price and labour costs which can result in projects being uneconomical.

Environmental Issues

The consolidated entity is subject to environmental regulation in relation to its exploration activities in respective countries. Indonesia where the Group's main project is located in the principal laws are Act No.41 of 1999 regarding Forestry (the Forestry Law), Act No.4 of 2009 regarding Minerals and Coal Mining (the Mining Law) and Act No. 32 of 2009 regarding Environmental Protection and Management (the Environment Law). There are no matters that have arisen in relation to environmental issues up to the date of this report.

Non-Audit Services

No non-audit services were provided by Cokal's auditor, Ernst & Young during the financial year ended 30 June 2018 (2017: Nil).

Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2018 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

Directors' Report

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

For the purposes of this report, the term "executive" includes the Executive Chairman, Chief Executive Officer, directors and other senior management executives of the Group.

Remuneration report approval at FY17 AGM
The remuneration report for the 2017 financial year received positive shareholder support with proxy votes of 81% in favour (of shares voted).

Remuneration Policy
The performance of the consolidated entity depends upon the quality of its directors and executives. To prosper, the consolidated entity must attract, motivate and retain highly skilled directors and executives.

The Board does not presently have Remuneration and Nomination Committees. The directors consider that the consolidated entity is not of a size, nor are its affairs of such complexity, as to justify the formation of any other special or separate committees at this time. All matters which might be dealt with by such committees are reviewed by the directors meeting as a Board.

The Board, in carrying out the functions of the Remuneration and Nomination Committees, is responsible for reviewing and negotiating the compensation arrangements of senior executives and consultants.

The Board, in carrying out the functions of the Remuneration and Nomination Committees, assess the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the consolidated entity.

The consolidated entity aims to reward the Executive Directors and senior management with a level and mix of remuneration commensurate with their position and responsibilities within the consolidated entity. The Board's policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and/or long-term incentives as appropriate.

In accordance with best practice corporate governance, the structure of non-executive directors, Executive Directors and senior management remuneration is separate and distinct.

Non-executive Director Remuneration
The Board seeks to set aggregate remuneration at a level which provides the consolidated entity with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution of Cokal Limited and the ASX Listing Rules specify that the non-executive directors are entitled to remuneration as determined by the consolidated entity in a general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The aggregate remuneration currently determined by Cokal Limited is AU$500,000 per annum. Additionally, non-executive directors will be entitled to be reimbursed for properly incurred expenses.

If a non-executive director performs extra services, which in the opinion of the directors are outside the scope of the ordinary duties of the director, the consolidated entity may remunerate that director by payment of a fixed sum determined by the directors in addition to or instead of the remuneration referred to above.

However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive directors. A non-executive director is entitled to be paid travel and other expenses properly incurred by them in attending directors' or general meetings of Cokal Limited or otherwise in connection with the business of the consolidated entity.

The remuneration of the non-executive directors for the year ending 30 June 2018 is detailed in this Remuneration Report.

Executive Directors and Senior Management Remuneration
The consolidated entity aims to reward the Executive Directors and senior management with a level and mix of remuneration commensurate with their position and responsibilities within the consolidated entity so as to:

- reward Executives for consolidated entity and individual performance;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the consolidated entity; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Directors and senior management may from time to time be fixed by the Board. As noted above, the Board's policy is to align the Executive Directors and senior management objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and/or long-term incentives as appropriate.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Short-term incentives may be provided in the form of performance bonuses. Fixed remuneration and short-term incentives are reviewed annually by the Board, in carrying out the functions of the Remuneration Committee, and the

Directors' Report

process consists of a review of Company-wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices.

Senior management are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the consolidated entity.

Long-term incentives may be provided in the form of options and/or the issue of shares following the completion of satisfactory time periods of service. The consolidated entity uses employee continuity of service and the future share price to align comparative shareholder return and reward for executives.

The remuneration of the Executive Directors and senior management for the year ending 30 June 2018 is detailed in this Remuneration Report.

Relationship between Remuneration and Consolidated Entity Performance

During the financial year, the consolidated entity has generated losses as its principal activity was exploration and development within the Central Kalimantan coking coal basin in Indonesia.

The following table shows the performances of the consolidated entity for the last four years:

Year-end (30 June)	2018 US$	2017 US$	2016 US$	2015 US$	2014 US$
Share price	0.03	0.04	0.02	0.10	0.14
Basic (loss) per share	(1.18)	(1.96)	(6.07)	(2.76)	(1.40)

There were no dividends paid during the year.

As the consolidated entity was still in the exploration and development stage during the financial year, the link between remuneration, consolidated entity performance and shareholder wealth is tenuous. Share prices are subject to the influence of coal prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of executive

performance or remuneration.

Employment and Services Agreements

It is the Board's policy that employment and/or services agreements are entered into with all Executive Directors, senior management and employees.

Agreements do not provide for pre-determining compensation values or method of payment. Rather the amount of compensation is determined by the Board in accordance with the remuneration policy set out above.

KMP are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination. No other termination payments are payable.

Executive Directors

Gerhardus Kielenstyn

Cokal Limited has an employment agreement with Gerhardus Kielenstyn for the position of Indonesian Country Manager which commenced on 1 May 2013. Mr Kielenstyn receives an annual base salary up to US$480,000, inclusive of benefits.

Mr Kielenstyn is eligible for an annual performance bonus on the discretion of the CEO, as the Group is an early stage entity.

The employment agreement may be terminated at any time by the Company for Cause, being serious misconduct or the happening of various events in respect of Mr Kielenstyn's conduct.

Mr Kielynstyn was appointed to the role of Chief Operating Officer (COO) effective 24th of June 2016 and Executive Director on 27 January 2017.

Senior Management

<u>CFO / Joint Company Secretary</u>

Mr Teuku Juliansyah was appointed the position of Indonesian Finance Manager commencing on the 23rd February 2012. He was further made Joint Company Secretary on the 1st September 2015.

Mr Juliansyah was appointed to the role of Chief Finance Officer (CFO) effective 24th of June 2016. The Company does not have a contract in place with Mr Juliansyah in his position of CFO.

Mr Juliansyah is eligible for an annual performance bonus on the discretion of the CEO, as the Group is an early stage entity

<u>Joint Company Secretary</u>

Up until August 2017, Cokal Limited had a services agreement with Corporate Administration Services Pty Ltd (CAS) and Duncan Cornish, the Joint Company Secretary. The agreement commenced on 1 December 2011. Under the terms and conditions of the agreement, CAS has agreed to provide certain corporate secretarial, administration and other services to Cokal Limited. Additionally, Mr Cornish has agreed to act as the secretary of Cokal Limited.

CAS receives a base fee for provision of the services of AU$40,000 (exclusive of GST). If at the request of the consolidated entity, CAS or Mr Cornish provides additional services to the consolidated entity, CAS shall be paid additional remuneration at an hourly rate. The additional services means the provision of other such services as may be required by the Company to be performed from time to time and being within the scope of CAS's expertise, including but not limited to corporate actions, capital raisings, prospectus management, extended (>3 days) Company-related corporate travel not associated with Company Secretarial or administrative duties (eg. conferences, road shows, site visits etc). The consolidated entity is also obliged to reimburse CAS for all reasonable and necessary expenses incurred by CAS in providing services pursuant to the Agreement.

Directors' Report

Details of Key Management Personnel (KMP)

(i) *Directors*

Domenic Martino, Chairman and Non-Executive Director (appointed Non-Executive Director 24 December 2010, appointed Chairman on 27 January 2017)

Patrick Hanna, Non-Executive Director (appointed 24 December 2010)

Gerhardus Kielenstyn, Executive Director - Indonesia Country Manager (appointed 1 May 2013 – 23 June 2016, appointed COO 24th June 2016, appointed director 27 January 2017)

Peter Lynch, Chairman and CEO (appointed Chairman 24 December 2010, appointed CEO on 3 May 2013, resigned as CEO on 10 May 2016, ceased to be a director on 26 January 2017)

(ii) *Senior Management*

Teuku Juliansyah, CFO (appointed 24 June 2016) and Joint Company Secretary (appointed 1 September 2015)

Victor Kuss, CFO (appointed 5 September 2011, resigned 1 September 2015) and Manager Corporate Restructure (appointed 1 September 2015, ceased during the 2017 financial year)

Duncan Cornish, CFO (appointed 24 December 2010, resigned 4 September 2011) and Company Secretary (appointed 24 December 2010, resigned 9 August 2017)

Remuneration Details

The following table of benefits and payments details, in respect to the financial years ended 30 June 2018 and 2017, the component of remuneration for each key management person of the consolidated entity:

2018	Short-Term Benefits			Post-Employment	Termination Benefits	Share-based payments		Total US$	% Remuneration as options
	Salary & Fees US$	Cash Bonus US$	Other short-term benefits US$	Superannuation US$	US$	Equity-settled (options) US$	Cash-settled US$		
Directors									
Domenic Martino	88,692	-	-	-	-	-	-	88,692	0%
Patrick Hanna	88,692	-	-	-	-	-	-	88,692	0%
Gerhardus Kielenstyn	437,995	-	-	-	-	51,005	-	489,000	10%
Total	**615,379**	**-**	**-**	**-**	**-**	**51,005**	**-**	**666,384**	8%
Senior Management									
Duncan Cornish**	3,431	-	-	-	-	-	-	3,431	-
Teuku Juliansyah	170,055	-	-	-	-	-	-	170,055	-
Total	**173,486**	**-**	**-**	**-**	**-**	**-**	**-**	**173,486**	-

** Resigned 9 August 2017

2017	Short-Term Benefits			Post-Employment	Termination Benefits	Share-based payments		Total US$	% Remuneration as options
	Salary & Fees US$	Cash Bonus US$	Other short-term benefits US$	Superannuation US$	US$	Equity-settled (options) US$	Cash-settled US$		
Directors									
Peter Lynch @	13,273	-	-	-	-	-	-	13,273	0%
Domenic Martino #	52,938	-	-	-	-	-	-	52,938	0%
Patrick Hanna	52,938	-	-	-	-	-	-	52,938	0%
Gerhardus Kielenstyn ^	451,858	-	-	-	-	4,633	-	456,491	1%
Total	**571,007**	**-**	**-**	**-**	**-**	**4,633**	**-**	**575,640**	**1%**
Senior Management									
Duncan Cornish	33,920	-	-	-	-	-	-	33,920	0%
Victor Kuss *	-	-	-	-	-	5,791	-	5,791	100%
Teuku Juliansyah	128,015	-	-	-	-	1,158	-	129,173	1%
Total	**161,935**	**-**	**-**	**-**	**-**	**6,949**	**-**	**168,884**	**4%**

@ ceased 26 January 2017
# Appointed as Chairman of the Company on 27 January 2017
^ Appointed as Executive Director of the Company on 27 January 2017 and appointed as COO on 24 June 2016
* Resigned during 2017 financial year

Directors' Report

Advances to KMP

Nil advances to Key Management Personnel as at 30 June 2018 (2017: nil) have been made.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

KMP and other executives may be paid cash bonuses or performance-related bonuses. Options are subject to continuation of services until agreed expiry date. Remuneration options on issue during the 2018 financial year to KMP were as follows:

	Remun-eration type	Grant date	Vesting date	Number	Exercise Price US$	Grant value (per option) US$	Percentage vested / paid during year %	Percentage forfeited/ cancelled during year %	Percentage remaining as unvested %	Expiry date
Consolidated entity KMP										
Gerhardus Kielenstyn	Options	11/07/2013	11/07/2014	2,000,000	0.20	0.09	-	100%	-	11/07/2017
Gerhardus Kielenstyn	Options	11/07/2013	11/07/2015	2,000,000	0.20	0.09	-	100%	-	11/07/2017
Gerhardus Kielenstyn	Options	24/02/2015	24/02/2016	2,000,000	0.10	0.03	-	-	-	24/02/2019
Gerhardus Kielenstyn	Options	24/02/2015	24/02/2017	2,000,000	0.10	0.03	-	-	-	24/02/2019
Gerhardus Kielenstyn	Options	22/12/2017	Note 1	1,000,000	0.09	0.02	-	-	100%	22/12/2020
Gerhardus Kielenstyn	Options	22/12/2017	Note 2	4,000,000	0.12	0.02	-	-	100%	22/12/2020
Teuku Juliansyah	Options	24/02/2015	24/02/2017	500,000	0.10	0.03	-	-	-	24/02/2019

