



**COKAL**

**Annual Report**  
2017

A bright  
future





## Competent Person Statement

*The Total Coal Reserve estimate 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 "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.*

*The information in this report relating to exploration results is based on information compiled by Patrick Hanna who is a Fellow of the Australasian Institute of Mining and Metallurgy and is a consultant (through Hanna Consulting Services) to Cokal Limited. Mr Hanna 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 they are undertaking, to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hanna consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.*



# Contents

Corporate Information	3
Chairman's Letter to Shareholders	5
Tribute to Peter Lynch	7
Review of Operations	10
Directors' report	24
Auditor's Independence Declaration to the Directors of Cokal Limited	40
Shareholder Information	41
Interests in Tenements and Projects	44
Consolidated Statement of Comprehensive Income for the year ended 30 June 2017	45
Consolidated Statement of Financial Position as at 30 June 2017	46
Consolidated Statement of Changes in Equity for the year ended 30 June 2017	47
Consolidated Statement of Cash Flows for the year ended 30 June 2017	48
Notes to the Consolidated Financial Statements for the year ended 30 June 2017	49
Declaration by Directors	90
Independent Auditor's Report	91

## Corporate Information

### **DIRECTORS**

Domenic Martino  
Patrick Hanna  
Garry Kielenstyn

### **COMPANY SECRETARIES**

Louisa Youens  
Teuku Juliansyah

### **REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE**

Level 5, 56 Pitt Street  
Sydney NSW 2000  
Phone: + 61 2 8823 3179  
Fax: +61 2 8823 3188

### **COUNTRY OF INCORPORATION**

Australia

### **SOLICITORS**

Thomsons Lawyers  
Level 16, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000  
Phone: + 61 7 3338 7500  
Fax: +61 7 3338 7599

### **SHARE REGISTRY**

Advanced Share Registry Services  
150 Stirling Highway  
Nedlands WA 6009  
Phone: +61 8 9389 8033  
Fax: +61 8 9389 7871

### **AUDITORS**

Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000  
Phone: +61 7 3011 3333  
Fax: +61 7 3011 3100

### **STOCK EXCHANGE LISTING**

Australian Securities Exchange Ltd  
ASX Code: CKA

### **INTERNET ADDRESS**

[www.cokal.com.au](http://www.cokal.com.au)

### **AUSTRALIAN BUSINESS NUMBER**

ABN 55 082 541 437





# Chairman's Letter to Shareholders

Dear Shareholders,

After many challenging years, 2017 was a watershed period for Cokal, which achieved its first production of coal in August 2017, validating the Company's strategic objectives.

During the 2017 financial year, focus has been primarily on the Company's Bumi Barito Minerals (BBM) Project in Indonesia; comprising three sub-projects

- BBM Anak– a premium low volatile PCI coal with production approximating 120,000 tonnes per annum.
- BBM PCI– a small scale initial mine of up to an estimated 500,000 tonnes per annum of PCI coal; and
- BBM Coking Coal– the largest of the three projects with anticipated production commencing at 2 million tonnes per annum of premium coking coal.

Barging of PCI coal commenced at BBM Anak in August 2017. BBM Anak has the economic benefit of all coal seams being naturally exposed at the surface. Therefore, the initial mining stage involved very low volumes of overburden material to be removed. Consequently, when the barges arrived at the port, they were loaded within a few days. The Board expresses its thanks to the Indonesian operations team who have driven the successful commencement of production.

BBM PCI will utilise the infrastructure put in place for BBM Anak; comprising the barge loading port, stockpile and haul road. Consequently costs to establish BBM PCI will be substantially less than the initial cost estimates. It is anticipated that an initial funding injection, plus the cash-flow generated by BBM Anak will fund this project.

Cokal continues to talk with a number of parties to fund the major funding requirements for BBM Coking Coal. The Underground Scoping Study and Definitive Feasibility Study update carried out by the Company have contributed towards preparing for future development of this project.

The conversion of the Company's debt to a royalty payment is progressing with shareholders being asked to vote on the transaction at the upcoming Annual General Meeting. This agreement is seen favourably by potential investors who are considering the provision of BBM Coking Coal funding required to commence construction and production.

It was with a heavy heart that the Board announced the passing of the Company's Chairman and co-founder, Peter Lynch on 26 January 2017. Peter was integral to the launch of Cokal in January 2011, which then included the exploratory tenement, BBM. As reported above, in August 2017 BBM commenced production. It is unfortunate that Peter was not able to share in this milestone. He was a great friend and colleague who has been missed. His legacy lives on in Cokal's corporate culture and its success.

We thank you for your on going support.



**Domenic Martino**  
**Chairman**





# Tribute to Peter Lynch



# Tribute to Peter Lynch

The Board of Cokal Ltd sadly reported the death of co-founder and director Peter Lynch in an aircraft accident on 26 January 2017 in Western Australia.

