

31 January 2019

**QUARTERLY REPORT FOR THE THREE MONTHS
ENDING 31 DECEMBER 2018**

HIGHLIGHTS

- **Preparation for Mining in BBM**
- **Shallow Draft Barging Solution**
- **Partners and Customers**
- **New Staff Appointments**
- **Debt Restructuring**

PROJECT STATUS

BBM Project

BBM's permit covers an area of 14,980ha with multiple seams of high quality metallurgical coal. BBM has all regulatory approvals in place including:

- Mining Licence – 20 years with two further extensions of 10 years each
- Environmental approval for a mining rate of 6Mt per annum
- Port construction approval
- Forestry Permit to commence mining activity

Since all permits for mining are in place, BBM is the first area to be mined by Cokal commencing with PCI coal production and with the addition of coking coal production as further infrastructure is developed.

BBM is dissected by the Barito River which cuts through the tenement in a northerly-southerly trend. Coal on the west side of the Barito River sampled from over 130 outcrops indicates that it contains premium quality anthracite and PCI coals.

No exploration activity, mining production or development was conducted by Cokal during the quarter.

TBAR Project

TBAR's exploration authority covers an area of 18,850ha immediately adjacent to and south of Cokal's BBM tenement. Over 80% of the lease is available for exploration subject to the issuance of an exploration forestry permit. The application of exploration forestry permit was submitted 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 licence.

Outcrop mapping of four seams indicates a substantial resource of high grade coking coal in this deposit.

No exploration activity was conducted by Cokal during the quarter.

BBP Project

Cokal's BBP project 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 licence (Production and Operation IUP).

No exploration activity was conducted on BBP during this period.

AAK Project

Cokal's AAK project covers 5,000ha also in Central Kalimantan. 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 this period.

PREPARATION FOR MINING OPERATIONS IN BBM

Cokal's CEO, Jim Coleman, and his team continue to develop a plan for the start and ramping up of production at BBM. The plan is working towards the commencement of production of PCI coal in Q2/Q3 of 2019. It is proposed to progressively increase production over the following 18 months to a rate of 2Mt/a and to include both PCI coal and coking coal in the production mix.

The proposal includes the construction of all-weather haul roads to Pit 2 (PCI coal) and Pit 3 (coking coal) and a newly located barge loading port facility comprising a truck dump hopper, crusher, coal beneficiation plant, stacker, blending stockpile, reclaim hopper and associated conveyors.

Stage 1 – Develop Pit 2: Q2/Q3

- Construct 800m road to existing (temporary) port
- Mine PCI coal in Strip 1 Pit 2, free dig
- Strip 2 Pit 2 not free dig but can rip overburden at least in a narrow strip
- Strip 2 design details dependent on geotechnical analysis after drilling

