

1 NOVEMBER 2018

**QUARTERLY REPORT FOR THE THREE MONTHS
ENDING 30 SEPTEMBER 2018**

HIGHLIGHTS

- **Project Status of CKA's current projects**
- **Update on the preparation for mining operations**
- **Potential partners and customer status**
- **BBM Site Conditions**

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 eventual addition of coking coal production as further infrastructure is developed.

BBM West BlockM. 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 further exploration activity 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 indicates a substantial resource of high grade coking coal in this deposit.

No further 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.

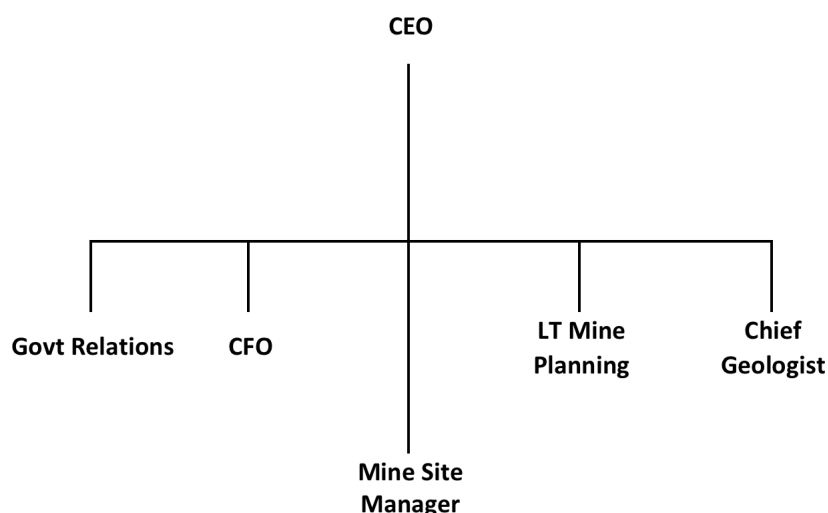
PREPARATION FOR MINING OPERATIONS

New CEO

In July Cokal appointed a CEO in Jim Coleman who has extensive relevant experience in all aspects of open cut mining in South East Asia, management of mining contractors, shallow draft barging, community development and achieving targets during mine start-ups. This experience will be beneficial during the imminent opening of the BBM mine and the ongoing expansion of Cokal's coal mining activities in Central Kalimantan.

Organisation

CEO Jim Coleman has redesigned the organisational chart for Cokal as appropriate for mining operations in BBM and the exploration of adjacent tenements. The senior staff in Jakarta will report to the CEO as shown on the chart below.



Garry Kielenstyn will advise the CEO directly on all Indonesian matters.

Long term mine planning and estimation of JORC reserves will initially be performed by mining consultants under the direction of the CEO until the scale of operations requires the appointment of an experienced mining engineer.

Reporting to the CFO will be procurement, IT, HR, Legal and financial/secretarial services. The CFO will also advise on mine site administration as required. The CFO is solely responsible for corporate financial management.

The Chief Geologist will update Cokal's Resource estimation report annually in accordance with the JORC Code, as well as the planning of exploration programs. He will also be responsible for the training of exploration geologists to provide information in the form required by the JORC Code. The Chief Geologist will compile Government reporting in accordance with the Indonesian regulatory requirements for the IUP tenements, and provide input of sustainability information to the long term mine plan.

The Mine Site Manager will be based at the BBM project and will hold the appropriate qualifications to manage the mine as required by Indonesian law. The Mine Site Manager will be responsible for all activities at the mine including safety, the management of the mining contractor, short term mine planning, administration, community relations, logistics (barging) and support for exploration. This role will be maintained by a senior engineer with the appropriate certification as required by the Indonesian mines department whilst the Mine Site Manager is off-site.

Three Contract Supervisors will be employed to manage the mining contractor 24/7. Two of these will cover day and night shift while the third is on rotation leave. It is anticipated that these supervisors will be operationally experienced Indonesian mining engineers or mining contractors.

The Senior Mining Engineer in charge of short term mine planning will supervise an assistant mining engineer, two geologists to control in-pit coal quality (coal recovery and dilution) and two survey teams to measure mined volumes, stockpiles, coal shipped and layout facilities.

An environmental officer will gather data required to meet BBM's environmental commitments.