The incident occurred during Australia Day festivities in Perth, where Peter was working as Director Business Development for the Fortescue Metals Group, when his self-piloted Grumman Mallard seaplane crashed into the Swan River.

Peter is survived by his wife, Laura Lynch, and their three children, Alicia, Sebastian and George.

## Mining Engineer

Born 14 February 1964 at Cronulla, Sydney, Peter attended High School at De La Salle College, Cronulla and then the University of NSW. His life started to be mapped out when he was popularly elected Chairman of the University Union in 1986 at the age of 22. He graduated in 1988 with a Mining Engineering degree and the University Alumni Award.

As a graduate mining engineer, Peter got his first appointment with Griffin Coal in the Muja opencut mine in Collie, West Australia in 1987.

After a year at Collie, Peter landed in Central Queensland to work on the newly constructed German Creek opencut coking coal mines for Shell Australia. During the next five years he gained experience in opencut drill and blasting, spoil design, and undermanager of both Central and Southern collieries.

He gained his Mine Manager's Certificate and, in 1993, moved on to the North Goonyella Underground Coal Mine owned by White Industries; a very challenging underground operation by Queensland standards. Here Peter was Undermanager during the mine development and early longwall operation stages.

In 1995 Peter embarked on a journey that would bring recognition as a can-do person against the toughest odds when he took up the Mine Manager's position at Oaky Creek in Central Qld to build the new Oaky North Underground coal project. First he had to get budget approval in a time when coal prices were depressed and the owners, Mt Isa Mines Limited, were reluctant to approve any coal project. Peter was able to convince two Japanese companies to fund the project for 50% ownership.

With minimal budget Peter completed the construction of Oaky North but disaster struck six months into production when the longwall became strata-bound. Not to be discouraged, he borrowed one of Oaky Creek's draglines and dug the longwall out, rebuilt it, and produced 6 million tonnes in the final six months of the first year of production.

Cheekily, Peter and his team were dressed in Superman outfits when they attended the annual MIM staff function that year. This operation consistently produced 9 mtpa year on year out. In July 1998, Peter was elevated to General Manager of Oaky Creek Coal Pty Ltd.

In November 2000 Peter moved to MIM's headquarters in Brisbane and the metals side of the business. At that time, the Macarthur River Lead/Zinc Mine (MRM) was exporting raw material, and after a site visit, Peter decided MIM needed to build a mineral processing plant to export the higher valued metal rather than rock. This process required large but cheap electricity, so Peter came up with the idea of a pipeline linking the gas from northwest Australia petroleum basin through MRM and onto Mt Isa township. A pipeline was eventually built, though not through MRM, but directly to MIM.

In Oct 2002, Peter left MIM to become Managing Director of Australian Premium Coals, a company founded by the late Ken Talbot (who unfortunately also died in a plane crash in 2010 at the age of 59).

Peter managed two openpits using contract miners (uncommon in Australia for those times) producing 7mtpa of premium low-vol PCI coal producing US\$200 million annual revenue, with six site staff and 12 personnel in head office.

*Peter's zest for life has been described by his friends in many ways – enthusiastic, smart, funny, irreverent, irritating, and above all, irrepressible.*



## Entrepreneurship

Peter wanted to achieve more, so he joined a privately owned mining investment company, Gallipoli Mining, with Vince Gauci and Mike Menzies. Peter travelled extensively around the world in search for opportunities in minerals and coal projects, particularly in South America and Asia. But when the opportunity arose in 2006 to form a new junior coal company, Peter stepped out on his own and formed Waratah Coal.

Taking lessons learnt on his overseas travels, Peter had a vision of building a large scale thermal coal mine in an undeveloped coal basin. He headed up to the Galilee Basin to see what Alpha Coal had been sitting on for more than 20 years, quickly snapped up the adjacent tenements, raised a few million dollars on the Toronto Stock Exchange, and proceeded to prove up 4 billion tonnes of shallow coal. Planning to build infrastructure to move 50 million tonnes per annum, Peter earned support from Asian investors and the stock rose to over \$5.00 until the Global Financial Crisis (GFC) struck. After failing to convince investors to hold on, Waratah Coal was taken over.

Peter looked elsewhere for the next opportunity. It didn't take long.

Serendipitously, mining associate Domenic Martino brought four Indonesian metallurgical coal prospects to the attention of Peter and thence to independent geologist Patrick Hanna and, by January 2011, they had launched Cokal as an ASX-listed international explorer and miner of coking coal, a fuel and carbon source essential for steel making.

Of the Company's four initial exploratory tenements in Central Kalimantan one, Bumi Barito Minerals (BBM), commenced production in August 2017, having appropriately cleared all Indonesian government regulatory approvals within five years – and setting a new standard in Environmental Impact Studies.

It is unfortunate that Peter was not to share in the realisation of Cokal's pioneering operation in one of the world's new metallurgical coal provinces.

However his enthusiasm, dedication and professionalism have left an indelible mark on Cokal's corporate culture.