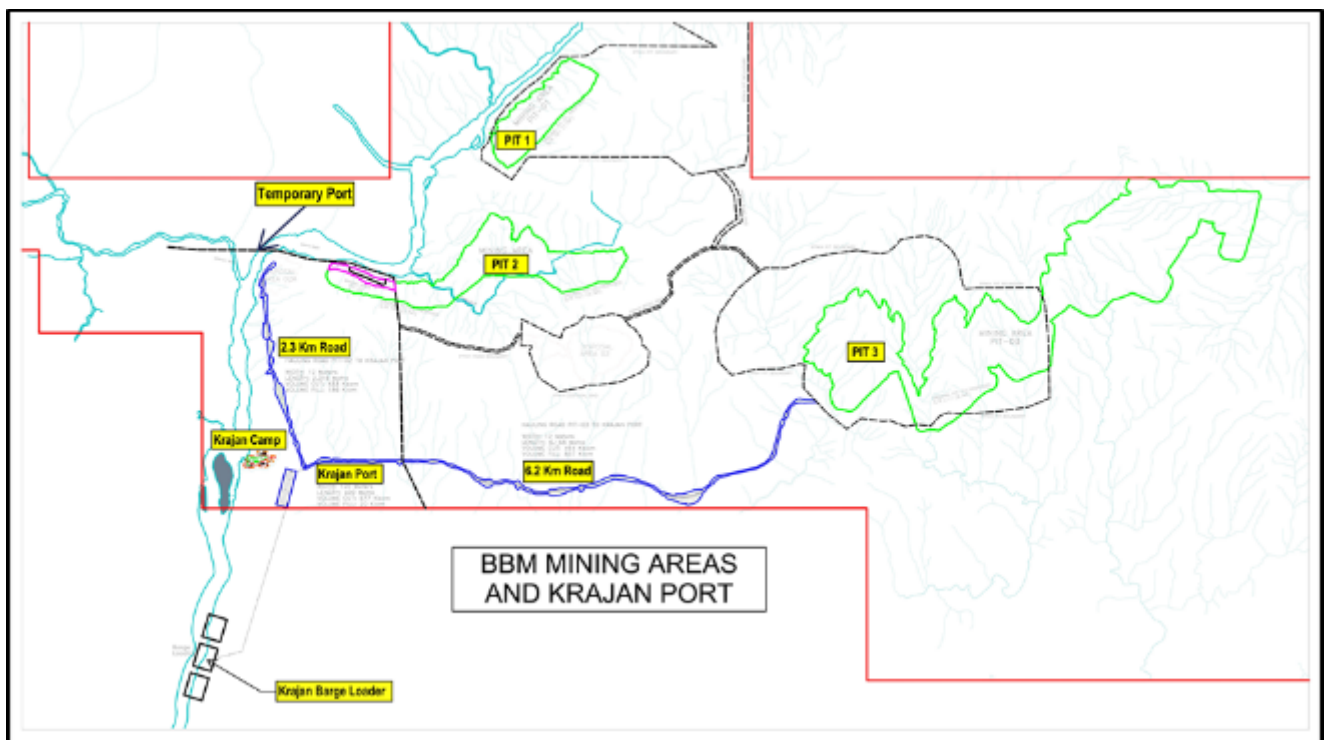
Stage 2 - Develop Krajan temporary Port, start Pit 3, maintain PCI coal mining from Pit 2:

- Upgrade the 6.2km exploration road Krajan to Pit 3
- Develop 2.3km road from Pit 2 to Krajan
- Construct truck dump hopper, feeder breaker and stacker at Krajan
- Simple coal beneficiation plant required for coking coal from Pit 3
- Develop blending stockpile 2 x 80,000t at Krajan
- 1,200m long 1,000 t/h conveyor to barge loader
- Construct 1,000 t/h barge loader for shallow draft barges
- Obtain blasting permit

- Obtain forestry permit for Eastern Part Pit 2
- Commission Krajan temporary barge loader Q4 2019
- Commence mining coking coal from Pit 3.

