



Half Yearly 31 December 2018 Report

Cokal Limited ACN 082 541 437
Half Yearly Report for the period ended 31 December 2018

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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

Pat Hanna
Domenic Martino
Gerhardus Kielenstyn

COMPANY SECRETARY

Louisa Youens

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STOCK EXCHANGE LISTING

Australian Securities Exchange Ltd
ASX Code: CKA

INTERNET ADDRESS

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AUSTRALIAN BUSINESS NUMBER

ABN 55 082 541 437

Directors' Report

The directors hereby present the following half-year report for the period ended 31 December 2018 for Cokal Limited ("Cokal" or the "Company") and its subsidiaries (the "Group").

The following persons were directors of the Company during the whole of the half-year and up to the date of this report, unless otherwise stated:

- Domenic Martino – Non-Executive Director (appointed 24 December 2010) and Non-Executive Chairman (appointed 31 January 2017);
- Pat Hanna – Non-Executive Director (appointed 24 December 2010);
- Gerhardus (Garry) Kielenstyn – Executive Director (appointed 27 January 2017) and Chief Operating Officer (appointed 24 June 2016).

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

For the half-year ended 31 December 2018, the loss for the consolidated entity after providing for income tax was US\$2,826,492 (31 December 2017: US\$ 4,433,086).

DIVIDENDS PAID OR RECOMMENDED

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

CHANGES IN CAPITAL

There has been an increase in share capital in the current financial period as discussed below.

Share Placement

During the period ended 31 December 2018, 3,125,000 shares were issued at AU\$0.032 per share as part of the Company's capital raising strategy.

Convertible Notes

During the half year to 31 December 2018, 150,000 Convertible Notes were converted to 7,591,796 shares. Redemption of the remaining 147,234 convertible notes occurred in November 2018.

Shares Issued on Conversion of Debt

During the half-year ended 31 December 2018, 6,785,571 shares were issued on conversion of a loan and in payment of invoices and salary.

Options Exercised and Shares Issued

During the half-year ended 31 December 2018, no ordinary shares were issued on exercise of options (31 December 2017: Nil).

At 31 December 2018 there were 731,202,159 shares on issue, and 131,000,000 unexpired options.

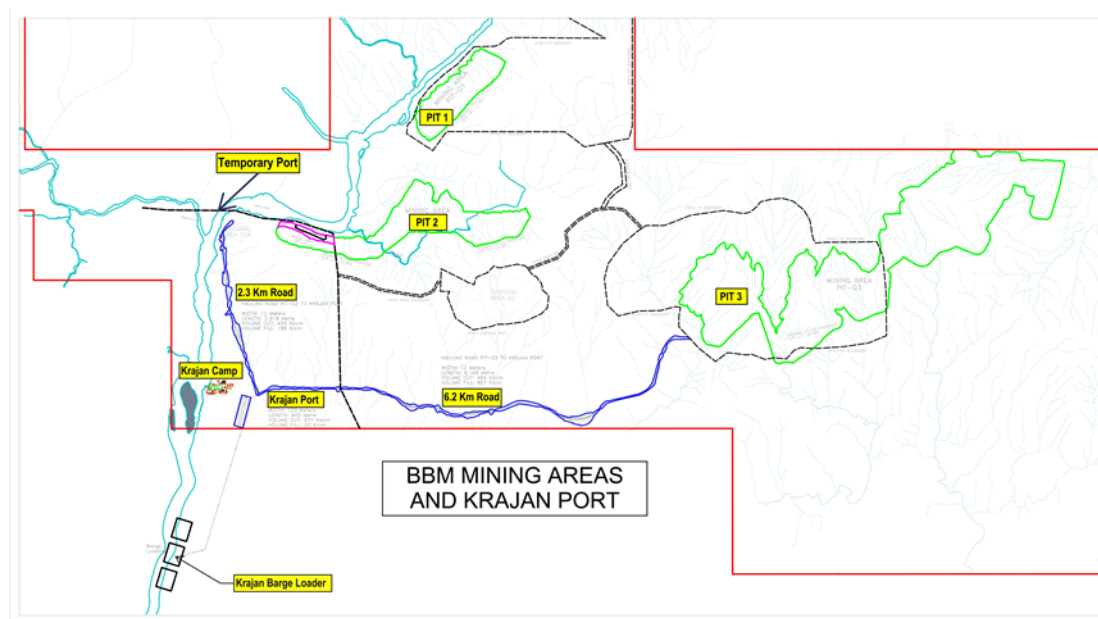
Directors' Report (Continued)

REVIEW OF OPERATIONS

BBM MINE

During the half year to 31 December 2018 Cokal continued to develop a plan for the start and ramping up of production at BBM. This 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.¹ The team has completed the design of key roads and stockpiles in BBM including:

- Upgrade 800m road along Pit 2 low wall to haul coal to the existing temporary port;
- Upgrade 6,200m exploration road from Krajan Port to Pit 3;
- New 2,300m road from Krajan Port to Pit 2;
- Develop Krajan Port.