## Passion for life

Peter was a life-long enthusiast about flying and held an interest in the Evans Head Air Park, a residential complex on the north coast of NSW for people who own private planes with facilities for the preservation of heritage listed airplanes.

This and other passions and his zest for life have been described by his friends in many ways – enthusiastic, smart, funny, irreverent, irritating, and above all, irrepressible. A colleague once said “90% of what Peter said was perplexing, but that other 10% made me think why the hell have I been doing it the wrong way for the last 25 years”.

At his funeral, a long-time friend, Mike Menzies finished his eulogy of Peter with “Lynchie was a champion bloke, a legend of industry, and a great mate to whom we are indebted. The king is dead, but not forgotten.”

RIP Peter Lynch

*Domenic Martino  
Patrick Hanna  
Garry Kielenstyn*

*The Board gratefully acknowledges the contribution of Geoffrey Gold in the preparation of this Obituary*

*A colleague once said –*

*“90% of what Peter said was perplexing, but that other 10% made me think why the hell have I been doing it the wrong way for the last 25 years”.*



*“Lynchie was a champion bloke, a legend of industry, and a great mate to whom we are indebted. The king is dead, but not forgotten.”*







# Review of Operations



# Review of Operations

By the end of June 2017, Cokal's Board has maintained ownership in assets as originally acquired, minimised dilution of shares and steered the company through one of the longest and toughest downturns of the global coal industry. The Cakra takeover bid failed due to Cakra's demise, and the overdue debt to Platinum Partners has been successfully agreed to convert to a royalty from coal sales.

## Corporate

### Conversion of Debt to Royalty

On 2nd May, 2017, Cokal announced that it entered into a royalty agreement with its senior lenders in relation to the conversion of all of its outstanding loans to a production royalty. The agreement with Wintercrest Advisors LLC (Wintercrest) and Northrock Financial, LLC (Northrock), funds managed by Platinum or its affiliates (the Platinum Group), will, on satisfaction of all conditions, convert approximately USD13.8 million of loans owing by Cokal. On unconditionally finalizing this transaction, the monies owing to Platinum Partners and Blumont will be fully discharged and Cokal will be debt free, with a production royalty owing as set out below.

The royalty agreement includes the following terms and conditions:

- **(Conditions)** The royalty is subject to satisfactory lender due diligence, the grant of the agreed security, Cokal shareholder approval and receipt of project funding **(Initial Conditions)** as well as commercial production at the rate of 100,000 tpa by 29 October 2018 and Platinum Group being satisfied with the budgets for all financing proposals **(Further Conditions)**,
- **(royalty entitlement)** From the commencement of commercial production, Platinum Group will be entitled to a yearly royalty on coal sold from Cokal's share of production from the Bumi Barito Mineral Project (BBM) and PT Tambang Benua Alam Raya (TBAR) Project.
- **(royalty rate and maximum royalty)** The royalty will be 1% of Cokal's share of the realized selling price (FOB) (i.e. selling price per tonne x tonnes sold x 1%) up to a maximum royalty amount of USD40 million.
- **(early termination)** Cokal or its related parties will have the right to buy out the royalty at any time for the amount of USD40 million less amounts paid on the royalty at that time.

- **(security)** The royalty obligations will be filed with the original tenements with the Indonesian authorities and secured by charges over Cokal's interests in the BBM and TBAR Projects. The Platinum Group has agreed to provide first ranking security to providers of project senior debt finance.
- **(loan conversion)** The total outstanding loans will be converted as follows:
  - one third (1/3) on satisfaction of the Initial Conditions; and
  - the remaining loans on satisfaction of the Further Conditions.

On June 9, 2017 Cokal announced:

- The Receiver of Platinum Group's PPCO fund and the Liquidator of the PPVA fund have advised that they have completed their due diligence in respect of the royalty agreement and are satisfied with the results. Accordingly the due diligence precondition in this agreement has now been satisfied.
- The Company will now progress the shareholders meeting to approve this transaction and associated matters.

This agreement is seen favourably by potential investors who are considering the provision of the BBM project funding required to commence construction and production of Cokal's metallurgical coals.

### Change of Company Secretary

Duncan Cornish has resigned as Company Secretary for Cokal in August 2017. Duncan has been working in the role for Cokal since its inception in 2010 and has provided the Board with sound support and advice. Duncan's expertise in Public Companies has significantly helped the Board with financial and regulatory decisions, particularly through the long downturn experienced by the global coal industry in recent times. The Board thanks Duncan for his service and contribution and wishes him every success in the future.

Replacing Duncan Cornish as Company Secretary is Louisa Martino (Youens) who has extensive experience in corporate finance and company secretarial services for publicly listed companies. In her earlier years, Louisa worked for a major accounting firm in Perth, London and Sydney providing corporate advisory services and due diligence reviews.

Louisa has a B.Comm from UWA, is a Member of Chartered Accountants Australia and New Zealand, and is a Member of the Financial Services Institute of Australasia (FINSIA).