Note 1: vesting on production of 100,000 tonnes of coal

Note 2: vesting on achieving a consistent production rate for three months of 45,000 tonnes of coal per month

Options holdings

Details of share-based payments to KMP and other executives awarded and vested/unvested during the year ended 30 June 2018 and 30 June 2017 are detailed in the table below:

	Balance 1 July 2017	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2018	Total vested at 30 June 2018	Total vested and exercisable at 30 June 2018	Total vested and unexercisable at 30 June 2018
Directors								
Domenic Martino	-	-	-	-	-	-	-	-
Patrick Hanna	-	-	-	-	-	-	-	-
Gerhardus Kielenstyn	8,000,000	5,000,000	-	(4,000,000)	9,000,000	4,000,000	4,000,000	-
Senior Management								
Duncan Cornish **	-	-	-	-	-	-	-	-
Teuku Juliansyah	500,000	-	-	-	500,000	500,000	500,000	-
Total	**8,500,000**	**5,000,000**	**-**	**(4,000,000)**	**9,500,000**	**4,500,000**	**4,500,000**	-

	Balance 1 July 2016	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2017	Total vested at 30 June 2017	Total vested and exercisable at 30 June 2017	Total vested and unexercisable at 30 June 2017
Directors								
Domenic Martino #	-	-	-	-	-	-	-	-
Patrick Hanna	-	-	-	-	-	-	-	-
Gerhardus Kielenstyn	8,000,000	-	-	-	8,000,000	8,000,000	8,000,000	-
Peter Lynch @								
Senior Management								
Duncan Cornish	-	-	-	-	-	-	-	-
Teuku Juliansyah	500,000	-	-	-	500,000	500,000	500,000	-
Victor Kuss *	10,000,000	-	-	-	10,000,000	10,000,000	10,000,000	-
Total	**18,500,000**	**-**	**-**	**-**	**18,500,000**	**18,500,000**	**18,500,000**	-

** Resigned 9 August 2017

@ ceased 26 January 2017

Appointed as Chairman of the Company on 27 January 2017

^ Appointed as Executive Director of the Company on 27 January 2017 and appointed as COO on 24 June 2016

* Resigned during 2017 financial year

Directors' Report

These options were not issued based on performance criteria as the Board does not consider this appropriate for a junior exploration Group. The options were issued to the director and senior management of Cokal Limited to align comparative shareholder return and reward for director and senior management.

All options issued by Cokal Limited entitle the holder to one ordinary share in Cokal Limited for each option exercised.

All options granted as part of remuneration were granted for nil consideration. Once vested, options can be exercised at any time up to the expiry date.

The consolidated entity does not currently have a policy prohibiting directors and executives from entering into arrangements to protect the value of unvested options. No directors or executives have entered into contracts to hedge their exposure to options awarded as part of their remuneration package.

Shareholdings

Details of ordinary shares held directly, indirectly or beneficially by KMP and their related parties are as follows:

	Balance 1 July 2017	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2018 ●
Directors					
Domenic Martino	37,120,001	-	-	-	37,120,001
Patrick Hanna	25,800,000	-	-	-	25,800,000
Garry Kielenstyn	-	-	-	-	-
Senior Management					
Duncan Cornish *	2,401,215	-	-	-	2,401,215
Teuku Juliansyah	-	-	-	-	-
Total	**65,321,216**	-	-	-	65,321,216

	Balance 1 July 2016	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2017
Directors					
Peter Lynch#	25,920,800	-	-	-	25,920,800
Domenic Martino	37,120,001	-	-	-	37,120,001
Patrick Hanna	25,800,000	-	-	-	25,800,000
Garry Kielenstyn	-	-	-	-	-
Senior Management					
Duncan Cornish	2,401,215	-	-	-	2,401,215
Teuku Juliansyah	-	-	-	-	-
Victor Kuss **	900,000	-	-	-	900,000
Total	**92,142,016**	-	-	-	92,142,016

Ceased to be a director on 26 January 2017
* Resigned 9 August 2017
** Resigned during 2017 financial year
● If position ceased prior to 30 June 2018, balance as at that date

Transactions with KMP and their related entities

Mr Domenic Martino

- As at 30 June 2018 director fees totaling US$148,615 (2017: US$50,896) remain outstanding to Mr Martino.
- As at 30 June 2018 a loan of AUD60,000 (US$44,346) (2017: nil) was owing to Mr Martino by the Company. This loan was provided for working capital purposes, is repayable on demand and does not accrue interest.
- As at 30 June 2018, Mr Martino was owed US$67,128 (2017: US$6,420) for expenses paid on the Company's behalf. This amount is repayable on demand and does not accrue interest.
- On 9 August 2017 the Company entered into an agreement with Indian Ocean Corporate Pty Ltd, a company of which Mr Martino is a director, for company secretarial services at a cost of AU$4,000 (excl GST) per month. The services are based on normal commercial terms and conditions. As at 30 June 2018, company secretarial fees of US$16,000 (2017: Nil)) remain outstanding. In addition, during the 2018 financial year, Indian Ocean Corporate Pty Ltd has provided corporate advisory services totaling US$218,483 (2017: nil) and assistance with the preparation of reports, totaling US$26,422 (2017: nil).

Mr Patrick Hanna

- As at 30 June 2018 director fees totaling US$148,615 (2017: US$50,896) remain outstanding to Mr Hanna.
- As at 30 June 2018 a loan of AUD108,500 (US$80,192) (2017: ni) was owing to Mr Hanna by the Company. This loan was for working capital purposes, is repayable on demand and does not accrue interest.

Directors' Report

Mr Gerhardus Kielenstyn

- As at 30 June 2018 remuneration fees totaling US$51,200 (2017: US$Nil) remain outstanding to Mr Kielenstyn.
- As at 30 June 2018 a loan of IDR500,000,000 (US$33,000) and US$90,000 (2017: nil) were owing to Mr Kielenstyn by the Company. These loans are repayable on demand and do not accrue interest.

Mr Teuku Juliansyah

- As at 30 June 2018 remuneration fees totaling US$37,837 (2017: US$Nil) remain outstanding to Mr Juliansyah.
- As at 30 June 2018 the following loans were owing to Mr Juliansyah. Interest on all loans is accrued until repayment.

Principal	Interest rate per month	Total interest charged for the Year	Interest repaid during year	Amount Outstanding as at 30 June 2018
IDR1,850,000,000	6.5%	IDR 1,443,000,000	IDR 841,750,000	IDR 2,451,250,000
IDR541,895,604	7.5%	IDR 406,421,703	IDR 175,358,108	IDR 772,959,199
IDR340,000,000	6.5%	IDR 80,600,000	-	IDR 420,600,000
IDR245,000,000	Nil	-	-	IDR 245,000,000
IDR2,731,895,604 (US$ 190,270)		**IDR 1,930,021,703 (US$ 134,421)**	**(IDR 1,017,108,108) ((US$ 70,840))**	**IDR 3,889,809,199 (US$ 270,916)**

Given the Company's financial position during the year, the directors considered the above interest rates arms' length for an immediate short-term loan, with no security over the Company's assets.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of directors) held during the year and the number of meetings attended by each Director was as follows:

	Board		Audit Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Domenic Martino	8	8	2	2
Pat Hanna	8	8	2	2
Garry Kielenstyn	8	8	n/a	n/a

Indemnification and Insurance of Directors, Officers and Auditor

Each of the current Directors and Secretaries of Cokal Limited have entered into a Deed with Cokal Limited whereby Cokal Limited has provided certain contractual rights of access to books and records of Cokal Limited to those Directors and Secretaries.

Cokal Limited has insured all of the Directors of the consolidated entity. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Directors' Report

Options

At 30 June 2018, there were 140,800,000 unissued ordinary shares under options as follows:

- 4,000,000 unlisted options exercisable at US$0.20 on or before 11 July 2018
- 5,800,000 unlisted options exercisable at US$0.23 on or before 11 July 2018
- 15,000,000 unlisted options exercisable at US$0.20 on or before 27 August 2018
- 25,000,000 unlisted options exercisable at US$0.10 on or before 6 February 2019
- 10,000,000 unlisted options exercisable at US$0.10 on or before 24 February 2019
- 1,000,000 unlisted options exercisable at US$0.072 19 September 2020
- 1,000,000 unlisted options exercisable at US$0.09 on or before 22 December 2020
- 4,000,000 unlisted options exercisable at US$0.11 on or before 22 December 2020
- 75,000,000 unlisted options exercisable at US$0.01 on or before 20 February 2023

No option holder has any right under the options to participate in any other share issue of Cokal Limited or any other entity.

During the year ended 30 June 2018, no ordinary shares in Cokal Limited were issued as a result of the exercise of options.

Subsequent to year end, no ordinary shares in Cokal Limited were issued as a result of the exercise of options.

Proceedings on Behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purposes of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

The consolidated entity was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 22.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Cokal Limited support and have adhered to the principles of corporate governance. Cokal Limited's Corporate Governance Statement has been made publicly available on the Company's website at: www.cokal.com.au.

This report is signed in accordance with a resolution of the directors.

Cokal Limited
Domenic Martino
Chairman

Sydney, 9 November 2018

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Auditor's Independence Declaration to the Directors of Cokal Limited

As lead auditor for the audit of Cokal Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cokal Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
Brisbane
9 November 2018

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 6 November 2018

(a) Distribution of Ordinary Shares and Options

The number of holders, by size of holding, in each class of security is:

	Ordinary shares	
	Number of holders	**Number of shares**
1 – 1,000	368	269,422
1,001 – 5,000	123	372,452
5,001 – 10,000	244	2,219,856
10,001 – 100,000	623	26,545,871
100,001 and over	468	692,424,527
Total	1,826	721,832,128

	Unlisted options (US$0.072 @ 19/09/2020)		Unlisted options US$0.10 @ (06/02/2019)		Unlisted options (US$0.10 @ 24/02/2019)		Unlisted options US$0.01 @ 20/2/2023		Unlisted options US$0.09 @ 22/12/2020		Unlisted options US$0.11 @ 22/12/2020	
	No. of holders	**No. of options**	**No. of holders**	**No. of options**	**No. of holders**	**No. of options**	**No. of holders**	**No. of options**	**No. of holders**	**No. of options**	**No. of holders**	**No. of options**
1 – 1,000	-	-	-	-	-	-		-		-		
1,001 – 5,000	-	-	-	-	-	-		-		-		
5,001 – 10,000	-	-	-	-	-	-		-		-		
10,001 – 100,000	-	-	-	-	-	-		-		-		
100,001 and over	1	1,000,000	1	25,000,000	5	10,000,000	3	75,000,000	1	1,000,000	1	4,000,000
Total	1	1,000,000	1	25,000,000	5	10,000,000	3	75,000,000	1	1,000,000	1	4,000,000

The number of shareholders holding less than a marketable parcel (a total of 13,513 ordinary shares) is 793 on a share price of AU$0.037

Shareholder Information

Twenty Largest Holders

The names of the twenty largest holders, in each class of quoted security (ordinary shares) are:

		Number of shares	% of total shares
1	BNP PARIBAS NOMINEES PTY LTD	69,606,201	9.64%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	65,747,188	9.11%
3	WINTERCREST ADVISORS LLC	34,241,293	4.74%
4	PH CAPITAL PTY LTD <THE HANNA FAMILY A/C>	25,000,000	3.46%
5	MRS LAURA LYNCH	17,500,000	2.42%
6	GEBRUN PTY LTD <PETLA A/C>	17,500,000	2.42%
7	MR MICHAEL CHRISTOPHER HORVATH	15,839,207	2.19%
8	CS THIRD NOMINEES PTY LTD <HSBC CUST NOM AU LTD 13 A/C>	15,064,445	2.09%
9	TEKNIKS PUBLICATIONS PTY LIMITED <SUPER FUND A/C>	14,930,000	2.07%
10	MR STEPHEN RODNEY HARIONO <DENVHI VALUE A/C>	13,000,000	1.80%
11	XIN HUA PTY LTD <JING JING SUPER FUND A/C>	12,631,200	1.75%
12	INKESE PTY LTD and MR JAY EVAN DAIS HUGHES <INKESE FAMILY A/C>	10,950,704	1.52%
13	MR VASILIOS VOTSARIS	10,838,476	1.50%
14	BNP PARIBAS NOMINEES PTY LTD <LDN UK BCH DRP A/C>	10,425,656	1.44%
15	TJ SMOCK & CO PTY LTD <MIDDLETON FAMILY A/C>	10,000,000	1.39%
16	HORVATH INVESTMENTS PTY LTD <HORVATH FAMILY A/C>	9,736,799	1.35%
17	LANNE PTY LTD <LANNE INVESTMENT A/C>	8,420,800	1.17%
18	BATMAN MANAGEMENT GROUP PTY LTD	7,666,673	1.06%
19	MR JONATHAN CHARLES COLEMAN	7,521,640	1.04%
20	MONAL PTY LIMITED <ALAN CARDY SUPER FUND A/C>	7,000,000	0.97%
	Top 20	**383,620,282**	53.13%
	Total	721,832,128	100.00%