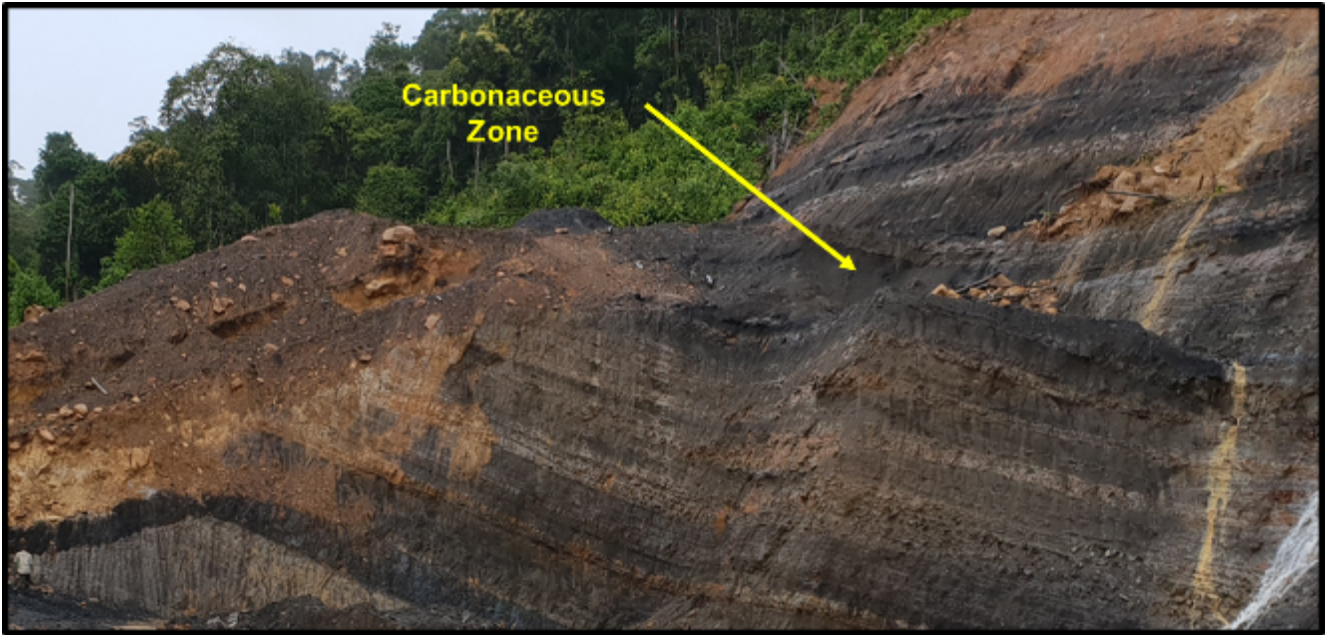
Stage 3 – Develop permanent port at Krajan, Expand Pit 2 and Pit 3

- Complete permanent facilities at Krajan port
- Pit 2 extended into the eastern area
- Pit 3 expanded by end 2020
- Evaluate carbonaceous zone above Seam D as potential power station fuel
- Evaluate highwall mining
- Total BBM saleable production 2 Mt/a by Q4 2020 ¹



BBM Pits 1, 2 and 3, Roads to Krajan Port, Barge Loader

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 this announcement



Carbonaceous Zone Above D Seam

SHALLOW DRAFT BARGING

Cokal has identified 28 sites along the upper Barito River for channel improvement to increase the number of annual operating days the river is suitable for barging. Of course using shallow draft barges and push boats able to operate in 2.3m water (2m draft 0.3m under keel clearance) is a big advance over the traditional barges used to date which require 4.8m water depth (4.5m draft). All 28 sites have been located and described using survey and bathymetric data. Most require dredging, a few require rock removal. These improvements can be achieved economically using the local knowledge of those dredging the river for gold and using it to transport produce to create a 75m wide navigable channel.

By addressing the constraints at these sites Cokal anticipates progressive improvement of the Barito River channel over two years and estimates the capital costs of improving the river channel and barging all the way from the mine site to be a lot less than the cost of building the 62km haul road to Purnama. A budget of \$5 million has been estimated for river channel improvement. The capital cost saving by eliminating the road to Purnama is \$26 million. The estimated operating costs of barging the Upper Barito River, to the same location as the haul road, is \$4 to \$5/tonne compared with \$12/t for the road haulage.



The Upper Barito River is Abundantly Wide for Barging

Cokal is working with a Vietnamese company which builds and operates shallow draft barges and push boats capable of operating in 2m water depth. The Vietnamese barges are suited to Cokal's requirements for barging on the Barito River. The Cokal CEO and two senior mining staff met the President of the Vietnamese company in December to develop further the cooperation between the two companies. Cokal subsequently signed a Memorandum of Agreement to cooperate in the development of shallow draft barging on the Barito River. While in Vietnam the Cokal team boarded a 4 barge convoy with all barges and the push boat built by the Vietnamese company. These are operated by the Vietnamese company on the Red River in Vietnam in its own logistics company. Cokal considers this convoy set up to be suitable for its Barito River operations. See following photographs.