## Change of Corporate Office Address

As both founding Directors and the Company Secretary reside in Sydney, it was decided to move Cokal's Corporate Office to Sydney. Cokal's new office address is:

Level 5, 56 Pitt Street  
 Sydney, NSW 2000.  
 Phone +61 2 88233179  
 Fax +61 2 88233188

## Indonesian Coal Assets

### Highlights

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

- **Commencement of BBM Anak Project** – planning and budgeting of a small scale mining operation of PCI coal beside the Barito River commenced in January 2017, and came to fruition by August 2017 with the first barge of BBM coal travelling down the Barito River.
- **BBM Underground Scoping Study** – a study which has convinced Cokal's Board to recommend taking this concept to a Pre-feasibility stage to further improve the value and mine life of the BBM Coking Coal Project.
- **BBM Definitive Feasibility Study Update** – this study proved significant cost reductions in the capital and operating costs of the BBM Coking Coal Project due to lower fuel costs and the devaluation of the Indonesian Rupiah over the past 3 years.
- **Valmin Study** – an independent study of all of Cokal's assets in accordance with the Valmin Code, indicating, due to Cokal's exploration and mining studies, an up-lift in current value to approximately US\$210 million.

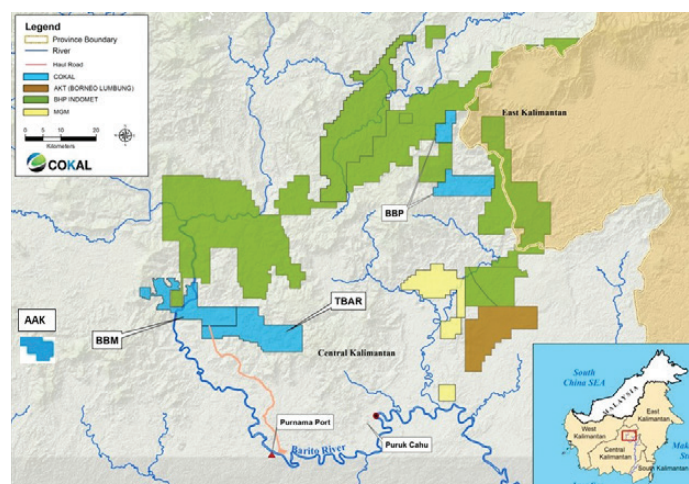
These activities are detailed in the following sections.

## Ownership of Indonesian Coal Assets

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

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

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





# Bumi Barito Mineral Project

The Bumi Barito Mineral Project (BBM) is located in the Central Province, Kalimantan, Indonesia and comprises approximately 15,000ha. There are three projects comprising the BBM Project. They are:

1. BBM Coking Coal – the largest of the three projects with anticipated production commencing at 2 million tonnes per annum of hard coking coal;
2. BBM PCI – a small scale initial mine of up to an estimated 500,000 tonnes per annum of PCI coal; and
3. BBM Anak – a premium low volatile PCI coal with production approximating 120,000 tonnes per annum.

## 1. BBM Coking Coal Project

### BBM: Positive Results on Scoping Study of Underground Mining

The Scoping Study of Underground Mining indicated that the coal resources of Seams B, C, D and J can be economically extracted using open-pit mining and have been classified as both Measured and Indicated categories within four proposed open-pits designed in the BBM East Block. As the remainder Inferred Coal Resources for Seams D and J are considered

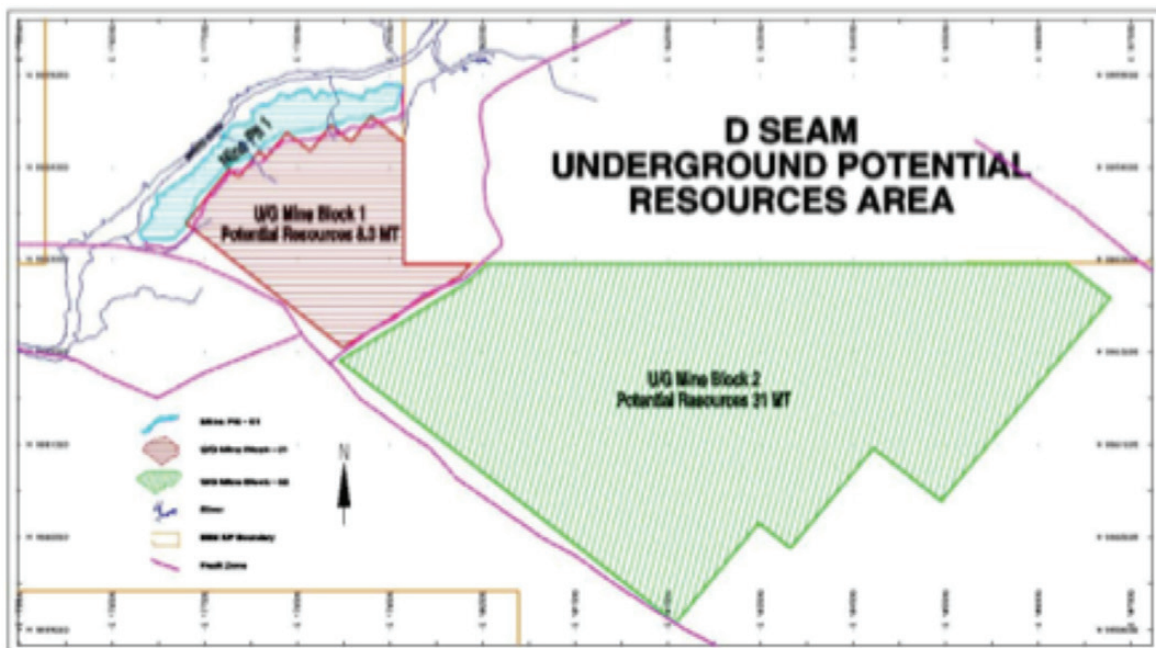
amenable to modern underground mining extraction methods, Cokal has compiled a Scoping Study report which outlines the concept and rationalization of a proposed underground mine plan for the East Block of BBM.