This team will liaise with the contract supervisors to inform them of the performance required of the contractor. They will prepare daily and monthly production reports for the mine site manager copied to the CEO.

The site Administration Manager will control security, the mine camp and IT, and report relevant information to the CFO.

Community Relations is an important part of mine operations and includes social development, land compensation and paramedics/clinics.

A Logistics Manager will coordinate the scheduling and loading of barges including coal receipt, preparation and stockpiling. In the future this will include a coal preparation plant.

An Exploration team will be based in the mine camp at Krajan with a senior geologist in charge and a second senior geologist to assist on site. They will report to the Chief Geologist and initially conduct further exploration activities to define the anthracite and PCI coal seams in BBM West and the coking coal seams in TBAR as approved.

All staff at the mine site will work six weeks on and take two weeks leave. While on site, they shall work six-day weeks, and basic recreation facilities will be provided for the one day a week rest and recoup. As experience has proven, mine workers tend to slow down or even make serious/fatal mistakes over prolonged periods without breaks. This one free day will rotate amongst the staff to ensure it does not adversely impact mine production.

Staff

A total of 31 staff were employed across Cokal's offices and sites. Of the 11 staff in Jakarta office, three were redundant and have been terminated. One former Jakarta staff member has been re-employed. Of the 14

people employed at the mine site, eight were redundant and have been terminated, reducing the total number of Cokal employees to 22.

As the BBM mine develops into production, an additional 19 employees will be required bringing the total to 41. This may vary according to the final arrangements negotiated with the mining contractor. Previously, during the trial mining at BBM, the total staff numbered 89.

PREPARATION FOR MINING OPERATIONS

Aahana Global Resources and Investment Pte Ltd (Aahana)

In August 2018, Cokal executed a binding Term Sheet to fully fund the development of the BBM Project via a joint venture with Aahana, a special purpose vehicle incorporated in the Mineral Energy Resource Group (Singapore). Under the Agreement Aahana will fully fund the capital expenditure at BBM in return for a 40% interest in the JV and equivalent share of profits from the BBM PCI operations. The Term Sheet is binding on both Aahana and Cokal.

Cokal is preparing to upgrade the BBM Anak operation with the construction of BBM PCI which will operate the existing PCI open pit operation at a higher rate of production. Initial site preparation will include the relocation of a suitable barge-loading port in close proximity to the mining operation. Aahana and Cokal will review the mine plans and agree on the selection of mining and barging equipment.

Under the terms of the agreement, Aahana will contribute all necessary funding required to develop BBM PCI Coal, including the provision of cash, assets, mining equipment and contracting services. It is based on a contractual agreement only and no change to asset ownership or title of the tenements will occur. The JV is limited to coal with volatile matter of less than 12%. A management committee will be formed to manage the joint venture which will include two Cokal and two Aahana nominees. Cokal is appointed as the operator of the BBM Project. The profit sharing ratio agreed between Cokal and Aahana is 60:40 (60% Cokal's PT Bumi Barito Mineral, 40% Aahana).

The Agreement with Aahana has not been completed at this stage.

Krakatau National Resources (Krakatau)

Krakatau National Resources is a subsidiary of Krakatau Steel, Indonesia's largest steel maker. On 22 August 2018, Cokal signed a Memorandum of Understanding with Krakatau for the purpose of sourcing, and the utilization of, BBM's PCI coal to support Krakatau Steel.

Cokal views this MOU as a path to establishing a long term contract to supply metallurgical coal products to the Indonesian steel industry, which is currently supplied by Australian and Russian sources. KNR is assigned the responsibility to source metallurgical coal and other raw materials for the Krakatau Steel mill.

Krakatau Steel has 6 (six) production plants making it the only integrated steel plant in the country. These plants produce many kinds of downstream products from upstream raw materials.

At this point in time, BBM does not have any Domestic Market Obligation for its metallurgical coal products. However, this MOU pre-empts a DMO directive from the Central Government and demonstrates Cokal's successful approach for conducting business in Indonesia. .

PT Bara Mineral Asri (BMA)

On 21 September 2018, a meeting with executives of BMA was attended by Cokal's Board of Directors and management. Cokal and BMA executives signed a key principles of agreement document to form an operational partnership to develop the BBM Project. BMA will provide 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.

The agreement is currently not binding and is subject to due diligence and a formal agreement. In the meantime both the Aahana and Domain funding proposals remain on foot.