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

BT BARA INERAL ASRI (BMA)

BMA stated its desire to work as a team with Cokal to develop and operate mines at BBM. On 21 September 2018 Cokal agreed to key principles of agreement to form an operational partnership with BMA to develop the BBM Project. Under this agreement BMA provided US\$2million to Cokal to underpin its role and, subject to due diligence and terms to be negotiated, fund the full development of the BBM Project, including infrastructure. Due diligence being conducted by BMA includes 2,000m of drilling to confirm the geological model. The \$US2 million will be repaid from the sale of coal when mining commences.

AAHANA GLOBAL RESOURCES AND INVESTMENT PTE LTD (AGRI)

AGRI executives visited the BBM mine site and continue discussions with Cokal. Subsequent to the end of December 2018, AGRI advised it is acquiring a substantial interest in Cokal and the Company has agreed to the appointment of two AGRI representatives to the Board of Cokal on finalisation of AGRI's acquisition of the substantial interest in Cokal.

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

Directors' Report (Continued)

KRAKATAU NATIONAL RESOURCES (KRAKATAU)

Krakatau National Resources is a subsidiary of Krakatau Steel, Indonesia's largest steel maker. In August 2018 Cokal signed a Memorandum of Understanding with Krakatau to supply it with PCI coal for its Indonesian steel plant. Although this has no monetary value, it signals intent by Cokal and acceptance by Krakatau to trade metallurgical coal in the local market. This is ahead of any Indonesian Government compulsion for Cokal to do so and has advantages for both parties. Director Pat Hanna and CEO Jim Coleman met 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 initiating a long term supply contract.

SOJITZ CORPORATION (SOJITZ)

In December 2018 Cokal received a non-binding Letter of Intent (LOI) from Sojitz to promote and market BBM metallurgical coal products. Sojitz is considering marketing BBM's PCI coal to potential customers 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 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.

MERATUS ADVANCE MARITIM (MDM)

In August 2018 Cokal met with the Executive MDM team. The status of the BBM project was discussed along with the desire to barge from the mine site using flat bottom shallow draft barges and boats. The meeting was positive and MDM confirmed its desire to cooperate with Cokal.

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 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/tonne for road haulage.

Cokal is negotiating 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.

Directors' Report (Continued)



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 a long standing relationship.

STAFF

In July 2018 Cokal Limited appointed a new Chief Executive Officer. Jim Coleman has extensive relevant experience in all aspects of open cut mining in South East Asia, Africa and Australia, management of mining contractors, shallow draft barging, community development and achieving targets during mine start-ups.

The organisation of Cokal has been redesigned to be appropriate for the commencement of mining operations and the exploration of tenements.

The appointed Mine Site Manager, Wisnu Jati, holds the appropriate qualifications to control the mine as required by Indonesian law. He will be responsible for all activities including safety, mining contractors, short term mine planning, administration, community relations, logistics (barging) and support for exploration.

Andrew Ichwan was appointed Finance Manager and commenced 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

Directors' Report (Continued)

Resources Limited and Silverlake Resources Limited dealing with gold, zircon and coal. Andrew is a member of CPA Australia and holds a Bachelor of Accounting degree from Curtin University.

Former CFO, Vic Kuss, is consulting to provide background knowledge of Cokal's systems and to assist Andrew to establish appropriate accounting protocols to ensure timely control of all income and expenditure going forward.

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 organisation have been put in place to prevent such matters occurring in the future. The Company requested and received the resignation of the Chief Financial Officer and the Purchasing Officer effective 15 November 2018. Others involved no longer work for Cokal.

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 making appointments in 2019.

Corporate Social Responsibility

Cokal has continued with the implementation of its Community Development programs. Cokal has undertaken programs, which covered health, education, environmental awareness, and community empowerment aspects.

CORPORATE

Annual General Meeting

The Annual General Meeting of Shareholders of Cokal Limited was held on 30 November 2018 with all resolutions passed by a show of hands without amendment.