The seam height of the D Seam averages 1.5m to 1.4m while the J Seam varies from 1.25m to 1.3m. Therefore the overall mining height variation is generally from 1.25m to 1.5m. These seam heights are similar to those extracted at the two highest performing Longwall plow operations in the world being, Bogdanka Mine in Poland and Pinnacle in the USA.

The roof predominantly consists of very hard sandstone (up to 95Megapascals (MPa)) while the immediate 1m to 2m of roof consists generally of a competent siltstone. This combination is ideal for extraction of the deeper Coal Resources using underground methods such as thin-seam longwall mining.

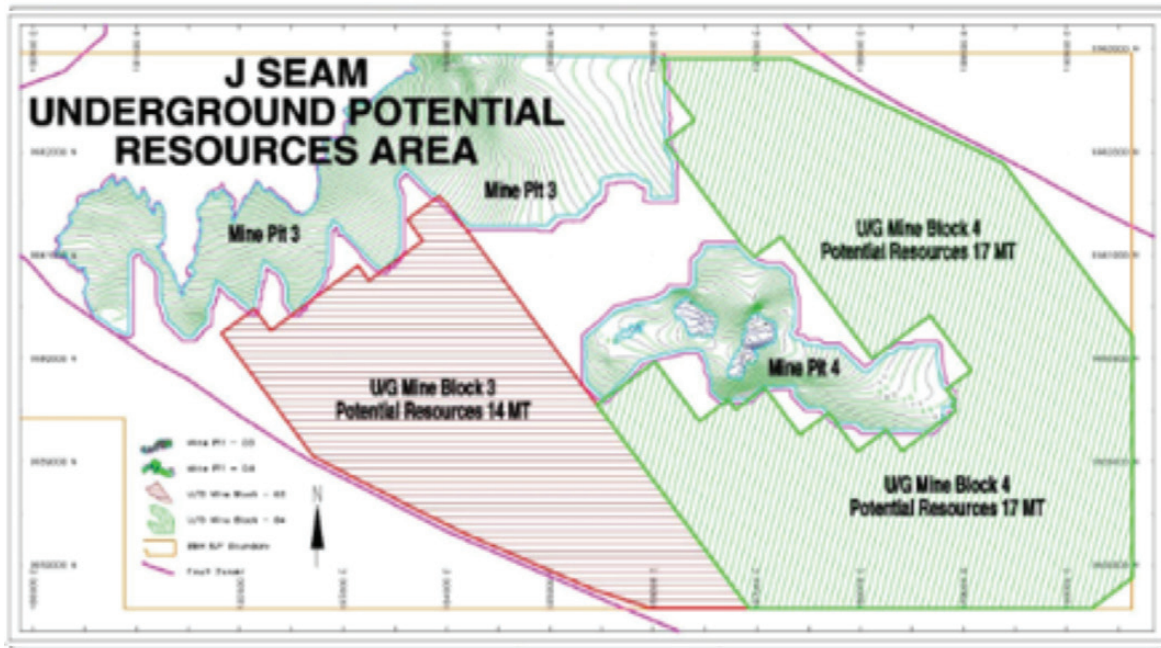
Because of the favourable geological conditions within the BBM area, the Scoping Study has identified the potential for four (4) large underground mining blocks utilising the longwall method of extraction of both the D and J Seams. These two Seams are currently delineated by Inferred Resources totaling 67 million tonnes (mt) within the underground mining area in the eastern portion of the BBM project tenement.

**D SEAM UNDERGROUND POTENTIAL AREA**





## J SEAM UNDERGROUND POTENTIAL AREA



The mine is proposed to use three continuous miner development units and a built-for-purpose longwall plow. Similar (but deeper) mining conditions using longwall plows include Bogdanka Mine (more than 5 million tonnes per annum (mtpa)) in Poland and Pinnacle (more than 2.5 mtpa) in the USA. The highwall punch mine configuration and shallow nature of the Inferred Resources means longwall output is not constrained by outbye coal clearance systems as is experienced in similar plow operations installed in existing older mines.