Option Holders

The names of holders holding 20% or more of options on issue:

	Unlisted options (US$0.08 @ 19/09/2020)	Unlisted options (US$0.10 @ 06/02/2019)	Unlisted options (US$0.10 @ 24/02/2019)	Unlisted options (US$0.09 @ 22/12/2020)	Unlisted options (US$0.12 @ 22/12/2020)	Unlisted options (US$0.01 @ 20/02/2023)
	Number of options	Number of options	Number of options	Number of Options	Number of Options	Number of Options
Platinum Partners Credit Opportunities Master Fund L.P.	-	25,000,000	-	-	-	5,560,783
Platinum Partners Value Arbitrage Fund	-	-	-	-	-	11,590,365
Northrock Financial LLC	-	-	-	-	-	57,848,852
Vicki Susan Kuss & Victor Herbert Kuss <Briastre Super Fund A/C>	-	-	5,000,000	-	-	-
Gerhardus Antonius Kielenstyn	-	-	4,000,000	1,000,000	4,000,000	-
Helbraun Holdings Pty Ltd	1,000,000	-	-	-	-	-
Total	1,000,000	25,000,000	9,000,000	1,000,000	4,000,000	75,000,000
Total options in class	1,000,000	25,000,000	10,000,000	1,000,000	4,000,000	75,000,000

Shareholder Information

Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by Cokal are:

Name of Shareholder:	Ordinary Shares:
Platinum Partners Liquid Opportunities Master Fund, LP and Platinum Partners Credit Opportunities Master Fund LP	70,455,379
Peter Anthony Lynch (estate) & Lara Anne Lynch	56,052,000
Platinum Partners Value Arbitrage Fund LP & Wintercrest Advisors LLC	50,307,602
Domenic Vincent Martino & Sandra Gae Martino	37,120,001

The Company notes that, as at 5 September 2018, the following shareholders own substantial shareholdings (>= 5.0%) in Cokal:

Name of Shareholder:	Ordinary Shares:	% of total shares:
HSBC Custody Nominees (Australia) Limited	65,747,188	9.11%
BNP Paribas Nominees Pty Ltd	69,606,201	9.64%

(b) Voting rights

All ordinary shares carry one vote per share without restriction.

Options do not carry voting rights.

(c) Restricted securities

The Group currently has no restricted securities on issue.

(d) On-market buy-back

There is not a current on-market buy-back in place.

(e) Business Objectives

The consolidated entity has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

Interests in Tenements and Projects

Cokal Limited had the following interests in projects as at 30 June 2018:

Indonesia

Project	Location	% Interest
PT Anugerah Alam Katingan (AAK)	Kalimanta	75%
PT Bumi Barito Mineral (BBM)	Kalimanta	60%
PT Borneo Bara Prima (BBP)	Kalimanta	60%
PT Tambang Benua Alam Raya# (TBAR)	Kalimanta	75%

Consolidated Statement of Comprehensive Income for the year ended 30 June 2018

		2018 US$	2017 US$
Revenue and other income	2	652,172	60,516
Employee benefits expenses		(1,846,222)	(1,261,480)
Depreciation expenses	11	(25,239)	(41,884)
Arrangement fee	22	(996,198)	-
Production expenses		(3,808,113)	-
Finance costs		(639,611)	(8,796)
Legal expenses		(75,556)	(129,449)
Administration and consulting expenses		(650,913)	(968,608)
Exploration expenditure de-recognised	12	-	(9,177,568)
Other expenses		(406,463)	(326,480)
Loss before income tax expense		**(7,796,143)**	**(11,853,745)**
Income tax expense	4	-	-
Loss for the period		**(7,796,143)**	**(11,853,745)**
Other comprehensive income			
Items may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange translation differences		-	-
Total comprehensive profit/(loss) for the period		**(7,796,143)**	**(11,853,745)**

Earnings/(Loss) per share for the loss attributable to owners of Cokal Limited:		**Cents**	**Cents**
Loss per share (cents per share)	6	(1.18)	(2.02)
Diluted loss per share (cents per share)	6	(1.18)	(2.02)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2018

		2018 US$	2017 US$
Current Assets			
Cash and cash equivalents	7	15,502	28,264
Short term deposits	7	138,916	138,916
Accounts receivable	8	23,134	163,878
Other current assets	13	6,849	6,849
Total Current Assets		**184,401**	**337,907**
Non-Current Assets			
Property, plant and equipment	11	1,428,811	1,450,895
Exploration and evaluation assets	12	25,067,202	23,460,617
Other non-current assets	13	35,362	35,362
Total Non-Current Assets		**26,531,375**	**24,946,874**
TOTAL ASSETS		**26,715,776**	**25,284,781**
Current Liabilities			
Accounts payable and others	14	5,461,564	1,937,079
Convertible notes	15	364,108	-
Interest bearing loans	16	14,163,218	13,892,302
Total Current Liabilities		**19,988,890**	15,829,381
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
TOTAL LIABILITIES		**19,988,890**	**15,829,381**
NET ASSETS		**6,726,886**	**9,455,400**
Equity			
Issued capital	17	89,727,054	84,752,154
Reserves	18	5,000,143	4,907,414
Accumulated losses	19	(88,000,311)	(80,204,168)
TOTAL EQUITY		**6,726,886**	**9,455,400**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the year ended 30 June 2018

	Issued capital US$	Reserves US$	Accumulated losses US$	Total US$
At 1 July 2017	**84,752,154**	**4,907,414**	**(80,204,168)**	**9,455,400**
Total comprehensive loss for the year				
Loss for the year	-	-	(7,796,143)	(7,796,143)
Other comprehensive income	-	-	-	-
	-	-	(7,796,143)	(7,796,143)
Transactions with owners in their capacity as owners				
Issue of share capital	4,974,900	-	-	4,974,900
Share based payments	-	92,729	-	92,729
	4,974,900	92,729	-	5,067,629
At 30 June 2018	**89,727,054**	**5,000,143**	**(88,000,311)**	**6,726,886**
At 1 July 2016	**83,622,140**	**4,851,794**	**(68,350,423)**	**20,123,511**
Total comprehensive loss for the year				
Loss for the year	-	-	(11,853,745)	(11,853,745)
Other comprehensive income	-	-	-	-
	-	95,129	(11,853,745)	(11,853,745)
Transactions with owners in their capacity as owners				
Issue of share capital	1,130,014	-	-	1,130,014
Share based payments	-	55,620	-	55,620
At 30 June 2017	**84,752,154**	**4,907,414**	**(80,204,168)**	**9,455,400**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows for the year ended 30 June 2018

		2018 US$	2017 US$
Cash Flows from Operating Activities			
Receipt from customers		959,263	-
Payments to suppliers and employees		(4,039,122)	(1,813,380)
Interest received		98	2,643
Finance costs paid		(215,476)	(8,796)
Payment of arrangement fee	22	(496,198)	-
Net cash outflow from operating activities	24	**(3,791,435)**	**(1,819,533)**
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(3,155)	-
Proceeds from sale of tenements		-	(160,000)
Proceeds from lease deposit		136,868	-
Receipts from other non-current assets		-	28,739
Net cash outflow from investing activities		**133,713**	**188,739**
Cash Flows from Financing Activities			
Proceeds from issue of shares and options		1,744,476	1,130,014
Proceeds from convertible note		1,567,177	-
Proceeds from borrowings		333,307	47,702
Net cash inflow from financing activities		**3,644,960**	**1,177,716**
Net (decrease)/increase in cash and cash equivalents		(12,762)	(453,078)
Cash and cash equivalents at beginning of year	7	28,264	462,770
Net foreign exchange differences		-	18,572
Cash and cash equivalents at end of year		**15,502**	**28,264**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 1: Summary of Significant Accounting Policies

(a) General information

The consolidated financial statements of Cokal Limited for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors dated 8 November 2018 and covers the consolidated entity (the "Group" or "Cokal") consisting of Cokal Limited (the "Company") and its subsidiaries.

The financial statements are presented in United States Dollars ("US$" or "US$").

Cokal Limited (the parent) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The principal activities of the Group during the year were focused on the identification and development of coal within the highly prospective Central Kalimantan coking coal basin in Indonesia.

(b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis.

(c) Going concern

At 30 June 2018, the Group's current liabilities exceed the current assets by US$19,804,489 (30 June 2017: US$15,491,474). This position is due to:

- The classification of the Group debt with Platinum Partners (refer note 16) of $13,892,302 as a current liability; and
- The Group's arrears of trade and other payables. A significant number of the Group's creditors are providing informal financial support to the entity.

On 22 July 2016, Cokal announced it had reached an agreement with Platinum Partners for the conversion of all outstanding loans owing to them to production royalties. The royalties will be payable on 1% of the realised selling price of coal (FOB) from the Bumi Barito Mineral Project (BBM) and PT Tambang Benua Alam Raya (TBAR) projects up to a maximum of US$40 million. Under the arrangement, no minimum royalty is payable and the royalty is only payable as and when coal is mined and sold.

On 29 April 2017, the Group entered into a Royalty Deed with Platinum Partners (refer note 16) to convert of all outstanding loans owing to them to production royalties (this formalised the agreement on 22 July 2016). The Royalty Deed is subject to a number of substantive conditions precedent which were not satisfied at 30 June 2018 or at the date of this report. As a consequence, the Platinum Partners debt is still due and payable at 30 June 2018.

The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Group to continue to adopt the going concern assumption will depend upon a number of matters including:

- Satisfaction of all conditions precedent and completion of the Royalty Deed with Platinum Partners and the conversion of all associated debt to a royalty on coal sold;
- The successful completion of funding for the Group's working capital requirements (including the existing working capital deficiency) during the 2018 financial year;
- The continued financial support of management and directors who have provided short term loans to the Group and continued willingness of creditors to extend payment terms to the Group until such time as cash flow are generated by the BBM project; and
- The successful raising of sufficient funding, through debt, equity or other arrangements (or a combination of transactions) to progress the development of the larger BBM project, including meeting capital expenditure, tenement purchase commitments (refer note 22) and working capital requirements, until such time as the project's is in production and its revenues from coal sales are sufficient to meet its cash outflows.

Should these avenues be delayed or fail to materialize, the Group has some ability to scale back its activities to help the Group to manage to meet its debts as and when they fall due in the short term. However, this may result in the Group not satisfying the condition precedent contained in the Royalty Deed which may require further re-negotiation of the arrangements with Platinum Partners.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

(c) Going concern (Cont'd)
Importantly, the Group's significant arrears of trade and other payables means it's ability to continue as a going concern is dependent on creditors extending payment terms, providing informal financial support and not demanding payment of amounts owed to them in excess of the Group's available funds at the time. At the date of this report, no creditor or lender of the Group, including a Platinum Partners, have made demands for payment.

On 21 September 2018, Cokal signed a Key Principles of Agreement with PT Bara Mineral Asri (BMA Group) to develop and operate PCI and Coking Coal production. To date, Cokal has received US$1.5 million of US$2.0 million from BMA Group to secure the transaction.

On 3 August 2018 and 25 September 2018, 150,000 Convertible Notes were converted to 7,591,796 shares. Subsequent to year end the convertible noteholder has advised the Company of the requirement to repay the remainder of the notes outstanding. This amount totals US$186,251, which has been paid by the Company.

The combined impact of the above amounts has enabled the Group to meet its required cash out flows to the date of this report but the significant arrears of trade and other payable remains.

The Directors are confident given the current permitting and financing processes undertaken and announced to the market (including the abovementioned Key Principles of Agreement with the BMA Group) that the Group will be successful in its endeavours to develop the larger BBM project and will satisfy the conditions precedent in the Platinum Partners Royalty Deed. The directors believe that the commencement of operation at the BBM project (and the forecast generating of operating cash inflows) in conjunction with planned capital raisings will enable it to satisfy its working capital requirements (including its arrears of trade and other payables). This being the case, the directors have a reasonable expectation that given the status of the current permitting and financing processes, the Group's creditors will continue to extend payment terms, provide informal financial support and not demand payment of amounts owed to them in excess of the Group's available funds.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities should the Group be unsuccessful in raising funds to enable it to realise its assets and discharge its liabilities in the ordinary course of business.