Debt Restructuring – Conversion of Loans to Platinum Partners to a Royalty Arrangement

In November 2018, Cokal concluded and executed an amended agreement with Northrock Financial LLC and Wintercrest Advisors LLC (the **Platinum Entities**) in respect of loans outstanding totaling US\$13.89 million (**Platinum Loans**). The agreement confirmed the conversion of the debt owing by the Company into a production royalty.

On 20 February 2018, the Company issued 75 million Options to the 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 amended agreement:

- Confirms that a number of the conditions precedent in respect of the Platinum Loans have been satisfied or waived by the Platinum Entities and extends the date for meeting the remaining conditions precedent (**subsequent conditions**) under the royalty deed for conversion of the balance of the Platinum Loans to 31 July 2020.
- Provides that upon the Company issuing **New 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 (once the New options are issued 37.5 million of the Existing Platinum Options are cancelled), one third of the Platinum Loans will be forgiven. The resolution to issue the New Options was resolved by shareholders at the Company's 2018 Annual General Meeting.

The New Options were issued on 10 January 2019 at which time one third of the Platinum Loans were forgiven. .

Convertible Notes

In October 2017 the Company entered into a Convertible Note Agreement with MEF I, L.P. ("Magna"), whereby Cokal could raise up to AUD 4,000,000 through the issue of Convertible Notes in three tranches. The first tranche totaling AUD 2,000,000 was drawn in October 2017, with 1,577,234 Convertible Notes issued. As at 30 June 2018, Magna had converted 1,280,000 Convertible Notes to shares, with 297,234 Convertible Notes remaining. During the half year to 31 December 2018, 150,000 Convertible Notes were converted to 7,591,796 shares. Redemption of the remaining 147,234 Convertible Notes occurred in November 2018.

Directors' Report (Continued)

SUBSEQUENT EVENTS TO 31 DECEMBER 2018

In January 2019 Cokal was advised by Aahana Global Resources & Investment Pte Ltd (AGRI) that it has entered into a conditional agreement (the AGRI Agreement) to acquire a substantial interest in the Company through the purchase of shares and options which are currently owned by the Platinum Entities (in receivership and liquidation). Completion of the AGRI Agreement will result in AGRI acquiring approximately 19.9% on a diluted basis of Cokal Limited. The AGRI Agreement is conditional on AGRI, with the consent of the Cokal Ltd board, being able to nominate two directors to the board of Cokal Ltd and its Indonesian subsidiaries. The Board of Cokal Ltd has advised AGRI in writing that it consents to these board appointments, subject to AGRI acquiring the said substantial interest.

On 10 January 2019, 37.5 million New Options (4 year term and exercise price of 1.6 cents) were issued to the Platinum Entities and consistent with the amended agreement between the Company and the Platinum entities one third of the Platinum Loans (\$4,630,767 of debt) was forgiven at that time.

Subsequent to year end the Company issued 20,015,000 shares at AUD0.032 per share to raise \$462,426 (before costs).

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 23.



Domenic Martino
Chairman
Sydney
15 March 2019

Cokal Limited

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2018

	Note	31 December 2018 US\$	31 December 2017 US\$
Coal Sales		417,158	-
Other income	2	251	58
Employee benefits expenses		(1,028,504)	(576,353)
Depreciation		(55,938)	(16,031)
Arrangement fee	13	(124,273)	(996,198)
Production expenses		(20,280)	(1,595,391)
Finance costs	3	(23,564)	(583,583)
Legal expenses		-	(34,818)
Licence fees		(1,503,250)	-
Administration and consulting expenses		(488,092)	(630,770)
Loss before income tax expense		(2,826,492)	(4,433,086)
Income tax expense		-	-
Loss for the period		(2,826,492)	(4,433,086)
Other comprehensive income		-	-
Total comprehensive loss for the period		(2,826,492)	(4,433,086)
Loss per share for loss attributable to owners of Cokal Ltd			
	Note	Cents	Cents
Basic Loss per Share	4	(0.39)	(0.72)
Diluted Loss per Share	4	(0.39)	(0.72)

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

Cokal Limited

Interim Consolidated Statement of Financial Position as at 31 December 2018

	Note	31 December 2018 US\$	30 June 2018 US\$
Current Assets			
Cash and cash equivalents		92,449	15,502
Short term deposits		138,916	138,916
Other current assets		64,957	29,983
Total Current Assets		296,322	184,401
Non-Current Assets			
Property, plant and equipment	6	1,372,873	1,428,811
Exploration and evaluation assets	7	25,067,202	25,067,202
Other non-current assets		35,731	35,362
Total Non-Current Assets		26,475,806	26,531,375
TOTAL ASSETS		26,772,128	26,715,776
Current Liabilities			
Accounts payable and others	8	6,482,191	5,461,564
Convertible notes	9	-	364,108
Interest bearing loans	10	15,892,302	14,163,218
Total Current Liabilities		22,374,493	19,988,890
TOTAL LIABILITIES		22,374,493	19,988,890
NET ASSETS		4,397,635	6,726,886
Equity			
Issued capital	11	90,163,602	89,727,054
Reserves	12	5,060,836	5,000,143
Accumulated losses		(90,826,803)	(88,000,311)
TOTAL EQUITY		4,397,635	6,726,886