A Scoping Study was conducted in accordance with the JORC Code (2012). Sensitivity analysis indicates the underground extraction of premium quality coking coal at BBM could be highly competitive in the marketplace. The outcome of this Scoping Study is the recommendation that the project be advanced through to a Pre-feasibility Study. It must be noted: The Scoping Study referred to in this report is based on Inferred Coal Resources, and is not sufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realized.

Cokal is preparing a submission regarding the BBM underground mining project to the Indonesian Government for its consideration in granting the maximum foreign

ownership (70%) of BBM for the life of mine. The reduced divestment requirements were introduced by the Indonesian Government as an incentive to encourage the future development of underground coal development under GR 77 / 2014, enacted on the 14th of October 2014.

### BBM Definitive Feasibility Study (DFS) Update – Costs Fall

The base DFS was completed in 2014, and since that time, Cokal has continued to complete a number of engineering studies and reviews such as geotechnical and hydrology as well as have further contractor negotiations. These have resulted in some scope changes and costing refinements (which are also included in this update) none of which materially impacted the base estimate but did improve the accuracy of the estimate. The two key factors affecting costs which have changed from the base DFS are the FOREX US\$ : IDR (Indonesian Rupiah) forecast and the fluctuations in the price of fuel.

Forex between USD and IDR is based on [www.tradingeconomics.com](http://www.tradingeconomics.com) analysts' forecast predicted on Monday, October 17, 2016. This source's Forex estimate in Q3 of 2017 is US\$1 : IDR13,497. This forecast is considered to be a best case position. However, a conservative approach



has been adopted by Resindo (the author of the DFS), downgrading this Forex prediction rate to US\$1 : IDR13,000 for this DFS update. No variance or escalation has been applied over the project period.

The total estimated development capital required for BBM to deliver a production rate of 2 Mtpa product, including developing a Coal Handling Preparation Plant (“CHPP”), a haulage road and all necessary transport and site infrastructure is now **US\$68M**. This assumes that mining,

barging and hauling equipment will be provided by the respective contractors. These costs are therefore included in operating costs and do not form part of the capital estimate. A breakdown of this development capital is provided in Table 1.

The Study estimates an average Free on Board (“FOB”) cost of US\$82/tonne of coal produced over the life of the mine. The estimated operating costs are real (not adjusted for inflation) and exclude royalties (refer Table 2 below).

**TABLE 1:  
ESTIMATED CAPITAL COSTS BBM 2MTPA**

Construction Capital US\$(Million)	DFS Update	Base DFS
Stage 1: To start production	47	50
- Enhancement Capital	21	25
<b>TOTAL</b>	<b>68</b>	<b>75</b>

**TABLE 2:  
ESTIMATED OPERATING COSTS PER TONNE  
(EXCLUDING 7% ROYALTIES)**

Operating Cost US\$/t Average	DFS Update	Base DFS
Stage 1: Year 1	\$58	\$65
- Average first 5 years	\$70	\$82
- Life of Mine	\$82	\$97





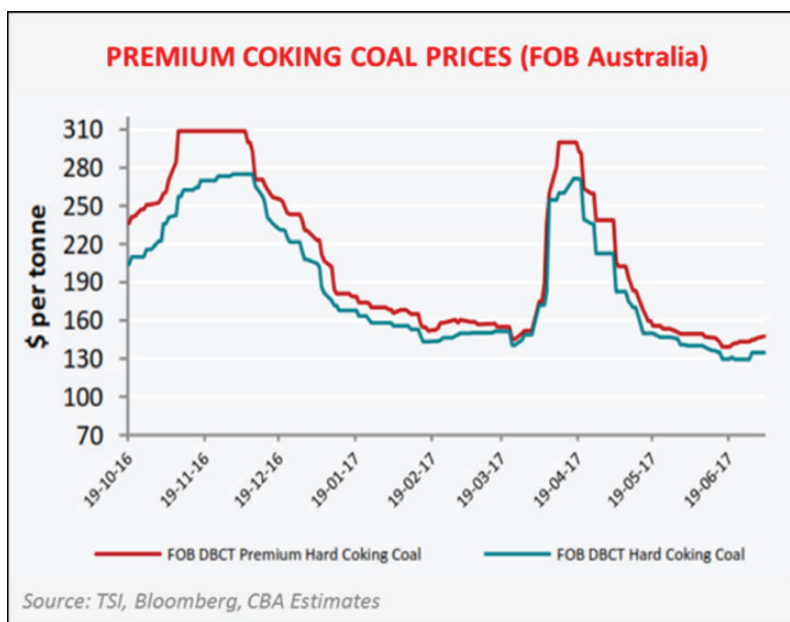
With the spot price of coking coal continuing to rise (reaching US\$256/tonne in late 2016), and the quarterly contract benchmark pricing for premium coking coal settling at US\$200/t in early 2017, it is expected that the consensus for the long term pricing of coking coal will be adjusted upwards in response to these pricing fluctuations.