(d) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(ii) Accounting Standards and Interpretations issued but not yet effective

A number of Australian Accounting Standards and Interpretations have recently been issued but are not yet effective. The directors have not early adopted any of these new or amended Standards and Interpretations for the year ended 30 June 2018. The directors have not yet fully assessed the impact of these new or amended Standards or Interpretations (to the extent relevant to the Group). The new standards and interpretations that could potentially impact the Group include the following:

- AASB 9: *Financial Instruments* (effective annual reporting periods commencing on or after 1 January 2018);
- AASB 15: *Revenue from Contracts with Customers* (effective annual reporting periods commencing on or after 1 January 2018;
- AASB 16: Leases (effective annual reporting periods commencing on or after 1 January 2019); and
- AASB Interpretation 23: Uncertainty over Income Tax Treatments (effective annual reporting periods commencing on or after 1 January 2019).

(e) Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

(e) Basis of consolidation (cont'd)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised:

Interest

For all financial instruments measured at amortised cost and interest bearing financial assets classified as loans and receivables, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter year, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other income.

Consultation fees

Consultation fees are recognised when the service is rendered and revenue can be measured reliably.

(g) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

(g) Income Tax (cont'd)

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer profitable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Cokal Limited and its wholly-owned subsidiaries are in the process of implementing the tax consolidation legislation in Australia. Cokal Limited will be the head entity in the tax consolidated Group. Once the tax consolidation is executed, these entities will be taxed as a single entity and deferred tax assets and liabilities will be offset in these consolidated financial statements.

(h) Impairment of non-financial assets other than goodwill

At the end of each reporting period the Group assesses whether there is any indication that individual assets other than goodwill, are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's FVLCD and VIU. For the purpose of assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets other than goodwill that have previously been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(i) Joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. A joint arrangement can be classified as a joint venture or a joint operation. The classification of a joint arrangement as a joint venture or a joint operation depends upon the rights and obligations of the parties to the arrangement.

(j) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Joint ventures are accounted for using the equity method. The Group does not currently have any joint ventures.

The Group recognises its interest in joint operations as follow:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

Details of the Group's joint operations are set out in Note 10.

(k) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

(l) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group currently only has receivables.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Loans and receivables

This category is the most relevant to the Group and generally applies to trade and other receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss in the statement of comprehensive income. The losses arising from impairment are recognised in profit or loss in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

(ii) Financial liabilities (cont'd)

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Accounts payable
Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and employees. The accounts payable are subsequently measured at amortised cost using the effective interest method (EIR). Due to their short term nature, the fair value approximates their carrying value.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss in the statement of comprehensive income. This category generally applies to interest bearing loans and borrowings.

De-recognition
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss in the statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(m) Property, plant and equipment
Property, plant and equipment are measured at cost less depreciation and impairment losses.

The cost of property, plant and equipment constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation
The depreciable amount of property, plant and equipment is depreciated over their useful life to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of Fixed Assets	Depreciation Rate
Land	nil
Computer Equipment	33.3% straight line
Furniture and Office Equipment	10 – 33.3% straight line
Motor Vehicles	20% straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. The gains and losses are included in the statement of comprehensive income.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

(n) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. The exploration and evaluation expenditure is only carried forward as exploration or evaluation assets to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

When technical feasibility and commercial viability of extracting a Coal Resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expense is assessed for impairment.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off/de-recognised in full against profit in the period in which the decision to abandon the area is made.

Costs related to the acquisition of properties that contain Coal Resources are allocated separately to specific areas of interest. These costs are capitalised until the viability of the area of interest is determined.

The stripping costs (the process of over burden removal) incurred before production commences (development stripping) are capitalised as part of mine development expenditure and subsequently amortised.

The stripping costs incurred subsequent to commencement of production are referred to as production stripping. Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the coal to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

a) Future economic benefits (being improved access to the ore body) are probable;
b) The component of the ore body for which access will be improved can be accurately identified; and
c) The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred. When production commences, the accumulated costs for the relevant area of interest (mine development and acquired properties) will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves using a units of production method.

Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine properties. The Group assesses its mine rehabilitation provision at each reporting date. The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances which arise due to further development /construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with AASB 116.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

(n) Exploration, evaluation and development expenditure (cont'd)

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, then that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as part of finance costs. For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss and other comprehensive income.

The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

(o) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the end of the reporting period are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

(p) Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated.

(q) Issued capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(r) Share-based payments

The Group provides benefits to employees (including directors) and suppliers (including financiers and consultants) in the form of share-based payment transactions, whereby employees or suppliers render/provide services in exchange for shares or options over shares (equity-settled transactions).

The fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity (share-based payment option reserve). The fair value of options granted to financiers is recognised as finance cost with a corresponding increase in equity (share-based payment option reserve). Fair value of shares issued to employees and consultants are recognised as employee benefits and consultancy expenses respectively with a corresponding increase in share capital. The fair value is measured at grant date and recognised over the period during which the employees/suppliers become unconditionally entitled to the options. Fair value is determined by an independent valuer using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Cokal Limited (market conditions).

The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors' best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the Group until vesting date, or such that employees are required to meet internal performance targets. There are no conditions associated with the options issued to the financiers. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

(r) Share-based payments (cont'd)

At each subsequent reporting date until vesting the cumulative charge to the statement of comprehensive income is the product of:
- The grant date fair value of the award;
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employees turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

The dilution effect, if any, of outstanding options is reflected as additional share dilutions in the computation of diluted earnings per share.

(s) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to owners of Cokal Limited by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares during the period.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the amount used in determining basic earnings per share by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Determination and presentation of operating segments

AASB 8 *Operating segments* requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker (CODM), which has been identified as the Board of Directors.

Operating segments that meet the qualification criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the qualification criteria is still reported separately when information about the segment would be useful to users of the financial statements.

(v) Fair value measurement

The Group did not have any financial assets and liabilities measured at fair value at reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(w) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction (refer note 1(d)). Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. The resulted gain or loss on retranslation is included in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(x) Operating leases

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(y) Parent entity financial information

The financial information for the parent entity, Cokal Limited, included in Note 20, has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries and joint venture operations are accounted for at cost, less provision for impairment.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

(z) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is either:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(aa) Critical accounting estimates and judgments

Details of critical accounting estimates and judgements about the future made by management at the end of the reporting period are set out below:

(i) Impairment of non-financial assets

The Group assesses each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimates of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU). The assessments require the use of estimates and assumptions such as long term coal prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements and decommissioning operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risks and uncertainty. Therefore, there is a possibility that changes in circumstances will impact this project, which may impact the recoverable amount of the asset.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group considers any third party offers when forming a view on fair value, or Enterprise Value (EV) that the market participants willing to pay for acquisition of the Group's shares.

(ii) Exploration and evaluation assets

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either exploration or sale, or whether activities have not yet reached a stage which permits a reasonable assessment of the existence of technically feasible and commercially viable reserves. The determination of reserves and resources is itself and estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the statement of comprehensive income in the period when the new information becomes available.

At reporting date, certain tenements have reached a renewal date or will reach a renewal date in the next 12 months. These tenements remain current until an official government expiry notice is issued. The directors are of the opinion that while they are due for renewal, as no expiry notice has been received they remain current. If renewal is not forthcoming, the amounts capitalised will likely be de-recognised.

(aa) Critical accounting estimates and judgments (cont'd)

(iii) Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet.

Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or change to the income statement.

(iv) Share-based payments

The Group uses estimates to determine the fair value of equity instruments issued to directors, executives, employees and suppliers. Further detail of estimates used in determining the value of share-based payments is included in Note 25.

(v) Joint arrangements

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement such as approval of the capital expenditure program for each year or terminating the service providers of the arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement – whether its structured through a separate vehicle
- When the arrangement is structure through a separate vehicle, the Group also considers the rights and obligations arising from:
  - The legal form of the separate vehicle;
  - The terms of the contractual arrangement; and
  - Other facts and circumstances (when relevant).

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

Per agreement with subsidiary shareholders, the relevant activities including financing of certain entities' are managed and controlled by Cokal until the completion of Initial Work Program (refer note 9). The rights of other shareholders to receive returns and obligations for expenditure are only established when they contribute their share of capital upon completion of the Initial Work Program by Cokal. Given this, to date it has been determined that Cokal controls these entities and hence currently consolidates them as subsidiaries. In future periods, however, the accounting treatment of these entities will be required to be reassessed upon completion of Initial Work Program. This may lead to a change in accounting if it is then determined that instead of controlling these entities, Cokal now only jointly controls these and they are joint arrangements. Depending on whether these joint arrangements are classified as joint ventures or joint operations, this may require either equity accounting (for a joint venture) or recognition of Cokal's share of the assets, liabilities, income and expenses of the arrangement (for a joint operation). Directors have not reassessed the impact at reporting date as the Initial Work Program has not been completed at this date.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 2: Revenue and Other Income

	2018 US$	2017 US$
Revenue		
- Sale of coal	652,074	-
Other income		
- Interest income from external parties	98	2,643
- Gain on disposal of subsidiary	-	57,873
Total other income	652,172	60,516

Note 3: Dividends and Franking Credits

There were no dividends paid or recommended during the financial year (30 June 2017: Nil).
There were no franking credits available to the shareholders of the Group (30 June 2017: Nil).

Note 4: Income tax

	2018 US$	2017 US$
The prima facie income tax on the loss is reconciled to the income tax expense as follows:		
Prima facie tax benefit at 27.5% (2017: 30%) on loss before income tax	(2,143,939)	(3,556,124)
Add tax effect of:		
- Not deductible expenses and impact of tax rate differences	2,143,939	3,519,222
- Deferred tax asset not recognised	-	36,602
Income tax expense	-	-
Deferred tax assets		
Deductible temporary differences	-	-
Carry forward tax losses	10,089,602	7,647,338
Deferred tax liabilities		
Assessable temporary differences	-	-
Net deferred tax assets not recognised	10,089,602	7,647,338

There are no franking credits available to shareholders of Cokal Limited.

The carried forward tax losses and temporary differences not recognised as deferred tax assets as at 30 June 2018 were US$37,928,866 (30 June 2017: US$27,839,264) and US$nil (30 June 2017: US$nil) respectively.

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test must be passed. The majority of losses are carried forward at 30 June 2018 under COT.

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
(ii) the Group continues to comply with the conditions for deductibility imposed by the law; and
(iii) no changes in tax legislation adversely affect the Group in realising the losses

Note 5: Auditor's Remuneration

	2018 US$	2017 US$
Audit services		
Amounts paid/payable to Ernst & Young for audit or review of the financial statements for the Group		
Ernst & Young - Australia	138,000	75,323
Ernst & Young - Indonesia	-	28,024
Ernst & Young - Singapore	-	30,000
	138,000	**133,347**

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 6: Loss per Share

	2018 Number	2017 Number
Loss attributable to owners of Cokal Limited used to calculate basic and diluted loss per share	(7,796,143)	(11,853,745)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	660,704,114	586,568,731
Adjustments for calculation of diluted earnings per share:		
- Options *		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	660,704,114	586,568,731
Basic loss per share (cents per share)	(1.18)	(2.02)
Diluted loss per share (cents per share)	(1.18)	(2.02)

* Options are considered anti-dilutive as the Group is loss making.

Options could potentially dilute earnings per share in the future. Refer to Note 17 for details of option granted as at 30 June 2018.

Note 7: Cash and Cash Equivalents

	2018 US$	2017 US$
Cash and bank balances	154,418	167,180
Cash at bank bear floating and fixed interest rates between 0.10% and 2.78% (2017: between 0. 10% and 2.78%).		
Included in the consolidated statement of cash flows as follows:		
Cash and bank balances *	154,418	167,180
Less: Short term deposits maturing after three months and restricted bank balance classified as investing activities**	(138,916)	(138,916)
Cash and cash equivalents	**15,502**	**28,264**

* All deposits are short term investments held at commercial banks.