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

Cokal Limited

Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

	Issued capital	Reserves	Accumulated losses	Total
	US\$	US\$	US\$	US\$
At 1 July 2018	89,727,054	5,000,143	(88,000,311)	6,726,886
Total comprehensive loss for the period				
Loss for the period	-	-	(2,826,492)	(2,826,492)
Other comprehensive income	-	-	-	-
			(2,826,492)	(2,826,492)
Transactions with owners in their capacity as owners				
Issue of share capital	436,548	-	-	436,548
Share based payments	-	60,693	-	60,693
	436,548	60,693	-	497,241
At 31 December 2018	90,163,602	5,060,836	(90,826,803)	4,397,635
At 1 July 2017	84,752,154	4,907,414	(80,204,168)	9,455,400
Total comprehensive loss for the period				
Loss for the period	-	-	(4,433,086)	(4,433,086)
Other comprehensive income	-	-	-	-
	-	-	(4,433,086)	(4,433,086)
Transactions with owners in their capacity as owners				
Issue of share capital	2,176,047	-	-	2,176,047
Costs associated with issue of share capital	-	44,140	-	44,140
	2,176,047	44,140	-	2,220,187
At 31 December 2017	86,928,201	4,951,554	(84,637,254)	7,242,501

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

Cokal Limited

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December 2018

	Note	31 December 2018 US\$	31 December 2017 US\$
Cash Flows from Operating Activities			
Receipts from customers		160,615	478,093
Payments to suppliers and employees		(1,654,942)	(2,007,072)
Interest and other income received		251	58
Finance costs paid		(36,451)	(181,304)
Payment of arrangement fee	13	(124,273)	(496,198)
Net cash outflow from operating activities		(1,654,800)	(2,206,423)
Cash Flows from Investing Activities			
Proceeds from lease deposit		-	136,868
Net cash inflow from investing activities		-	136,868
Cash Flows from Financing Activities			
Proceeds from convertible notes issued		-	1,567,177
Redemption of convertible notes		(186,251)	-
Proceeds from the issue of shares		73,363	552,208
Proceeds in advance of shares issued		115,551	-
Repayment of loan		(270,916)	-
Proceeds from borrowings		2,000,000	-
Net cash inflow from financing activities		1,731,747	2,119,385
Net increase in cash and cash equivalents		76,947	49,830
Cash and cash equivalents at beginning of period		15,502	28,264
Net foreign exchange differences		-	-
Cash and cash equivalents at end of period		92,449	78,094

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

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018

NOTE 1 GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) General Information

The consolidated financial statements of Cokal Limited for the half-year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 15 March 2019 and cover the consolidated entity (the "Group", "Cokal" or "Company") consisting of Cokal Limited and its subsidiaries.

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

The nature of the operations and principal activities of the Group are described in the director's report.

b) Basis of preparation

This interim financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 30 June 2018 together with any public announcements made by the Group during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX listing rules. In addition, results for the half-year ended 31 December 2018 are not necessarily indicative of the results that may be expected for the financial year ending 30 June 2019.

The financial statements are presented in the US Dollars.

Apart from the changes in accounting policies noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

c) Going concern

At 31 December 2018, the Group's current liabilities exceed the current assets by US\$21,976,070 (30 June 2018: US\$ 19,804,489). This position is in large part due to:

- the classification of the Group's debt with Platinum Partners (refer note 10) of US\$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 10) to convert of all outstanding loans owing to them to production royalties (this formalised the agreement on 22 July 2016) subject to certain conditions precedent. During the half year ended 31 December 2018, the Company entered into a further agreement with Platinum Partners the effect of which confirmed Cokal's satisfaction with a number of the conditions precedent to the Royalty Deed and extended the date for meeting all of the remaining conditions precedent (the "Subsequent Conditions") under the Royalty Deed for conversion of two thirds of the Platinum Loans to 31 July 2020. In addition, under the agreement when Cokal cancels and reissues 37.5 million options to Platinum Partners, one third of the of the Group's debt with Platinum Partners is forgiven. The cancellation and reissue of the 37.5 million options occurred on 10 January 2019.