Shallow Draft Push Boat



Four Shallow Draft Barges – 1,700 tonne Capacity each.

It is intended that the proposed cooperation with the Vietnamese barge company will include Meratus Advance Maritime (MDM) with whom Cokal has had a long standing relationship.



Joining Four Barges

PARTNERS AND CUSTOMERS

PT Bara Mineral Asri (BMA)

The Due Diligence (DD) by PT Bara Mineral Asri (BMA) continues. BMA is working towards a proposal to partner with Cokal for the funding and development of the BBM Mine.

Two drill rigs have been mobilised by BMA to commence 2,000m of drilling. CKA participated in the planning of this programme and has two geologists on site to ensure the data collected is to JORC standards. They will be in attendance whenever drills are operating. This drilling includes:

1. Validation drilling whereby boreholes will be located adjacent to Cokal boreholes to confirm the seam thickness and coal quality of the seams;
2. Geotechnical drilling to provide additional detail technical data and analysis for the design of Pits 1 and 2 in order to comply with recently amended Indonesian mining regulations. Cokal has previously acquired this data for Pit 3;
3. Infill drilling to increase the estimation of Indicated Resources and consequently increase the estimation of JORC Reserves.

At the conclusion of the drilling programme and analysis of the results Cokal will revise the resource estimate for BBM.

BMA has to date contributed \$US2 million to Cokal in the quarter to be repaid from the sale of coal when mining commences. This will be paid at \$10/t for coal sales at \$100/t or greater and 10%/t for coal sold at less than \$100/t. Funds were used in company administration including staff wages.

Aahana Global Resources and Investment Pte Ltd (AGRI)

AGRI executives have visited the BBM mine site and continue their discussions with Cokal on financing and acquisition of an interest in Cokal Ltd. Subsequent to the end of the quarter, AGRI has advised they are acquiring a substantial interest in Cokal Ltd from Platinum. The Cokal board has agreed to the appointment of two AGRI representatives to the Board of Cokal on finalization of AGRI's acquisition of the substantial interest in Cokal Ltd.

Sojitz Corporation

During the quarter Cokal received a non-binding Letter of Intent (LOI) from Sojitz Corporation (Sojitz) to promote and market BBM metallurgical coal products. Cokal has enjoyed a long association with Sojitz, ever since it commenced activities in Indonesia in early 2011. Recent discussions resulted in the LOI, outlining Sojitz's intentions to become involved in BBM's coal export market.

Sojitz is considering marketing BBM's PCI coal to potential customers primarily in Japan, Korea, India, China and Vietnam for use in their steel mills. As an international trader of coal, Sojitz recognises the potential of BBM's premium quality of PCI coal and has received strong interest for it from a number of potential customers.

Sojitz believes it can achieve a competitive price based on the Platts Low Vol PCI Index with reasonable adjustments for quality and freight difference. In the future it is expected this interest will extend to BBM coking coal and anthracite.

Sojitz Corporation is a general trading company based in Tokyo, Japan. It was formed in 2004 by the merger of Nissho Iwai Corporation and Nichimen Corporation. In Indonesia Sojitz has an interest in the chemicals sector including methanol production.

Krakatau National Resources (Krakatau)

Director Pat Hanna and CEO Jim Coleman met for discussions with Krakatau management at the Krakatau Steel plant in Cilegon, West Jakarta in December. Krakatau has just completed the construction of a new steel mill which includes a Pulverised Coal Injection (PCI) unit, the first of its kind in Indonesia.

The new plant is planned to be commissioned in Q1 2019. Krakatau has recommended to Krakatau Steel to trial Cokal's PCI coal with the view of forming a long term supply contract.

This would form part of any national sales obligation for Cokal, should one be created by the Indonesian Government for metallurgical coals.

