

ASX ANNOUNCEMENT / MEDIA RELEASE
28 November 2018

Completion of Investigations and Funding

Cokal Limited (Cokal ASX:CKA, “Cokal” or “the Company”) advises that it has completed its investigations into the financial irregularities and fraudulent activity referred to in its announcements of 26 October 2018 and 12 November 2018.

As previously announced these activities centre around the Group’s contracting with a supplier of barging services in Indonesia. The investigations have concluded that the fraud and misappropriation occurred solely with this one supplier, whom Cokal subsidiary employees assisted to set up as one entity, given the ownership of the barges by a number of small, independent owners. Unlike all other suppliers to the Company, where the Company had arms’ length verification of costs, this barging company set charges with collusion from the Chief Financial Officer given his direct involvement in that barging company. This is an isolated incidence as the procedure of amalgamating several small barge operators into one company created the opportunity for fraud. This procedure will not be used again and only dealings direct with suppliers is allowed going forward. In fact, in respect of the Company’s 60% owned Bumi Barito Mineral (“BBM”) Coal Project, Cokal is in the process of engaging an independent, third party barge operator. In addition, the new CEO James Coleman (commenced in July 2018 as previously announced) signs off on all contracts put in place. The employees involved were employed through Cokal’s wholly owned subsidiary in Indonesia.

The Independent Auditor’s Report to the members of Cokal contained in the Company’s 2018 Annual Report has been qualified on the basis of this fraudulent activity, resulting in accounting irregularities concerning the barging expenses incurred in Indonesia. The Company has received an assessment of the barging costs to determine the arms’ length costs associated with the barging services and has substantiated barge usage during the period. The assessment was conducted by a trusted local partner to the Company, Tata Artha Group. This assessment has included the tracing of barges used to their individual owners, attaining of the registration documents for each barge and therefore verifying its size and capacity, barge costs of other similar suppliers and a review of barging movement against the Company’s own records, including its barging calendar and mobilisation reports. As set out below, the results of the investigation are such that, as at 30 June 2018, barging expenses are overstated by US\$344,000, creditors overstated by US\$234,000 and receivables understated by US\$110,000. The auditor will review the results of the investigation at the half-year audit, such that the correction can be made in the Company’s half-year accounts.

The Company owed IDR 8.5billion (US\$581,000) to the barging supplier. It has since been agreed that, on the basis of the results of the investigation, this amount will reduce to IDR 5.08billion (US\$347,000). It is now agreed with the barge operators that this and monies already paid constitute a reasonable and arms’ length cost of the barging operations. However the Company intends to continue negotiations to impose a further “penalty” reduction of the amount outstanding given the barge operators complicity in the fraudulent activity. There is no certainty that this will result in a further reduction.

The Independent Auditor’s Report to the members of Cokal also contains a qualified opinion on the Remuneration Report within the Company’s 2018 Annual Report. This is as a result of money received by the Chief Financial Officer directly from the barge supplier. The amount received by the Chief Financial Officer and Cokal’s employees from the barge supplier has been verified as a total of IDR1.6billion (US\$110,000). The Chief Financial Officer has repaid all funds to the Company that he fraudulently received, he has also repaid the funds fraudulently received by three employees that have left the employment of the Company prior to discovery of the fraud. The remaining amounts owing by the other employees will be offset against entitlements owed to them by the Company in accordance with Indonesian laws.

Cokal has requested and received the resignation of the Chief Financial Officer, Mr Teuku Juliansyah, and Cokal’s Purchasing Officer, both of whom are no longer with the Company. Of the remaining four accounting

staff involved, one has resigned and three had left prior to fraud being discovered. The two technical staff involved in the fraud and misappropriation are being terminated, effective mid-December 2018.

FUNDING

The Company refers to its Quarterly Cashflow Report lodged on 7 November 2018. In that report the Company's expenditure for the October 2018 to December 2018 period is greater than the cash balance at 30 September 2018. Cokal notes that it expects to have negative operating cash flows for the time being until commencement of production at the Company's BBM Coal Project. The BBM Coal Project is comprised of the BBM PCI Project and BBM Coking Coal Project.

As announced on 21 September 2018, the Company entered into a Key Principles of Agreement with the BMA Group (PT Bara Mineral Asri and its affiliates) to develop and operate PCI and Coking Coal production. Subject to completion of satisfactory due diligence, Cokal and the BMA Group will enter into an exclusive Operational Partnership Agreement whereby the BMA Group will invest in infrastructure and mine development. The BMA Group will also provide mining services to mine, haul and bring the coal to barges, and further to market and deliver to buyers.

Since the September 2018 quarter end, the Company has received from the BMA Group a third payment of USD500,000 in October 2018 and will receive a further USD500,000 in November 2018 (due this week) under its original agreement with the BMA Group. The Company and the BMA Group have subsequently agreed to extend this arrangement whereby the BMA Group will pay US\$500,000 per month until finalisation of due diligence. As a minimum this will see a further US\$500,000 payment in December 2018.

Discussions continue with Aahana Global Resources & Investment Pte Ltd ("Aahana") who have advised the Company of their intention to put a final funding package to the Board by the end of November 2018 pending reinstatement of the Company to official quotation on ASX. As announced on 1 August 2018, Aahana have agreed to fully fund the capital expenditure at the BBM PCI Project in return for a 40% interest in the joint venture and equivalent share of profits from the BBM PCI Project operations. Aahana has already advanced AUD100,000 and it is anticipated that they or their associates will advance, in the next month, a further AUD300,000 such that the Company receives a total of AUD400,000. Pursuant to the approval received by the Company at its General Meeting held on 21 September 2018, shares will be issued at a price of AUD0.032 per share in respect of the money received.

The Chairman met with Domain International Holdings Limited ("Domain") in Xiamen last week to agree the timing before the end of this year of the first tranche of Domain's funding, being an AUD1million placement at a minimum issue price that is at least 90% of the volume weighted average market price for shares, calculated over the last 5 days on which sales in the shares were recorded before the day on which the issue is made (as approved by shareholders on 21 September 2018). As announced on 11 May 2018, under the agreement, Domain is, in addition to this funding, 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 ¹.

Overall it is noted that the rate and timing of a portion of the expenditure for the quarter is within the Company's control and funds will not be disbursed or committed until sufficient capital is available. The Company confirms that it has every expectation that funds will be raised to continue its operations and to meet its objectives.

¹ 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 these announcements.

ENDS

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About Cokal Limited

Cokal (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.