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 is dependent upon the successful resolution of a number of matters including:

- Satisfaction of the Subsequent Conditions and completion of the Royalty Deed with Platinum Partners and the conversion of all associated debt to a royalty on coal sold;
- 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 sufficient cash flows are generated; and

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018 (Continued)

NOTE 1 GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The successful raising of sufficient funding, through debt, equity or other arrangements (or a combination of transactions) to progress the development of the BBM project, including meeting capital expenditure, tenement purchase commitments (refer note 13) 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 materialise, 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, should the above matters not be successfully resolved, the Group may not be able to continue as a going concern.

In the event that the Group is unable to satisfy the Subsequent Conditions to the Royalty Deed, further re-negotiation of the arrangements with Platinum Partners will be required.

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 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\$2.0 million loan from BMA Group to secure the transaction.

During the half-year the Company completed a placement to raise \$73,363 and on 11 January 2019, Cokal completed a placement totaling \$462,426 (before issue costs) through the issue of 20,015,000 shares at an issue price of AU\$0.032 per share to sophisticated and professional investors.

The funds raised from the above placements 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 payables 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) Changes in Accounting Policies

There are a number of new and amended Accounting Standards issued by the Australian Accounting Standards Board, which are applicable for reporting periods beginning on or before 1 July 2018 as detailed in the annual financial report as of 30 June 2018. The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period. There was no material impact on the half-year financial report as a result of the mandatory new and amended Accounting Standards adopted.

AASB 9: Financial Instruments

AASB 9 which contains accounting requirements for financial instruments, replacing AASB 139 Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and de-recognition.

Existing financial assets and liabilities of the Company were assessed in terms of the requirements for AASB 9. In this regard the adoption of AASB 9 will impact on the classification of financial assets and liabilities:

Original measurement category under AASB 139 (i.e. prior to 1 July 2018)	New measurement category under AASB 9 (i.e. from 1 July 2018)
Cash and cash equivalents	Financial assets at amortised
Loans and receivables	Financial assets at amortised
Financial liabilities at amortised cost	Financial liabilities at amortised cost

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018 (Continued)

NOTE 1 GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes in classification have not results in any re-measurement adjustments at 1 July 2018. The Company has adopted AASB 9 retrospectively from 1 July 2018 and has elected not to restate comparative information.

Given the nature of the Company's business and the nature of its financial assets subject to an expected credit loss ("ECL") assessment, there was no material impact arising from the application of the new expected credit loss requirements of AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers was issued in December 2015 and establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under AASB 15, the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of control of ownership.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company has adopted AASB 15 using the modified retrospective approach.

Coal Sales: there were no changes identified with respect to the timing or amount of revenue recognition. Revenue from coal sales is recognised at a point in time when control passes to the buyer. As all performance obligations are satisfied at that time, there are no remaining performance obligations under the contract. The transaction price is determined at transaction date and there are no further adjustments to this price.

The Group has not adopted early any other standard, interpretation, or amendment that has been issued, but is not yet effective.

NOTE 2 OTHER INCOME

	31 December 2018 US\$	31 December 2017 US\$
Interest income	251	58
Total other income	251	58

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018 (Continued)

NOTE 3 LOSS FOR THE PERIOD

	31 December 2018	31 December 2017
	US\$	US\$
Loss before income tax includes the following specific expenses:		
Depreciation on plant and equipment	55,938	16,031
Salaries and wages	770,653	408,187
Share-based payments (options) – to employees	47,788	2,416
Operating lease expense – minimum lease payment	10,043	46,097
Finance costs		
Interest on borrowings	34,009	43,961
Capital raising and Convertible Note costs	(10,445)	497,897
Expense relating to options issued	-	41,725

NOTE 4 LOSS PER SHARE

	31 December 2018	31 December 2017
Loss attributable to owners of Cokal Limited used to calculate basic and diluted loss per share (US\$)	(2,826,492)	(4,433,086)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	719,856,465	616,001,530
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	719,856,465	616,001,530
Basic loss per share (cents per share)	(0.39)	(0.72)
Diluted loss per share (cents per share)	(0.39)	(0.72)

* Options are considered anti-dilutive as the Group is loss making. Options could potentially dilute earnings per share in the future. As at 31 December 2018, there were 131,000,000 (30 June 2018: 140,800,000) unlisted options on issue.

NOTE 5 DIVIDENDS AND FRANKING CREDITS

There were no dividends paid or recommended during the half-year period ended 31 December 2018 (30 June 2018: Nil). There were no franking credits available to the shareholders of the Group.