With the spot price of coking coal continuing to rise (reaching US\$256/tonne in late 2016), and the quarterly

contract benchmark pricing for premium coking coal settling at US\$200/t in early 2017, it is expected that the consensus for the long term pricing of coking coal will be adjusted upwards in response to these pricing fluctuations.

The spot price of PC1 Coal has also risen significantly from US\$70/tonne last year to the current spot rate of US\$147/tonne (Coal Trader International 27th Oct 2016).

**GRAPH OF DBCT SPOT PRICING FOR COKING COAL 19/06/17**



## 2. BBM PCI PROJECT

As part of its strategy to accelerate the commencement of mining operations in the BBM Project, Cokal has evaluated the technical and financial feasibility of a small-scale initial mine (up to 0.5 million tonnes per annum) located close to the Barito River in Kalimantan, Indonesia (**Startup Project**).

The objective of the Start-up Project is to deliver a low capital and low cost operation to produce a premium PCI coal in a relatively short time frame in order to generate positive cash flow to assist funding of the larger BBM two (2) million tonne per annum coking coal project (**BBM Coking Coal Project**).

The work required for the Start-up Project is a sub-set of the wider program of work in relation to the larger BBM Project which had been reviewed by Resindo in a Definitive Feasibility Study for the BBM Project (as reported above) (**BBM DFS**). Accordingly, Cokal's technical feasibility assessment of the Start-up Project is based on work contained in the BBM DFS, supplemented by relevant modifications to reflect the specific features of the Start-up Project (such as its smaller scale).

Relevantly, the BBM DFS considered, in relation to the BBM Project, marketing, tenure and approval processes, mine planning and operation, the coal transport chain and offsite infrastructure, operations strategy, human resources, environment, health and safety and project risks. It had a level of accuracy of +/-10%. The key outcomes of the BBM DFS were announced to the market on 13 February 2014.

Cokal's technical team has prepared a cost budget for the Start-up Project, which due to the close proximity of the low stripping ratio PCI coal to a temporary port, indicates a reasonably low capital investment (\$10 - \$12 million) to take the project into production. Cokal's cost assessment

is based on relevant parts of the BBM DFS supplemented by firm quotations provided recently from experienced local mining and barging contractors who have been to site.

Construction of the mine can commence immediately funding is secured as all regulatory approvals have been acquired by Cokal and can be constructed within 6 to 8 months. The main construction work comprises a short haul road and a simple barge-loading port on the Barito River within the BBM tenement. A contractor with small barges (800 tonne) will take coal down the Upper Barito to an established intermediate stockpile located in deeper waters suitable for larger ocean-going barges.

Cokal has been in discussions with Japanese and Vietnamese markets who have indicated that the PCI product from BBM will attract a premium price for a low-vol PCI, currently fetching US\$150/tonne (source S&P Global Platts, April 3, 2017) on the spot market.

The Company is in advanced negotiations with prospective funding parties in respect of this project. This initial funding, and the cash-flow generated from BBM Anak will fully fund this project.

### A. Project Details

The Project involves mining coal from the area covered by BBM's coal tenement. The abundant exploration data for the PCI coal Seams B, C and D in this area have been estimated as Measured Resources (in accordance with the 2012 JORC Code) as reported in the most recent Resource Report "Updated Coal Resources of BBM Project, April 2016". The coal is regarded as a premium low-vol PCI coal since the Volatile Matter is 12% and the Ash content of 3.2% is very low.

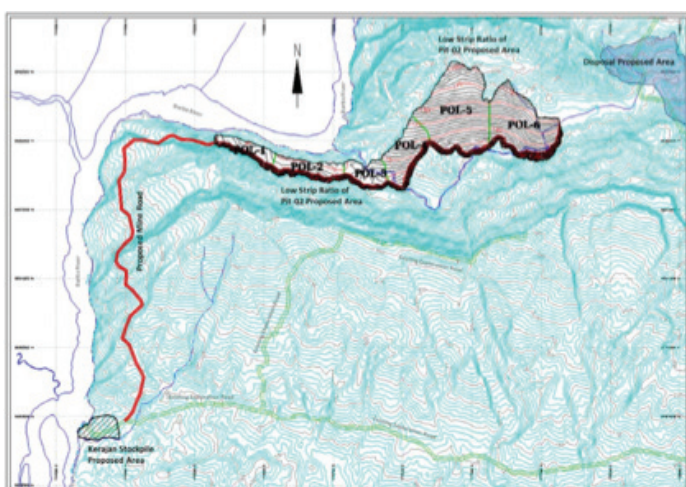
TABLE 3: COAL RESOURCES AND COAL QUALITY FOR PCI PROJECT

Coal Thickness (m)	Measured Resource (Mill Tonnes)	Vertical Strip Ratio (bcm/ Tonnes)	Relative Density g/cm <sup>3</sup>	Inherent Moisture (%ad)	Ash Content (%ad)	Volatile Matter (%ad)	Fixed carbon (%ad)	Total Sulphur (%ad)	Calorific Value (Kcal/kg)	Phosphorous (%ad)	Crucible Swell Index
3.47	2.58	7.00	1.33	2.00	3.20	11.90	82.90	0.44	8.100	0.003	<1