As part of BMA's due diligence process, Cokal conducted a site visit for two BMA geologists which focussed on the nature and quality of the coal seams, and an inspection of the Barito River and loading ports. BMA's Due Diligence process will include up to 2,000m of drilling to confirm the coal quality and the geological model.

Technical discussions with BMA continue with the intent to have equipment on site in December or January.

Preference is given to establishing the coal stockpile and new barge loading facility near Krajan initially as a temporary arrangement with subsequent expansion of this to become a permanent long term port. This would obviate the need to develop the road and port at Purnama in favour of shallow river barging originating from Krajan. The Krajan port stockpile will be located within the BBM tenement.

The PCI coal currently available in BBM Pit 2 is crucial to achieving BMA's desired production in the initial four months. The existing pit can then be extended east and west as well as extending another open pit strip down dip. Mining PCI coal can also commence in Pit 1 but will require hauling coal over a longer distance on a road yet to be upgraded.

Cokal will apply for an extension of the forestry area allocated for mining in the eastern part of Pit 2 from which a short road connecting Pit 1 will be constructed.

Pit 3 is planned to be developed by upgrading the exploration access road. However coking coal will only be mined when the Krajan port is operational, shallow river barging has been established. This is to ensure prompt coal delivery to Asian steel mills in order to maintain BBM's coking coal properties.

A BMA survey team was sent to site to establish additional permanent benchmarks for survey control, survey the current mining surface, and gather survey data of the roof and floor of the coal seams exposed in the trial pit at BBM. This new survey data has been incorporated into the geological model to determine the quantity of coal extracted and the quantity remaining in the pit.

Cokal's updated Minex geological model has been transferred to BMA's Minescape model as part of the due diligence process of Resource and Reserves validation for the BBM project. These models will form the basis to revise pit optimisation and mine planning based on the updated mining costs appropriate with the planned equipment to be deployed.

In this phase Cokal is considering the use of highwall mining to increase PCI and coking coal recovery from all pits beyond the final economic highwall.

Cokal's mining team has completed the design of key roads and stockpiles in BBM including:

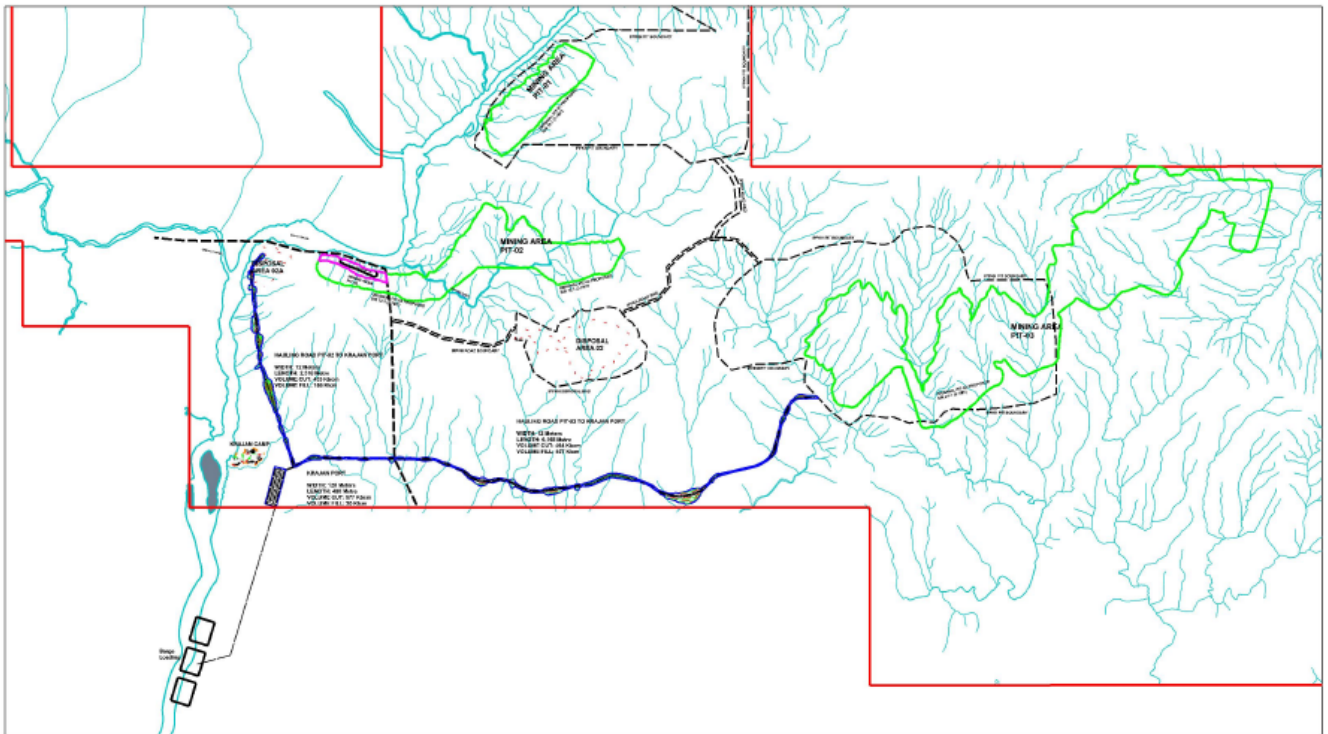
- 800m road along the BBM Anak pit low wall to haul coal to the existing port;
- 6,200m road from Krajan Port to Pit 3;
- 2,300m road from Krajan Port to Pit 2;
- Krajan Port