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018 (Continued)

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

31 December 2018	Land	Computer equipment	Furniture and office equipment	Capital WIP	Total
	US\$	US\$	US\$	US\$	US\$
Balance at 1 July 2018	31,526	1,104	234,015	1,162,166	1,428,811
Additions	-	-	-	-	-
Disposals/write-off	-	-	-	-	-
Depreciation expense	-	-	(55,938)	-	(55,938)
Carrying amount at 31 December 2018	31,526	1,104	178,077	1,162,166	1,372,873
30 June 2018					
Balance at 1 July 2017	31,526	1,816	258,542	1,159,011	1,450,895
Additions	-	-	-	-	-
Disposals/write-off	-	-	-	-	-
Depreciation expense	-	(712)	(24,527)	-	(25,239)
Carrying amount at 30 June 2018	31,526	1,104	234,015	1,162,166	1,428,811

NOTE 7 EXPLORATION AND EVALUATION ASSETS

	31 December 2018 US\$	30 June 2018 US\$
Non-Current		
Exploration and evaluation expenditure capitalised - exploration and evaluation phases	25,067,202	25,067,202
Movements in carrying amounts		
Balance at the beginning of the year	25,067,202	23,460,617
Additions / (disposals)^	-	1,606,585
Exploration expenditures derecognised *	-	-
Carrying amount at the end of the year	25,067,202	25,067,202

^ The additions for the year ended 30 June 2018 represent liabilities associated with the agreed issuance of 25 million ordinary shares to the vendors of TBAR in full and final satisfaction of all post-completion amounts, owing by the Company, in respect of its acquisition of TBAR.

*The carrying amount of exploration and evaluation (E&E) assets at 31 December 2018 and 30 June 2018 represents only PT Bumi Burito Mineral (BBM), including TBAR. The Group determined recoverable amount of the BBM project using the Fair Value Less Cost of Disposal (FVLCD) methodology considering the entity 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. At 31 December 2018, the Group assessed the BBM project's recoverable amount and determined no further impairment or impairment reversal was required.

NOTE 8 ACCOUNTS PAYABLE AND OTHERS

	31 December 2018 US\$	30 June 2018 US\$
Current		
Trade and other payables	6,366,641	5,461,564
Share application proceeds	115,550	-
	6,482,191	5,461,564

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018 (Continued)

NOTE 9 CONVERTIBLE NOTES

	31 December 2018 US\$	30 June 2018 US\$
Current		
Fair Value of Convertible Notes on issue	-	1,927,730
Convertible Notes converted to shares	-	(1,563,622)
	-	364,108

NOTE 10 INTEREST BEARING LOANS

	31 December 2018 US\$	30 June 2018 US\$
Current		
Loans payable to employee	-	270,916
Loan payable	2,000,000	-
Platinum Partners facility	10,065,000	10,065,000
Blumont Group facility	3,827,302	3,827,302
Total Interest bearing loans	15,892,302	14,163,218

On 21 September 2018, Cokal agreed to key principles of agreement to form an operational partnership with BMA to develop the BBM Project. Under this agreement BMA provided US\$2million to Cokal to underpin its role and, subject to due diligence and terms to be negotiated, fund the full development of the BBM Project, including infrastructure. Due diligence being conducted by BMA includes 2,000m of drilling to confirm the geological model. The \$US2 million will be repaid from the sale of coal when mining commences.

Platinum Partner/ Northrock Facility

Under the 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\$10,065,000 from various subsidiaries of Platinum Partners. At 31 December 2018, the full amount of the loan is due and payable to Northrock Financial LLC ("Northrock"), being subsidiary of Platinum Partners.

Blumont Group Facility

On 5 November 2013, the Group entered into a loan facility agreement with Blumont Group Limited (Blumont). Under this facility, the Group has drawn down US\$3.4 million (30 June 2018: US\$3.4m). 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 a 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 22 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 of 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 encumbering the the original mining tenements lodged with the Indonesian Authorities with the royalty and providing a charge over all of Cokal's interest in the BBM and TBAR projects;
- 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;

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018 (Continued)

NOTE 10 INTEREST BEARING LOANS (Continued)

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.

On 20 February 2018, the Company issued 75 million Options to the 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.

In November 2018, Cokal concluded and executed an amended agreement with Northrock Financial LLC and Wintercrest Advisors LLC (the Platinum Entities) in respect of loans outstanding totaling US\$13.89 million (Platinum Loans). The agreement confirmed Cokal's satisfaction with or waiver of the conditions precedent (a) to (d) above and extended the date for meeting all of the remaining conditions precedent, being (e) and (f) (the "Subsequent Conditions") under the Royalty Deed for conversion of two thirds of the Platinum Loans to 31 July 2020. In addition, the amended agreement provides when Cokal cancels and reissues 37.5 million options to Platinum Partners, one third of the of the Group's debt with Platinum Partners is forgiven. The cancellation and reissue of the 37.5 million options occurred on 10 January 2019, at which time one third of the debt was forgiven.