NEW STAFF APPOINTMENTS

New Finance Manager

Andrew Ichwan has been appointed Finance Manager and will start in January 2019. Andrew is Indonesian with experience in both Indonesia and Australia. He has a track record working with several ASX-listed companies including Straits Resources Limited and Silverlake Resources Limited. Prior to joining Cokal, Andrew worked with various mineral commodities including gold, zircon and coal. Andrew is a member of CPA Australia and holds a degree in Bachelor of Accounting from Curtin University, W.A.

Former CFO, Vic Kuss, has been engaged on a consulting basis to provide background knowledge of Cokal's systems, and is also assisting Andrew to establish appropriate accounting protocols to ensure timely control of all income and expenditure in the immediate future.

During the audit of the 2018 annual accounts, Cokal was made aware of financial irregularities and fraudulent activity which impacted the Company's financial statements for the year ended 30 June 2018. The Company investigated and rectified the irregularities. After rectification there has been no material financial loss to the Company.

New authorisations and a new organisation structure have been put in place to assist in the prevention of such matters in the future. The Company requested and received the resignation of the Chief Financial Officer, Mr Teuku Juliansyah, and the Purchasing Officer effective 15 November 2018.

Cokal has identified a number of candidates to fill mining engineering and coal geology positions and has commenced an interview process with a view to appointments in Q1 2019.

DEBT RESTRUCTURING

Magna

In October 2017, Cokal entered into a Convertible Note Agreement with Magna. In the December 2018 quarter the Company repaid the balance of the Convertible Notes outstanding, (which had not been converted) totaling USD186,251.

This has fully concluded arrangements with Magna.

Platinum

On 22 July 2016, the Company announced that it had reached an agreement to convert the Blumont Loan and Northrock Loan (together the Platinum Loans) into a production royalty, subject to the preparation of definitive agreements (Debt Restructure Transaction). The Company entered into a definitive royalty deed on 29 April 2017 under which the Company will be granted a discharge and release of its obligations under the Platinum

Loans in exchange for a production royalty, subject to certain conditions being satisfied. The terms and conditions of the royalty deed (including the conditions) were announced to the market on 2 May 2017.

On 20 February 2018, the Company issued 75 million Options to Northrock Financial LLC, Platinum Partners Credit Opportunities Master Fund LP and Platinum Partners Value Arbitrage Fund LP (in official liquidation) (Platinum Entities) with an expiry date of 20 February 2023 and an exercise price of 1.6 cents (Existing Platinum Options). Each Existing Platinum Option currently vests once all the Platinum Loans have been released and discharged.

The conditions precedent under the royalty deed relating to ongoing production and financing budgets (Subsequent Conditions) have not yet been satisfied. Under the initial terms of the royalty deed, the Subsequent Conditions had to be satisfied by 9 December 2018.

On 30 October 2018, the Company negotiated an amendment to the original agreement which included:

- an extension to the completion date to 31 July 2020 on the basis of an issue of New Platinum Options (37.5 million options with a 4 year term and exercise price of 1.6 cents), subject to shareholder approval, and
- the Platinum Entities agreeing not to exercise 37.5 million of the Existing Platinum Options.

ENDS

Further enquiries:

Domenic Martino
Non-Executive Chairman
E: dmartino@cokal.com.au

About Cokal Limited

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, which are considered prospective for metallurgical coal.

Forward Looking Statements

This release includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company’s actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of resources or reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the company and its management’s good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company’s business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company’s business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management or beyond the company’s control.

Although the company attempts to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be anticipated, estimated or intended, and many events are beyond the reasonable control of the company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

Forward looking statements in this release are given as at the date of issue only. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

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 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 Total Coal Resource estimate was announced on 29th April 2016, titled “Cokal announces updated JORC Resource Statement for Bumi Barito Mineral (BBM) Project”. 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 announcements made on 1st August 2017 and 29th April 2016 and that all material assumptions and technical parameters underpinning the estimates in the announcements made on 1st August 2017 and 29th April 2016 continue to apply and have not materially changed.