The roads are designed to be 12m wide with crossfall and drainage to cope with the anticipated rainfall. Cut and fill volumes have been balanced to minimise construction costs while maintaining relatively flat gradients.

It is planned to haul coal to the Krajan Port stockpile direct from each of the pits and stacked by a travelling stacker to facilitate blending. Stockpile capacity is designed for the storage of up to 80,000 tonnes of coal. A front end loader (FEL) will be used to load coal in to relocatable hoppers over reclaim conveyors.

The CEO intends to be in Indonesia and on site to oversee this critical phase of mine construction.

The following diagram shows Pits 1,2 and 3 and the above haulroads and stockpile.



Meratus Advance Maritim (MDM)

Cokal met with the Executive team from MDM to discuss the status of the BBM project along with the desire to barge directly from the BBM mine site.

The meeting was positive and the following conclusions were confirmed by MDM to Cokal:

- Review validity on all assumptions related to this project. (MDM)
- Renew the documents (NDA, MOU, etc). Cokal will send the first draft for review.
- Method of transportation has changed compared to initial proposal (from hauling + barging to barging from jetty).
- MDM to scout for 2nd hand asset (push tug + 1 or 2 small barge with draft of approx. 2 m) on prices, speed, consumption, etc. Preferably time charter the asset for 6 months as trial.

Cokal and its consultants have identified 27 sites on the Barito river where some improvement to the main channel would increase the number of days Cokal will be able to barge. These will be evaluated and budgets prepared for each site together with a priority sequence of development.

Cokal's barging consultant is in the process of locating a secondhand push tug boat to demonstrate the shallow river barging system. These are not available in Asia but are in common use in North and South America.

LG International

Cokal met with LG International representatives in Jakarta. LG have expressed interest in becoming involved in the development of BBM as well as investing in Cokal. Discussions are continuing between the parties.

PT Toyota Tsusho Indonesia

Cokal met with Toyota Tsusho Indonesia representatives on the 4th of September 2018 in Cokal's Jakarta office. Both parties discussed the quality of Cokal's coal, its composition and shipping requirements. They are interested in visiting the BBM mine site when production commences with the intent of purchasing metallurgical coal.

PT Mitsubishi Corporation Indonesia

Cokal met with representatives of the Metals Group of PT Mitsubishi Corporation Indonesia who expressed interest in buying coal from BBM. Discussions will continue upon the commencement of production.

BBM Site Conditions

Cokal has adopted more stringent conditions for the design and construction of roads and drains at its mine sites.

The BBM site camp is currently basic but adequate for the initial phase of development. A mining contractor will require a much more substantial camp development.

There are several aspects of travel logistics to the mine which need to be improved:

- Improved facilities for embarking and disembarking on river craft
- A Cokal regional office in Palangka Raya (the capital city of the Central Kalimantan Province) to facilitate government liaison;
- A bunkhouse in Tambang Lahung for fly-in fly-out employees to transit overnight;
- Purchase a robust 4WD vehicle to safely carry at least six people on site at BBM;
- Purchase a speedboat with more safety and capacity (wider), and fitted with river depth recording equipment to improve the knowledge of the Barito River conditions.

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 29 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 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.