NOTE 11 ISSUED CAPITAL

	31 December 2018 US\$	30 June 2018 US\$
731,202,159 authorised and fully paid ordinary shares (30 June 2018: 713,699,792)	90,163,602	89,727,054

	31 December 2018		30 June 2018	
	Number	US\$	Number	US\$
At the beginning of the period/year	713,699,792	89,727,054	593,092,704	84,752,154
Share issue from capital raising (<i>net of capital raising costs</i>)	3,125,000	73,363	52,940,002	1,744,476
Shares issued to consultants**	5,000,000	156,275	875,000	60,217
Shares issued to CEO as 3 months' salary	1,245,031	28,773	-	-
Shares issued on conversion of loan	540,540	13,167	-	-
Shares issued on conversion of convertible notes	7,591,796	164,970	41,792,086	1,563,622
Shares issued on settlement of TBAR debt	-	-	25,000,000	1,606,585
At the end of the period/year	731,202,159	90,163,602	713,699,792	89,727,054

** The share were issued in full satisfaction of trade payables incurred by the Group. The issue price of the shares was consistent with the market price at the time of issue.

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018 (Continued)

NOTE 12 RESERVES

	31 December 2018 US\$	30 June 2018 US\$
Share Based Payments Option Reserve	6,516,291	6,455,598
Translation Reserve	(1,455,455)	(1,455,455)
	5,060,836	5,000,143

Option Reserve

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

During the ended 30 June 2018, Mr Gary Kielenstyn was issued 5,000,000 unlisted options on the following terms. A portion of the value of these options has been expensed in the current half-year.

- 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.

Translation Reserve

Translation reserve represents net exchange differences arising from the translation as a result of change in presentation currency to US Dollars from AUD effective 1 July 2014.

NOTE 13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At 31 December 2018, the Group's contingent liabilities total US\$17.95m (30 June 2018: US\$17.95) 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 2018 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 11).

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 US\$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 31 December 2018 (30 June 2018: 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 at 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 for December 2017. 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 31 December 2018 in respect this deferred purchase consideration as the Group had not secured funding to commence the construction/development of the BBM project.

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018 (Continued)

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. The directors are not aware of any other significant contingent liabilities or contingent assets at the date of this report.

NOTE 14 COMMITMENTS

	31 December 2018	30 June 2018
	US\$	US\$
(a) Operating lease commitments		
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Payable		
- not later than 12 months	144,887	144,887
- between 12 months and 5 years	187,146	259,589
- greater than 5 years	-	-
	332,033	404,477

NOTE 15 OPERATING SEGMENTS

AASB 8 requires operating segments to be identified on the basis of internal reports that are used by the chief operating decision makers (CODM) in order to allocate resources to the segment and to assess its performance. The CODM of the Group are the Board of Directors. For management purposes, the Group is organised into two main operating segments, which involves the exploration of coal in Indonesia and Australia. The Singapore operation was considered separately for corporate services.

	Australia US\$	Indonesia US\$	Singapore US\$	Total US\$
Segment performance for the half-year ended 31 December 2018				
Revenue				
Other revenue	-	417,158	-	417,158
Interest revenue	-	251	-	251
Total segment income	-	417,409	-	417,409
Licence fees	-	(1,503,250)	-	(1,503,250)
Production expenses	-	(20,280)	-	(20,280)
Arrangement fee	-	(124,273)	-	(124,273)
Depreciation expenses	(47,556)	(8,382)	-	(55,938)
Finance costs	(23,564)	-	-	(23,564)
Other expenses	(639,311)	(771,816)	(105,469)	(1,516,596)
Total segment expenses	(710,431)	(2,428,001)	(105,469)	(3,243,901)
Segment net loss before tax	(710,431)	(2,010,592)	(105,469)	(2,826,492)
Segment assets and liabilities as at 31 December 2018				
Property, plant and equipment	120,522	1,252,351	-	1,372,873
Exploration and evaluation assets	-	25,067,202	-	25,067,202
Other segment assets	4,638	319,184	8,231	332,053
Total segment assets	125,160	26,638,737	8,231	26,772,128
Total segment liabilities	(15,211,676)	(6,896,382)	(266,435)	(22,374,493)