**Include restricted deposit of US$ 138,916 (2017: US$138,916) can be used only after TBAR production commences.

Note 8: Accounts Receivable

	2018 US$	2017 US$
Current		
Other receivables*	23,134	163,878
	23,134	**163,878**

*No receivable balances are past due or impaired at reporting date.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 9: Subsidiaries

a) Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

Name of entity	Country of Incorporation	Class of Shares	Percentage Owned (%)*	
			2018	2017
Jack Doolan Capital Pty Ltd	Australia	Ordinary	100%	100%
Cokal Mozambique Pty Ltd	Australia	Ordinary	100%	100%
Cokal Holdings Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-AAK Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-AAM Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-BBM Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-BBP Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal Services Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal Karoo Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal Manda Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-West Kalimantan Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-BPR Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-TBAR Pte. Ltd	Singapore	Ordinary	100%	100%
Mining Logistics Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-KED Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal Resources Limited	Tanzania	Ordinary	100%	100%
PT Cokal	Indonesia	Ordinary	100%	100%
PT Bumi Kalimantan Logistik (BKL)	Indonesia	Ordinary	100%	100%
PT Anugerah Alam Katingan^ (AAK)	Indonesia	Ordinary	75%	75%
PT Bumi Barito Mineral^ (BBM)	Indonesia	Ordinary	60%	60%
PT Borneo Bara Prima ^ (BBP)	Indonesia	Ordinary	60%	60%
PT Tambang Benua Alam Raya# (TBAR)	Indonesia	Ordinary	75%	75%
Cokal Karoo Limited#	Tanzania	Ordinary	100%	60%
Cokal Manda Limited#	Tanzania	Ordinary	100%	50%

* the proportion of ownership interest is equal to the proportion of voting power held.

^ at reporting date, the capital of these companies represents only the contributions from Cokal. Per agreement, the right of non-controlling shareholders' receiving a return is established only when they contribute their share of capital upon completion of the Initial Work Programs for each of the projects. At reporting date, the Initial Work Programs for these projects have not yet been completed and therefore there is no right to a return for non-controlling interests.

During the 2018 financial year, the Group terminated its joint operations with a private company, Tanzoz Resource Company Ltd. The Company now owns 100% of the Tanzanian entities. The entities are dormant entities. All capitalised expenditures for these entities has been impaired to $nil in prior periods. The fair value of the underlying assets, liabilities and contingent liabilities at the acquisition date and 30 June 2018 are $nil.

b) Financial information of subsidiaries

Financial information of subsidiaries that will have material non-controlling interests are provided below. The balances of non-controlling interests are not currently material at 30 June 2018 and 30 June 2017 as the right of non-controlling shareholders' receiving a return is established only when they contribute their share of capital upon completion of the Initial Work Programs for each of the projects. At reporting date, the Initial Work Programs for these projects have not yet been completed and therefore there is no right to a return for non-controlling interests.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 10: Joint Operations

Tanzania

Cokal has terminated its joint operations with a private company, Tanzoz Resource Company Ltd. The Company now owns 100% of the Tanzanian entities.

Name of entity	Country of Incorporation	Class of Shares	Percentage Owned (%)*	
			2018	2017
Cokal Karoo Limited^	Tanzania	Ordinary	100%	60%
Cokal Manda Limited^	Tanzania	Ordinary	100%	50%

^ the Group has not undertaken any activities. The expenditures incurred have been fully written down in previous years as they are no longer recoverable. The fair value of the underlying assets are nil.

Note 11: Property, Plant and Equipment

	2018 US$	2017 US$
Land		
At cost	31,526	31,526
	31,526	31,526
Computer equipment		
At cost	552,886	552,886
Accumulated depreciation	(551,782)	(551,070)
	1,104	1,816
Furniture and office equipment		
At cost	552,957	552,957
Accumulated depreciation	(318,942)	(294,415)
	234,015	258,542
Motor Vehicles		
At cost	9,974	9,974
Accumulated depreciation	(9,974)	(9,974)
	-	-
Capital WIP		
At cost	1,162,166	1,159,011
Total property, plant and equipment	**1,428,811**	**1,450,895**

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 11: Property, Plant and Equipment (cont'd)

(a) Movements in carrying amounts

2018	Land US$	Computer equipment US$	Furniture and office equipment US$	Motor Vehicles US$	Capital WIP US$	Total US$
Balance at the beginning of the year	31,526	1,816	258,542	-	1,159,011	1,405,895
Additions	-	-	-	-	3,155	3,155
Disposals	-	-	-	-	-	-
Depreciation expense	-	(712)	(24,527)	-	-	(25,239)
Carrying amount at the end of the year	31,526	1,104	234,015	-	1,162,166	1,428,811
2017	**Land** **US$**	**Computer equipment** **US$**	**Furniture and office equipment** **US$**	**Motor Vehicles** **US$**	**Capital WIP** **US$**	**Total** **US$**
Balance at the beginning of the year	31,526	3,277	297,463	1,499	1,168,254	1,502,019
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	(9,243)	(9,243)
Depreciation expense	-	(1,461)	(38,921)	(1,499)	-	(41,881)
Carrying amount at the end of the year	31,526	1,816	258,542	-	1,159,011	1,450,895

Note 12: Exploration and Evaluation Assets

	2018 US$	2017 US$
Non-Current		
Exploration and evaluation expenditure capitalised		
- exploration and evaluation phases	23,460,617	23,460,617

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of coal, or alternatively, sale of the respective areas of interest.

(a) Movements in carrying amounts		
Balance at the beginning of the period	25,067,202	32,740,312
Additions[1]	1,606,585	-
Disposals [2]	-	(102,126)
Exploration expenditure de-recognised[3]	-	(9,177,568)
Carrying amount at the end of the period	**25,067,202**	**23,460,617**

1. *The additions for the year ended 30 June 2018 represent the issuance of 25 million ordinary shares to the vendors of PT Tambung Benua Alam Raya (TBAR) in full and final satisfaction of all post- completion payments, owing by the Group, in respect of its acquisition of the Group's interest in TBAR. The shares were issued to the vendors in February 2018.*
2. *Disposal during the year ended 30 June 2017 represents the sale of PT Silangkop Nusa Raya (SNR) project and PT Ketungau Nusa Raya (KNR) project. A gain of $57,873 is recognised in the statement of comprehensive income in that period.*
3. *During the year ended, 30 June 2017, the Group recorded an impairment charge of $9,177,568 in respect of the PT Bumi Barito Mineral (BBM). At that time, the carrying amount of the Group's exploration and evaluation ("E&E") assets was the only BBM project*

The Group assessed impairment indicators under AASB 6 *Exploration for and Evaluation of Mineral Resources* (AASB 6) that were present during the year ended 30 June 2018 and tested for impairment under AASB 136 *Impairment of Assets* (AASB 136).

Historically, the Group had determined the recoverable amount of the BBM project using the Fair Value Less Cost of Disposal (FVLCD) methodology considering the Group as a single cash generating unit (consistent with the Group's primary focus on the BBM project and this being the only asset in respect of which E&E is carried forward). The FVLCD was determined using Enterprise Value (EV). EV is implied by Cokal's market capitalisation plus a control premium. The fair value measurement is categorised under Level 2 of the fair value hierarchy (refer note 1 (v)).

During the current year, the Group paid the post completion amounts in respect of the TBAR project. As a consequence:

- The carrying amount of the Group's E&E included $23.5 million and $1.6 million for BBM and TBAR respectively; and
- The Group has two identifiable areas of interest that need to be assessed for impairment.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 12: Exploration and Evaluation Assets (cont'd)

At 30 June 2018, FVCLD of the Group's two areas of interest was measured with to the Group's market capitalisation. At that time, the Group's market capitalisation exceeds the carrying amount of its net asset.

Given the presence of the two areas of interest, the FVLCD implied by the Group's EV does not provide a precise evaluation of the FVLCD of the distinct areas of interest. This being the case, the Group also had reference to an Independent Study of all of Cokal's tenement interests prepared in accordance with the Valmin Code as at 30 June 2017 (released on 23 August 2017). The Independent Study provided an estimate of value (in accordance with the Valmin Code) of BBM and TBAR. The Independent Study estimated the value of BBM using a discounted cash flow method and assessed the value of TBAR with reference to a resource multiple ($ per tonne of in-situ resource tonnes). The Valmin Code valuation is a proxy for FVLCD under AASB 136 and would be categorised under Level 3 of the fair value hierarchy (refer note 1 (v)). Based on the combined impact of the EV assessment and Independent Study the Group is satisfied no further impairment was required at 30 June 2018.

In addition, given the AASB 6 impairment indicator identified by the Group was associated with its intention and ability to spend substantial amounts on the continued exploration and evaluation of the areas of interest, the Group's continued funding issues (refer note 1(c)) means there is no current indication previously recorded impairments in respect of both BBM and TBAR should be reversed.

Note 13: Other Assets

	2018 US$	2017 US$
Current		
Prepayments	6,849	6,849
Non-Current	35,362	35,362
Security deposits		

Note 14: Accounts Payable and Others

	2018 US$	2017 US$
Current		
Revenue in advance	307,189	-
Sundry payables and accrued expenses	4,370,048	1,465,882
Director fees owing	348,430	101,792
Loans payable to directors and employees #	352,370	226,396
Employee benefits	40,082	99,564
Deferred liability (rent incentive)	43,445	43,445
	5,461,564	**1,937,079**

These loans payable to directors and employees are non-interest bearing and repayable on demand.

Note 15: Convertible Notes

	2018 US$	2017 US$
Current		
Fair value of Convertible Notes on issue	1,927,730	-
Convertible Notes converted to shares	(1,563,622)	-
	364,108	**-**

During October 2017 the Company issued 1,577,234 Convertible Notes upon the receipt of US$1,567,177 (AUD$2,000,000) in cash from MEF I, L.P. ("Magna"). The face value of each Convertible Note is US$1.10. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twelve (12) months after the issue date. The conversion price for each convertible note is the lower of a fixed price (being AUS$0.10 per share) or a share price each to 90% of the four (4) lowest day VWAPs over the ten (10) day trading period immediately prior to the conversion. At the time of issuance, the difference between the fair value of the Convertible Notes being US$1,927,730 and the proceeds received of US$1,567,177 was recorded as a finance cost in the statement of comprehensive income. As at 30 June 2018, Magna had converted 1,280,000 Convertible Notes to shares, with 297,234 Convertible Notes remaining.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 16: Interest Bearing Loans

	2018 US$	2017 US$
Current		
Loans payable to employee	270,916	-
Platinum Partners / Northrock facility	10,065,000	10,065,000
Blumont Group / Wintercrest facility	3,827,302	3,827,302
Total Interest bearing loans	**14,163,218**	**13,892,302**

Loans payable to employee

During the year the Company entered into the following loans with the Chief Financial Officer.

Principal	Interest rate per month	Total interest charged for the Year	Interest repaid during year	Amount Outstanding as at 30 June 2018
IDR1,850,000,000	6.5%	IDR 1,443,000,000	IDR 841,750,000	IDR 2,451,250,000
IDR541,895,604	7.5%	IDR 406,421,703	IDR 175,358,108	IDR 772,959,199
IDR340,000,000	6.5%	IDR 80,600,000	-	IDR 420,600,000
IDR245,000,000	Nil	-	-	IDR 245,000,000
IDR2,731,895,604 (US$ 190,270)		**IDR 1,930,021,703 (US$ 134,421)**	**(IDR 1,017,108,108) ((US$ 70,840))**	**IDR 3,889,809,199 (US$ 270,916)**

Given the Company's financial position during the year, the directors considered the above interest rates arms' length for an immediate short-term loan, with no security over the Company's assets.

Platinum Partners / Northrock Facility

Under terms of various short-term loan facility agreements and a bridging loan facility agreement dated August 2015, the Group has borrowed a total of US$10.065 million from various subsidiaries of Platinum Partners. At 30 June 2018, the full amount of the loan is due and payable to Northrock Financial LLC ("Northrock"), being a subsidiary of Platinum Partners.

Blumont Group / Wintercrest Facility

On 5 November 2013, the Group entered into a loan facility agreement with Blumont Group Limited ("Blumont"). Under this facility, the Group had drawn down US$3.4 million (30 June 2017: US$3.4 million) (the amount owing as at 30 June 2018 and 30 June 2017 includes interest and fees). The loan was repayable on demand on the third (3rd) anniversary of the loan drawdown date, being 5 November 2016. On 7 April 2016, Wintercrest Advisors LLC ("Wintercrest"), a subsidiary of Platinum Partners, agreed to Settlement Agreement with Blumont, pursuant to which the Blumont loan was assigned in full to Wintercrest. As a result, Wintercrest replaced Blumont as the lender under its facility agreement.

Conversion of loans from Northrock and Wintercrest to royalties

On July 2016, Cokal announced it had reached an agreement with Platinum Partners for the conversion of all outstanding loans owing under the Wintercrest and Norfolk facilities to production royalties. The royalties will be payable on 1% of the realised selling price of coal (FOB) from the Bumi Barito Mineral Project (BBM) and PT Tambang Benua Alam Raya (TBAR) projects up to a maximum of US$40 million. Under the arrangement, no minimum royalty is payable and the royalty is only payable as and when coal is mined and sold.

On 29 April 2017, the Group entered into a Royalty Deed with Wintercrest and Northrock (collectively the "Lenders") to convert all outstanding loans owing to them to production royalties. The Royalty Deed is subject to a number of substantive conditions precedent. The conditions precedent include:

a) The completion of legal and commercial due diligence by the Lenders';

b) Approval by Cokal's shareholders;

c) The Lenders being provided security in the form of a first legal charge under a deed of charge, over all of Cokal's interest in the BBM and TBAR projects, in a form reasonably satisfactory to the Lenders, to protect the interest of the Lenders in the royalties;

d) Cokal evidencing to the satisfaction of the Lenders (in their sole discretion) it has completed a capital raising (debt, equity or a combination) to support the production of at least 100 ktpa of coal;

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 16: Interest Bearing Loans (cont'd)

e) Cokal evidencing to the satisfaction of the Lenders (in their sole discretion) that:

i. Cokal's production is not less than 8500 tonnes per month for a period of six (6) consecutive months;

ii. Cokal's production for three (3)months from the date of first production is not less than the monthly equivalent of 100ktpa;

provided the above three and six month period occur with 18 months of the Group satisfying the condition in (d) above; and

f) The Lenders have received and approved all financial budgets anticipated to meet the production targets in (d) and (e) above.

At 30 June 2018, the Lenders had completed due diligence and shareholder approval received. As such condition (a) and (b) were satisfied, but all of the other conditions precedent were outstanding. As such, the loans remain in force and repayable on demand at that time.

As the Group agreed in principal to the conversion of the Wintercrest and Northrock debt to a royalty in July 2016, no interest expense has been recorded for the year ended 30 June 2018. In the event the Group is not able to satisfy the conditions precedent in the Royalty Deed, the Lenders may seek to retrospectively charge interest on amounts owing to them for the period. As such, the Group has determined it appropriate to disclose the debts as interest-bearing liabilities at 30 June 2018. In February 2018, 75,000,000 unlisted options were issued by the Company to the Lenders. These options vest upon completion of the debt to royalty conversion (refer Note 25).

Note 17: Issued Capital

	2018 US$	2017 US$
713,699,792 authorised and fully paid ordinary shares (30 June 2017: 593,092,704)	89,787,271	84,752,154

The movement in Issued capital is as follows:

	2018 US$	2017 US$
At the beginning of the year	84,752,154	83,622,140
Amount received for issue of shares during the year		
Share issue from capital raising	1,744,476	1,130,014
Share issue from conversion of convertible notes	1,563,622	-
TBAR debt settlement	1,606,585	-
Shares issued as payment of creditors	60,217	-
At reporting date	**89,727,054**	**84,752,154**

	2018 Number	2017 Number
(a) Ordinary shares		
At the beginning of the year	593,092,704	499,342,704
Shares issued during the year		
Share issue from capital raising	52,940,002	93,750,000
Shares issued on conversion of Convertible Notes	41,792,086	-
TBAR debt settlement	25,000,000	-
Shares issued as payment of creditors	875,000	-
At reporting date	**713,699,792**	**593,092,704**

During the year there were 52,940,002 fully paid ordinary shares issued raising US$1.7 million. There were two placement for general corporate purposes in July 2017 and February 2018.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 17: Issued Capital (cont'd)

(b) Options

All options on issue at 30 June 2018 were as follows:

Number of options	Exercise price US$	Expiry date
Employees:		
4,000,000	0.20	11 July 2018
5,800,000	0.23	11 July 2018
10,000,000	0.10	24 February 2019
1,000,000	0.09	22 December 2020
4,000,000	0.12	22 December 2020
Consultant		
1,000,000	0.08	19 September 2020
Platinum / Northrock:		
75,000,000	0.01	20 February 2023
15,000,000	0.19	27 August 2018
25,000,000	0.10	6 February 2019
140,800,000		

For information relating to the Cokal Limited employee option plan, including details of options issued, exercised and lapsed during the year and the options outstanding at year-end refer to Note 26.

(c) Capital Risk Management

Management controls the capital of the Group in order to provide capital growth to shareholders and ensure the Group can fund its operations and continue as a going concern.

The Group capital comprises equity as shown in the Statement of Financial Position. There are no externally imposed capital requirements other than shown in note 17.

Management effectively manages the Group capital by assessing the Group financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include raising the sufficient equity capital when required.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Note 18: Reserves

	2018 US$	2017 US$
Share based payments option reserve	6,455,598	6,362,868
Translation reserve	(1,455,455)	(1,455,455)
	5,000,143	**4,907,413**

The option reserve records the value of options issued as part of capital raisings, extensions for loans as well as expenses relating to director, executive and employee share options.

During the year ended 30 June 2018, Mr Gary Kielenstyn was issued 5,000,000 unlisted options on the following terms:

- 1,000,000 options with an exercise price of AUD0.12 and an expiry date of 22 December 2020, vesting when the Company has produced 100,000 tonnes of coal; and
- 4,000,000 options with an exercise price of AUD0.15 and an expiry date of 22 December 2020, vesting when the Company is consistently operating at a production rate for three months of 45,000 tonnes of coal per month.

1,000,000 options (with an exercise price of US$0.07 and expiry date of 19 September 2020) were also issued to Helbraun Holdings Pty Ltd for consulting services provided to the Company.

In addition, the Company issued 75,000,000 options to Platinum /Northrock in accordance with the transaction to convert loans to production royalties (refer to Note 16). These options do not vest until that transaction is complete and such, have not been expensed in the 2018 financial year.

Translation reserve represents the net exchange differences arising from the translation as a result of change in presentation currency to US$ from AUD.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 19: Accumulated Losses

	2018 US$	2017 US$
Accumulated losses attributable to members of Cokal Limited at beginning of the year	(80,204,168)	(68,350,423)
Loss for the year	(7,796,143)	(11,853,745)
Accumulated losses attributable to members of Cokal Limited at the end of the year	(88,000,311)	(80,204,168)

Note 20: Parent Entity Information

The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 1.

Parent Entity	2018 US$	2017 US$
Current assets	144,061	131,241
Non-current assets	22,113,230	24,057,253
Total assets	22,257,291	24,188,494
Current liabilities	15,529,834	14,414,916
Non-current liabilities	576,236	318,178
Total liabilities	16,106,070	14,733,094
Net assets	**6,151,221**	**9,455,400**
Issued capital	89,727,054	84,752,154
Reserves	6,455,595	6,362,865
Revaluation reserve	(3,565,142)	(3,565,142)
Accumulated losses	(86,466,286)	(78,094,477)
Total shareholder's equity	**6,151,221**	**9,455,400**
Loss for the year	**(8,371,809)**	**(11,853,471)**
Total comprehensive loss for the year	**(8,371,809)**	**(11,853,471)**

Guarantees

The parent entity has set up wholly owned special purpose entities (SPEs) in Singapore to hold ownership interests in Indonesia and Tanzania entities and provided an undertaking to financially support SPEs to meet their liabilities as and when they fall due.

Contractual Commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2018 (2017 – nil).

Contingent liabilities

The parent entity has no contingent liabilities.

Capital commitments

The parent entity has no capital commitments.

Impairment assessment

At 30 June 2018, COKAL Limited, the parent entity, performed an impairment assessment of its investments in subsidiaries and non-current receivables from subsidiaries. As a result of this assessment, the carrying amount of these assets was impaired by US$5,700,000 (2017: US$11.1 million).

Note 21: Commitments

	2018 US$	2017 US$
Operating lease commitments		
Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 are as follows:		
Payable		
- not later than 12 months	144,887	188,927
- between 12 months and 5 years	259,589	-
- greater than 5 years	-	-
	404,477	**188,927**

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 22: Contingent Liabilities

The Group has a number of contingent liabilities in respect of deferred purchase consideration for the acquisition of its mining and exploration tenements.

At 30 June 2018, the Group's contingent liabilities total US$17.95m (30 June 2017: US$20.70m) in respect of its BBM and PT Borneo Bara Prima (BBP) tenements. The amounts are payable on the achievement of certain milestones, including but not limited to the establishment of certain JORC Inferred Coal Resources and the issuance of production operation IUPs (licences) and production forestry permit. During the financial year the Company settled any outstanding contingent liabilities in respect of TBAR with the issue of 25,000,000 shares to the vendors (refer Note 12).

Payments which may be triggered by the commencement of development at BBM

Deferred purchase consideration

As part of the Group's acquisition of its interest in the BBM project, it was agreed an amount of $10.0 million would be payable within 30 days of the issue of the Production/ Operations IUP (mining license granted under the Indonesian New Mining Law). On 1 May 2013, the Production/Operations IUP was granted but the payment to the vendor was deferred pending the issuance of the Forestry Production Permit (required to commence the construction and production). On 15 August 2015, Cokal received BBM's Forestry Production Permit.

On 3 March 2016, the Group executed a variation letter with the vendor whereby the parties agreed the obligation for $10.0 million payment would triggered when Cokal had sufficient funds to commencement of the construction/ development of the BBM project.

No liability is recognised as at 30 June 2018 (30 June 2017: nil) in respect this deferred purchase consideration as the Group had not secured funding to commence the construction/development of the BBM project.

As part of the Directors' consideration of the ability of the Group to continue as a going concern (refer note 1 (c)), the Directors are aware some or all of the deferred consideration may be triggered by the commencement of the BBM project.

Given the potential uncertainty, the Company engaged with the vendors of the BBM project to clarify its interpretation of the agreement of 3 March 2016. As part of the negotiations and in good faith, the Company agreed to pay an arrangement fee of US$996,198 to the vendors for them agreeing to certain clarifications to the agreement of 3 March 2016. US$496,198 was paid at the time of executing the variation (this amount was paid during the half year ended 31 December 2017) and a further US$500,000 is payable, subject to certain conditions precedent including a capital raising. The full amount of the arrangement fee of US$996,198 has been recorded as an expense in the statement of comprehensive income. The clarification to the 3 March 2016 agreement confirmed the Company's view no further payments, including the abovementioned US$10.0 million, are due or payable until the Company had entered into a substantial funding arrangement and/or commenced substantial production. No liability is recognised as at 30 June 2018 in respect this deferred purchase consideration as the Group had not secured funding to commence the construction/development of the BBM project.

At this time, the Group does not have sufficient funds to develop the larger BBM project or fund any portion of the US$10.0 million deferred consideration that may be payable. To the extent monies are required to be paid, the Group will need to raise capital to fund these payments.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 23: Operating Segments

	Australia US$	Indonesia US$	Singapore US$	Total US$
Segment performance for the year ended 30 June 2018				
Revenue				
Other revenue	-	652,074	-	652.074
Interest revenue	-	98	-	98
Intersegment income*	-	-	-	-
Total segment income	-	652,172	-	652,172
Depreciation expenses	7,626	17,613	-	25,239
Finance costs	434,268	205,343	-	639,611
Other expenses	2,238,920	5,385,917	158,627	7,783,465
Total segment expenses	2,680,814	5,608,873	158,627	8,448,315
Segment net loss before tax	2,680,814	4,956,702	158,627	7,796,143
Segment assets and liabilities as at 30 June 2018				
Property, plant and equipment	168,078	1,260,733	-	1,428,811
Exploration and evaluation assets	-	25,067,202	-	25,067,202
Other segment assets	8,983	207,990	2,790	219,763
Total segment assets	177,061	26,535,925	2,790	26,715,776
Total segment liabilities	15,405,643	4,367,483	215,763	19,988,890
Capital expenditure for the year ended 30 June 2018				
Property, plant and equipment	-	3,155	-	-
Exploration and evaluation assets	-	1,606,585	-	-

*Inter segment expense relating to the income is eliminated in Indonesia's exploration and evaluation assets.