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018 (Continued)

NOTE 15 OPERATING SEGMENTS (CONTINUED)

	Australia US\$	Indonesia US\$	Singapore US\$	Total US\$
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Capital expenditure for the half-year ended 31 December 2018

Property, plant and equipment	-	-	-	-
Exploration and evaluation assets	-	-	-	-

	Australia US\$	Indonesia US\$	Singapore US\$	Total US\$
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Segment performance for the half-year ended 31 December 2017

Revenue

Interest revenue	-	58	-	58
Total segment income	-	58	-	58

Production expenses	(29,024)	(1,566,367)	-	(1,595,391)
Arrangement fee	(996,198)	-	-	(996,198)
Depreciation expense	(6,816)	(9,215)	-	(16,031)
Finance costs	(539,622)	(43,961)	-	(583,583)
Other expenses	(418,468)	(822,976)	(497)	(1,241,941)
Total segment expenses	(1,990,128)	(2,442,519)	(497)	(4,433,144)

Segment net loss before tax	(1,990,128)	(2,442,461)	(497)	(4,433,086)
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Segment assets and liabilities as at 31 December 2017

Inventory	-	652,074	-	652,074
Property, plant and equipment	168,888	1,265,976	-	1,434,864
Exploration and evaluation assets	-	25,020,617	-	25,020,617
Other segment assets	17,407	268,825	-	286,232
Total segment assets	186,295	27,207,492	-	27,393,787

Total segment liabilities	15,312,927	4,772,585	65,774	20,151,286
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Capital expenditure for the year ended 31 December 2017

Property, plant and equipment	-	-	-	-
Exploration and evaluation assets	-	-	-	-

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2018 (Continued)

NOTE 16 EVENTS AFTER THE REPORTING PERIOD

In January 2019, Cokal was advised by Aahana Global Resources & Investment Pte Ltd (AGRI) that it has entered into a conditional agreement (the AGRI Agreement) to acquire a substantial interest in the Company through the purchase of shares and options which are currently owned by the Platinum Entities (in receivership and liquidation). Completion of the AGRI Agreement will result in AGRI acquiring approximately 19.9% on a diluted basis of Cokal Limited. The AGRI Agreement is conditional on AGRI, with the consent of the Cokal Ltd board, being able to nominate two directors to the board of Cokal Ltd and its Indonesian subsidiaries. The Board of Cokal Ltd has advised AGRI in writing that it consents to these board appointments, subject to AGRI acquiring the said substantial interest.

On 10 January 2019, 37.5 million New Options (4 year term and exercise price of 1.6 cents) were issued to the Platinum Entities and consistent with the amended agreement between the Company and the Platinum entities one third of the Platinum Loans (\$4,630,767 of debt) was forgiven at that time.

Subsequent to year end the Company issued 20,015,000 shares at AUD0.032 per share to raise \$462,426 (before costs).

Declaration by Directors

In accordance with a resolution of the directors of the Cokal Limited, I state that:

In the opinion of the directors:

- a) The financial statements and notes of the Group for the half-year ended 31 December 2018 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
 - ii. complying with accounting standards and the Corporations Regulations 2001
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Domenic Martino
Chairman

Sydney
15 March 2019



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Auditor's Independence Declaration to the Directors of Cokal Limited

As lead auditor for the review of the half-year financial report of Cokal Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Andrew Carrick
Partner
15 March 2019

Independent Auditor's Review Report to the Members of Cokal Limited

Report on the Half-Year Financial Report

Qualified Conclusion

We have reviewed the accompanying half-year financial report of Cokal Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of description of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, except for the effects of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Qualified Conclusion

Comparative Information

During the financial 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 subsequently confirmed fraudulent activity by the Group's Indonesian based Chief Financial Officer and other Indonesian based employees (collectively "the implicated employees"). During the half-year ended 31 December 2018, the Group finalised its investigation of the fraudulent activity resulting in the termination of the implicated employees.

For the half-year ended 31 December 2017, Group's consolidated statement of comprehensive income reports production expenses of \$1,595,391 including barging expenses of \$740,935. In performing our audit procedures for the year ended 30 June 2018, we were unable to obtain sufficient appropriate audit evidence as to whether the Group's barging expenses had 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 implicated employees. 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. Our opinion on the financial report for the year ended 30 June 2018 was modified accordingly. Our conclusion on the current half-year financial report is also modified because of the possible effects of this matter on the comparability of the current period's figures and the comparative information.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 (c) in the half-year 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 half-year financial report. The half-year 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 conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Ernst & Young



Andrew Carrick
Partner
Brisbane
15 March 2019