	Australia US$	Indonesia US$	Singapore US$	Total US$
Segment performance for year ended 30 June 2017				
Revenue				
Other revenue	-	57,873	-	57,873
Interest revenue	2,355	288	-	2,643
Intersegment income*	-	-	-	-
Total segment income	2,355	58,161	-	60,516
Depreciation expenses	19,713	22,168	-	41,881
Finance costs	-	8,796	-	8,796
Exploration expenditure de-recognised	-	9,177,568	-	9,177,568
Other expenses	827,831	1,779,615	78,567	2,686,013
Total segment expenses	841,544	10,998,147	78,567	11,853,742
Segment net loss before tax	(845,189)	(10,929,986)	(78,567)	(11,853,742)

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 23: Operating Segments (cont'd)

	Australia US$	Indonesia US$	Singapore US$	Total US$
Segment assets and liabilities as at 30 June 2017				
Property, plant and equipment	175,704	1,275,191	-	1,450,895
Exploration and evaluation assets	-	23,460,617	-	23,460,617
Other segment assets	127,632	245,637	-	377,269
Total segment assets	303,336	24,981,445	-	25,284,781
Total segment liabilities	14,334,345	1,422,188	72,848	15,829,881
Capital expenditure for the year ended 30 June 2017				
Property, plant and equipment	-	-	-	-
Exploration and evaluation assets	-	-	-	-

*Inter segment expense relating to the income is eliminated in Indonesia's exploration and evaluation assets.

Note 24: Cashflow Information

	2018 US$	2017 US$
(a) Reconciliation of loss after income tax to net cash flow used in operating activities		
Profit /(Loss) for the year	(7,796,143)	(11,853,745)
Depreciation	25,329	41,881
Exploration expenditure de-recognised	-	9,177,568
Share options and shares expensed	152,947	55,620
Property, plant and equipment write-off	-	9,243
Unrealised exchange loss/(gain)		83,554
Change in operating assets and liabilities:		
- Decrease in accounts receivables	-	109,291
- Increase in revenue in advance	307,189	-
- Increase in convertible notes	364,108	-
- Increase in accounts payables	3,155,135	557,055
Net cash flow used in operating activities	(3,791,435)	(1,819,533)

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 25: Share-based Payments

The following share-based payment arrangements existed at 30 June 2018.

(a) Share-based payments to directors, executives, employees and suppliers

During the period ended 30 June 2018, 5,000,000 options were issued to directors and 76,000,000 options issued to executives, employees and suppliers of the Group.

All options issued by Cokal Limited entitle the holder to one ordinary share in Cokal Limited for each option exercised. The options were granted for nil consideration. Once vested, options can be exercised at any time up to the expiry date.

The range of exercise prices for options outstanding at 30 June 2018 was US$0.01 to US$23 (2017: US$0.10 to US $0.23) and weighted average remaining contractual life of 2.75 years (30 June 2017: 0.47 years).

	30 June 2018		30 June 2017	
	No. of options	Weighted average exercise price US$	No. of options	Weighted average exercise price * US$
Outstanding at beginning of period	19,800,000	0.16	20,150,000	0.13
Granted	81,000,000	0.02	-	-
Forfeited/Cancelled	-	-	-	-
Exercised	-	-	-	-
Expired	(9,800,000)	0.09	(350,000)	0.77
Outstanding at period-end	140,800,000	0.07	19,800,000	0.12
Exercisable at period-end	60,800,000	0.02	19,800,000	0.16

Pursuant to the Group's Incentive Option Scheme, if an employee ceases to be employed by the Group then options will expire three months from the date employment ceases.

Options to Suppliers

- On 27 August 2014, 15,000,000 options were issued to Platinum Partners at US$ 0.186 expiring on 27 August 2018, under the extension agreement.
- On 6 February 2015, 25,000,000 options were issued to Platinum Partners at US$ 0.101 expiring on 6 February 2019, under the extension agreement.
- On 19 September 2018, 1,000,000 options were issued to Helbraun Holdings Pty Ltd at US$ 0.08, expiring on 19 September 2020
- On 20 February 2018, 75,000,000 options were issued to Northrock and Platinum Partners at US$0.01 expiring on 20 February 2023, vesting on conversion of debt to royalty.

Payment of the exercise price may be satisfied by the holder paying the exercise price in cash or causing the provider of the bridge loan or project finance to reduce the principal owing by the amount of the exercise price. Shares issued on exercise of an option rank equally with all other ordinary shares then on issue.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 26: Related Party Disclosure

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent entity

The parent entity and ultimate controlling entity is Cokal Limited, which is incorporated in Australia.

(b) Subsidiaries

Interests and transactions in subsidiaries are disclosed in Note 9.

(c) Key management personnel (KMP) compensation

The KMP compensation for the year ended are set out below:

	2018 US$	2017 US$
Short-term employee benefits*	788,865	732,942
Post-employment benefits	-	-
Share-based payments	51,005	11,582
	839,870	**744,524**

* Directors are not salary paid, but their fees are included in the short-term employee benefits. The terms of directors' services are described below. Amounts included, but not paid as at year end are recorded under note 14.

(d) Option holdings of KMP for the year ended

KMP option holdings for the year ended are set out below:

	Balance 1 July 2017	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2018	Total vested at 30 June 2018	Total vested and exercisable at 30 June 2018	Total vested and unexercisable at 30 June 2018
Directors	8,000,000	5,000,000	-	(4,000,000)	9,000,000	4,000,000	4,000,000	-
Senior Management **	500,000	-	-	-	500,000	500,000	500,000	-
Total	8,500,000	5,000,000	-	(4,000,000)	9,500,000	4,500,000	4,500,000	-

** Excludes Vic Kuss who resigned at the end of the 2017 financial year.

	Balance 1 July 2016	Granted as Remuneration	Exercise of Options	Net Change Other *	Balance 30 June 2017	Total vested at 30 June 2017	Total vested and exercisable at 30 June 2017	Total vested and unexercisable at 30 June 2017
Directors	-	-	-	8,000,000	8,000,000	8,000,000	8,000,000	-
Senior Management	18,500,000	-	-	(8,000,000)	10,500,000	10,500,000	10,500,000	-
Total	18,500,000	-	-	-	18,500,000	18,500,000	18,500,000	-

* Gerhardus Kielenstyn was appointed a Director on 27 January 2017. He held 8 million options at the time of appointment.

Share options held by KMP under the Senior Executive Plan to purchase ordinary shares have the following expiry dates and exercise prices:

2018 Number of options outstanding	2017 Number of options outstanding	Exercise price US$	Issued date	Vesting date	Expiry date
-	2,000,000	0.230	11-Jul-13	11-Jul-14	11-Jul-17
-	2,000,000	0.230	11-Jul-13	11-Jul-15	11-Jul-17
-	5,000,000	0.230	11-Jul-13	11-Jul-15	11-Jul-17
4,500,000	4,500,000	0.10	24-Feb-15	24-Feb-16	24-Feb-19
Note 3	5,000,000	0.10	24-Feb-15	24-Feb-17	24-Feb-19
1,000,000	-	0.09	22-Dec-17	Note 1	22-Dec-20
4,000,000	-	0.12	22-Dec-17	Note 2	22-Dec-20
9,500,000	**18,500,000**				

Note 1: vesting on production of 100,000 tonnes of coal
Note 2: vesting on achieving a consistent production rate for three months of 45,000 tonnes of coal per month
Note 3: held by previous years' KMP

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 26: Related Party Disclosure (Cont'd)

(e) Share holdings of KMP for the year ended

KMP share holdings for the year ended are set out below.

	Balance 1 July 2017	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2018
Directors	62,920,001	-	-	-	62,920,001
Senior Management	2,401,215	-	-	-	2,401,215
Total	**65,321,216**	**-**	**-**	**-**	**65,321,216**

	Balance 1 July 2016	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2017
Directors	88,840,801	-	-	-	88,840,801
Senior Management	3,301,215	-	-	-	3,301,215
Total	**92,142,016**	**-**	**-**	**-**	**92,142,016**

(f) KMP Transactions

KMP transactions for the year ended are set out below.

Mr Domenic Martino

- As at 30 June 2018 director fees totaling US$148,615 (2017: US$50,896) remain outstanding to Mr Martino.
- As at 30 June 2018 a loan of AUD60,000 (US$44,346) (2017: nil) was owing to Mr Martino by the Company. This loan was provided for working capital purposes, is repayable on demand and does not accrue interest.
- As at 30 June 2018, Mr Martino was owed US$67,128 (2017: US$6,420) for expenses paid on the Company's behalf. This amount is repayable on demand and does not accrue interest.
- On 9 August 2017 the Company entered into an agreement with Indian Ocean Corporate Pty Ltd, a company of which Mr Martino is a director, for company secretarial services at a cost of AU$4,000 (excl GST) per month. The services are based on normal commercial terms and conditions. As at 30 June 2018, company secretarial fees of US$16,000 (2017: Nil)) remain outstanding. In addition, during the 2018 financial year, Indian Ocean Corporate Pty Ltd has provided corporate advisory services totaling US$218,483 (2017: nil) and assistance with the preparation of reports, totaling US$26,422 (2017: nil).

Mr Patrick Hanna

- As at 30 June 2018 director fees totaling US$148,615 (2017: US$50,896) remain outstanding to Mr Hanna.
- As at 30 June 2018 a loan of AUD108,500 (US$80,192) (2017: ni) was owing to Mr Hanna by the Company. This loan was for working capital purposes, is repayable on demand and does not accrue interest.

Mr Gerhardus Kielenstyn

- As at 30 June 2018 remuneration fees totaling US$51,200 (2017: US$Nil) remain outstanding to Mr Kielenstyn.
- As at 30 June 2018 a loan of IDR500,000,000 (US$33,000) and US$90,000 (2017: nil) were owing to Mr Kielenstyn by the Company. These loans are repayable on demand and do not accrue interest.

Mr Teuku Juliansyah

- As at 30 June 2018 remuneration fees totaling US$37,837 (2017: US$Nil) remain outstanding to Mr Juliansyah.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 26: Related Party Disclosure (Cont'd)

- As at 30 June 2018 the following loans were owing to Mr Juliansyah. Interest on all loans is accrued until repayment.

Principal	Interest rate per month	Total interest charged for the Year	Interest repaid during year	Amount Outstanding as at 30 June 2018
IDR1,850,000,000	6.5%	IDR 1,443,000,000	IDR 841,750,000	IDR 2,451,250,000
IDR541,895,604	7.5%	IDR 406,421,703	IDR 175,358,108	IDR 772,959,199
IDR340,000,000	6.5%	IDR 80,600,000	-	IDR 420,600,000
IDR245,000,000	Nil	-	-	IDR 245,000,000
IDR2,731,895,604 (US$ 190,270)		**IDR 1,930,021,703 (US$ 134,421)**	**(IDR 1,017,108,108) ((US$ 70,840))**	**IDR 3,889,809,199 (US$ 270,916)**

Given the Company's financial position during the year, the directors considered the above interest rates arms' length for an immediate short-term loan, with no security over the Company's assets.

(a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. The Group's financial instruments consist mainly of deposits with banks, accounts receivable, security deposits, interest bearing loans and accounts payable.

The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's financial risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

The overall objective of the Board is to set policies that seek to reduce financial risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

(b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Group. The Group's objective is to minimise the risk of loss from credit risk exposure.

The Group's maximum exposure to credit risk at the end of the reporting period, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date, is as follows:

	Note	2018 US$	2017 US$
Cash and bank balances	7	15,502	28,264
Receivables	8	23,134	163,878
Security deposits	7	138,916	138,916
Total		177,552	310,058

Credit risk is reviewed regularly by the Board and the Audit Committee.

The Group does not have any material credit risk exposure to any single debtor or Group of debtors under financial instruments entered into by the Group. No receivables balances were past due or impaired at period end. The credit quality of receivables that are neither past due nor impaired is good. Bank deposits are held with Macquarie Bank Limited, National Australia Bank Limited and Australia and New Zealand Banking Corporation Limited.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 27: Financial Risk Management (cont'd)

(c) Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet financial obligations as they fall due. The objective of managing liquidity risk is to ensure, as far as possible, that the Group will always have sufficient liquidity to meets its liabilities when they fall due, under both normal and stressed conditions

Liquidity risk is reviewed regularly by the Board and the Audit Committee.

	Carrying Amount US$	Contractual Cash flows US$	<6 months US$	6 – 12 months US$	1 – 3 years US$	>3 years US$
MATURITY ANALYSIS– 30 June 2018						
Financial Liabilities						
Accounts payable	5,461,564	5,461,564	5,461,564	-	-	-
Convertible notes	364,109	-	-	-	-	-
Interest bearing loans	14,163,218	14,163,218	14,163,218	-	-	-
Total	19,988,891	19,624,782	19,624,782	-	-	-

	Carrying Amount US$	Contractual Cash flows US$	<6 months US$	6 – 12 months US$	1 – 3 years US$	>3 years US$
MATURITY ANALYSIS– 30 June 2017						
Financial Liabilities						
Accounts payable	1,937,079	1,937,079	1,937,079	-	-	-
Interest bearing loans	13,892,302	13,892,302	13,892,302	-	-	-
Total	15,829,381	15,829,381	15,829,381	-	-	-

Further information regarding commitments is included in Note 21.

(d) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The entity does not have any material exposure to market risk other than as set out below.

(i) Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

Interest rate risk is managed with fixed rate debt. For further details on interest rate risk refer to the tables below:

2018	Floating interest rate US$	Fixed interest rate US$	Non-interest bearing US$	Total carrying amount US$	Weighted average effective interest rate %
Financial assets					
Cash and bank balances	15,502	-	-	15,502	-
Receivables	-	-	23,134	39,868	-
Security deposits	-	-	138,916	138,916	-
Total financial assets	15,502	-	162,050	194,286	-
Financial liabilities					
Accounts payable	-	-	5,461,564	5,461,564	-
Interest bearing loans	-	14,163,218	-	14,163,218	-
Total financial liabilities	-	14,163,218	5,461,564	19,624,782	-

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 27: Financial Risk Management (cont'd)

(i) Interest rate risk (cont'd)

2017	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	US$	US$	US$	US$	%
Financial assets					
Cash and bank balances	28,264	-	-	28,264	-
Receivables	-	-	163,878	167,652	-
Security deposits	-	-	138,916	138,916	-
Total financial assets	28,264	-	302,794	331,058	-
Financial liabilities					
Accounts payable	-	-	1,937,079	1,937,079	-
Interest bearing loans	-	13,892,302	-	13,892,302	-
Total financial liabilities	-	13,892,302	1,937,079	15,829,381	-

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity demonstrates the effect on the current period results and equity which could result from a change in these risks.

At 30 June 2018 the effect on post tax profit and equity as a result of changes in the interest rate for floating interest rate instruments, with all other variables held constant, would be as follows:

	Carrying Amount (interest bearing) US$	Increase in interest rate by 0.5% US$	Decrease in interest rate by 0.5% US$
2018			
Cash and cash equivalents	154,418	772	(772)
Total effect on post tax profit	154,418	772	(772)
2017			
Cash and cash equivalents	167,180	836	(836)
Total effect on post tax profit	167,180	836	(836)

(ii) Currency risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group hold financial instruments which are other than the US$ functional currency of the Group.

The Group is exposed to currency risk on its cash and cash equivalents held (in AUD and Indonesian Rupiah) in Indonesia and Australia as well as on purchases made from suppliers in Indonesia and Australia.

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 27: Financial Risk Management (cont'd)

(i) Currency risk (cont'd)

The Group's exposure to foreign currency risk and the effect on post tax profit as a result of changes in foreign currency rates, with all other variables held constant, are as follows:

	AUD US$	SGD US$	Indonesian Rupiah US$	Total US$
2018				
Cash and cash equivalents	1,013	6,108	4,802	11,923
Accounts payable	1,137,955	225,650	3,135,875	4,499,480
Net exposure	1,138,968	231,758	3,140,677	4,511,403
Effect on post profit:				
Increase by 10%	113,897	23,176	314,068	451,141
Decrease by 10%	(113,897)	(23,176)	(314,068)	(451,141)
2017				
Cash and cash equivalents	212,787	-	54,126	266,913
Accounts payable	103,061	-	30,161	133,222
Net exposure	315,848	-	84,287	400,135
Effect on post tax profit:				
Increase by 10%	31,585	-	8,429	40,014
Decrease by 10%	(31,585)	-	(8,429)	(40,014)

Notes to the Consolidated Financial Statements for the year ended 30 June 2018

Note 28: Significant Events after the Reporting Date

(a) On 27 July 2018 Cokal appointed Mr. James Coleman as Chief Executive Officer.

(b) On 1 August 2018 Cokal announced that it had secured funding for the development of BBM PCI from Aahana Global Resources and Investment Pte Limited (Aahana). Under the agreement, Aahana will fund capital expenditure at BBM PCI in return for a 40% interest in the joint venture and equivalent share of profits from the BBM PCI operations.

(c) On 22 August 2018 Krakatau National Resources (KNR) signed a Memorandum of Understanding (MOU) with PT Bumi Barito Minerals (PT BBM) for the supply of coal. This MOU pre-empts a Domestic Market Obligation (DMO) that will be placed upon the Company, requiring coal and mineral producing companies to allocate a certain minimum percentage of its production to the domestic market.

(d) On 21 September 2018 Cokal signed a Key Principles of Agreement with PT Bara Mineral Asri (BMA Group) to develop and operate PCI and Coking Coal production. To date, Cokal has received US$1.5 million of US$2.0 million from BMA Group to secure the transaction.

(e) On 3 August 2018 and 25 September 2018, 150,000 Convertible Notes were converted to 7,591,796 shares.

(f) Subsequent to year end the convertible noteholder has advised the Company of the requirement to repay the remainder of the notes outstanding. This amount totals US$186,251, which has been paid by the Company.

(g) The Company is in discussion with Platinum in respect of an extension to 31 July 2020 for the completion of the conditions under the Debt Restructure Transaction (refer Note 16) on the basis of an issue of 37.5 million new options (4 year term and exercise price of 1.6 cents), subject to shareholder approval, and Platinum agreeing not to exercise 37.5 million of existing options (with an expiry date of 20 February 2023 and an exercise price of 1.6 cents, vesting once all Platinum loans have been released and discharged).

(h) During the audit process, the Board was made aware of possible financial irregularities and fraudulent activity which have impacted the Company's financial statements for the year ended 30 June 2018.

The Board is currently investigating the irregularities and activities which concern the Company's Chief Financial Officer and seven employees having received monies from a supplier of barging services to the Company in Indonesia. The employees have notified the Board that they have received money from the supplier totalling approximately $150,000.

In addition, the Company has allegedly been charged for services not incurred and/or charged non-arm's length amounts for services provided by that supplier. Further investigation is taking place to confirm whether the Group's barging expenses have been validly incurred by the Group, whether the cost of barging services received represented an arm's length price for those services, and the amount of the payments made and expenses accrued for the barging services that should be accounted for as other expenses on the basis they had been misappropriated.

The Company notes that amounts are currently still outstanding and payable to this supplier, which will not be paid until the investigation is complete. Some of the money received by the employees has been refunded and the Board is confident that with this, and the outstanding amounts owing being reduced by agreement with the supplier, there will be no financial loss to the Company.

Declaration by Directors

The directors of the Group declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
   (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date.
2. The Group has included in the note 1 to the financial statements and explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 15 to 22 of the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2018, comply with section 300A of the *Corporations Act 2001.*
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the directors.

Cokal Limited

Domenic Martino
Chairman

Sydney
9 November 2018

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Independent Auditor's Report to the Members of Cokal Limited

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Cokal Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Qualified Opinion

The Group's consolidated statement of comprehensive income reports production expenses of $3,808,113, including barging expenses of $1,285,698, for the year ended 30 June 2018. Our audit procedures identified accounting irregularities and fraudulent activity in respect of Group's contracting with its supplier of barging services in Indonesia. The Group's own investigation has subsequently confirmed fraudulent activity by the Group's Indonesian based Chief Financial Officer. These investigations continue at the date of this report.

Our audit procedures included agreeing the Group's recorded barging expenses to bank payments and other documentation provided in the name of the barging supplier. We were unable to obtain sufficient appropriate audit evidence as to whether the Group's barging expenses have been validly incurred by the Group and whether the amount paid for barging services represented an arm's length price for those services. We were also unable to obtain sufficient appropriate audit evidence as to the amount of the payments made and expenses accrued for the barging services that should be accounted for as other expenses on the basis they had been misappropriated by the Chief Financial Officer and other Indonesian based employees that may be implicated in the fraud. Consequently, we were unable to determine whether any adjustments to production expense and administration expenses for the year ended 30 June 2018 and accounts payable as at 30 June 2018 were necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 (c) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections above, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of deferred exploration and evaluation

Why significant	How our audit addressed the key audit matter
The carrying value of exploration and evaluation assets is subjective as it is based on the Group's ability, and intention, to continue to explore the asset. The carrying value may also be impacted by the results of exploration work indicating that the mineral reserves and resources may not be commercially viable for extraction. This creates a risk that the amounts stated in the financial report may not be recoverable and as a result this was a key audit matter for us. Refer to Note 12 – Exploration and Evaluation Assets to the financial report for the amounts held on the consolidated statement of financial position by the Group as at 30 June 2018 and related disclosure.	We evaluated the Group's assessment of the carrying value of exploration and evaluation assets. In performing our procedures, we: • considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements; • considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included assessment of the Group's budgeted and planned cash-flows, enquires with senior management and directors as to the intentions and strategy of the Group; • assessed the Group's ability to finance its planned future exploration and evaluation activity;

During the year ended 30 June 2018, the Group determined that impairment indicators were present and performed an impairment assessment with reference to an independent valuation in accordance with the Valmin code dated 23 August 2017.

As a result of the impairment assessment, the Group concluded no additional impairment or impairment reversal was required.

- given the existence of impairment indicators, we assessed the Group's methodology for measuring the recoverable amount of the Group's PT Bumi Barito Mineral (BBM) project based on the Group's independent valuation prepared in accordance with the Valmin code;
- Performed sensitivity testing on the independent valuation, prepared in accordance with the Valmin code, to better align the output with that required by Australian Accounting Standards;
- considered the Group's assessment of the existence and impairment reversal at 30 June 2018; and
- assessed the adequacy of the Group's disclosure of the Exploration and Evaluation Assets in the financial report.

2. Recognition and classification on interest bearing liabilities

Why significant	How our audit addressed the key audit matter
Note 16 – Interest Bearing Loans to the financial report discloses that the Group has significant loans payable to Northrock Financial LLC and Wintercrest Advisors LLC (collectively the "Lenders"), being subsidiaries of Platinum Partners. The terms of both loans have expired and the loans are repayable on demand at 30 June 2018. As such, the interest bearing loans of $13,892,302 are presented as current liabilities at 30 June 2018. In April 2017, a Royalty Deed was executed with the Lenders, pursuant to which the Lenders agreed to convert the full amount of the Group's loans owing to them into a production royalty. The terms and conditions of the production royalty are detailed in Note 16 to the financial report. Conversion of the loans to a production royalty is subject to a number of substantial conditions precedent.	We evaluated the recognition, measurement and disclosure of the Group's loans payable to the Lenders at 30 June 2018. In performing our procedures, we: • read the Royalty Deed executed between the parties and understood the conditions precedent to the completion of the arrangement between the parties; • considered the Group's assessment of its satisfaction, or otherwise, of the conditions precedent to the Royalty Deed at 30 June 2018 and subsequent to year end; • obtained confirmation from the Lenders of amounts owing at 30 June 2018 and the continuing operation of the Royalty Deed at 30 June 2018; • assessed the adequacy of the Group's classification of the interest bearing loans as current liabilities at 30 June 2018; and • assessed the adequacy of the Group's disclosure of the royalty arrangement in the financial report.

At 30 June 2018, the conditions precedent for conversion of the loan to a production royalty were not satisfied and as such the interest bearing loans remained due and payable. Satisfaction of the conditions precedent and accounting for the resulting transaction is expected to have a significant impact on the amounts recognised on the Group's statement of financial position and may have significant effects on the consolidated statement of comprehensive income. As a result, the assessment of whether the conditions precedent have been satisfied at 30 June 2018 was a key audit matter.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Qualified Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 30 June 2018.

Our audit procedures identified accounting irregularities and fraudulent activity in respect of Group's contracting with its supplier of barging services in Indonesia. The Company's own investigation has subsequently confirmed fraudulent activity by the Group's Indonesian based Chief Financial Officer. These investigations continue at the date of this report. We were unable to obtain sufficient appropriate audit evidence as to the extent to which monies were misappropriated by the Chief Financial Officer and/or other Indonesian based employees. Consequently, we were unable to determine whether any adjustments to the remuneration report were necessary.

In our opinion, except for the effects of the matter described above the Remuneration Report of Cokal Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
Brisbane
9 November 2018