Cokal has delineated a Measured Resource estimate of 2.58 million tonnes at an average vertical strip ratio of 7:1 bcm/tonne. Australian Mining Engineering Consultants conducted a geotechnical study of the overburden material at BBM. It was reported that for openpit mining in BBM, acceptable openpit batter angles of 34° in weathered material and 65° in fresh overburden material.

### MINE LAYOUT MAP OF LOW STRIP RATIO PCI COAL



## B. Marketing

Upon receipt of the project funding, Cokal will acquire a 1 tonne bulk sample of PCI coal from BBM. This sample will be delivered to a reputable laboratory in Banjarmasin where a sub-sample will undergo thorough testing of relevant qualities required to market the coal to potential buyers. The remaining sample will be sealed and sent to potential customers for their independent testing and assessment.

Marketing will include Japanese and Vietnamese buyers who have previously displayed a keen interest in acquiring BBM's PCI coal. Cokal will employ the services of Carbon Solutions (HK) Limited, who has extensive knowledge and experience in marketing Indonesian metallurgical coals into Asian and European markets.

As well, there are local Indonesian businesses that have expressed an interest in acquiring BBM's PCI coal. The Indonesian Government views supplying coal to local industries favourably.

## C. Construction

Construction of the mine can commence immediately funding is secured as all regulatory approvals have been acquired by Cokal.

The major item with the longest lead time is the construction of the haul road. It is planned to construct a 3km haul road from the mine site to the barge-loading port on the Upper Barito River near Cokal's Krajan project site facilities within the BBM tenement area. A simple jetty will be constructed to load 800 tonne barges.

Locally sourced material will minimise costs, and the road designed to allow the mine to continue operations in wet conditions. Construction is estimated to take 6 months but allowing for extraordinary wet conditions during the construction period, it could take up to 8 months. The road will be constructed in a similar manner to the work proposed in the BBM DFS.

## D. Mining

The mine plan is based on an open cut mine for a five year mine life. Cokal has been in contact with reputable mining contractors since November 2016. Three mining contractors have been on site at BBM and have provided cost estimates for overburden removal and coal mining. All three have confirmed they are able to mobilise quickly once contracts have been signed.

Since the coal is exposed on the surface (outcrops), overburden removal can uncover coal quickly. Based on drilling, mine planning and modelling, Cokal considers that the initial blocks to be mined from B, C and D Seams do not require beneficiation for the market quality required. There is no requirement for washing the coal as it has a very low ash content and is suitable for direct-to-ship product logistics. Indonesian mining contractors have developed specific mining methods to ensure minimal dilution of the coal in order to maintain a low ash product.

## E. Export Licence

Cokal is required to apply for an Export License from the Central Government (Indonesia) which was established primarily to control the large volumes of thermal coal being sent off-shore in order to ensure sufficient coal supply to be available to the Indonesian domestic power requirements. Since Indonesia has little requirement for metallurgical coal, acquiring an export licence for PCI coal is expected to be processed in a short time.

### 3. BBM Anak Project

In June 2017, work commenced on the construction of BBM Anak. By July 2017, construction had been completed including:

- The haul road from the mine site to the stockpile
- The barge loading area had been cleared and formed
- Drainage gutters and capping completed
- Timber Cruising, (otherwise known as TC in Indonesia, which is the evaluation of timber by the Forestry Dept,) was completed
- Land acquisition and compensation for all areas covered by the mine site, haul road, stockpile and barge loading area.
- Construction of the barge loading facility completed

Mining commenced in July 2017, and the first barge of BBM coal was launched on August 1, 2017.

Negotiations are well advanced for the sale of BBM Anak's Premium low Volatile PCI coal with initial sales expected to be with domestic users such as mineral processing plants, which currently import PCI coals from Australia and Vietnam.

The PCI coal in BBM Anak is included in the Reserves Estimation, and Cokal is confident that it will produce an attractive profit margin for the 10,000t per month production.

Development of the infrastructure for BBM Anak will form the basis of the infrastructure for the 0.5mt per annum (mtpa) BBM PCI project as both projects will use the same barge loading port, stockpile and haul road. Upgrading BBM Anak to BBM PCI will cost substantially less than the initial estimates. Therefore, with initial funding and the cash flow generated by BBM Anak, Cokal expects that it can develop the 0.5Mt per annum BBM PCI export project.



**COKAL'S BBM ANAK MINING OPERATION & THE FIRST BARGE OF COKAL'S PCI COAL**





# JORC Code Statements

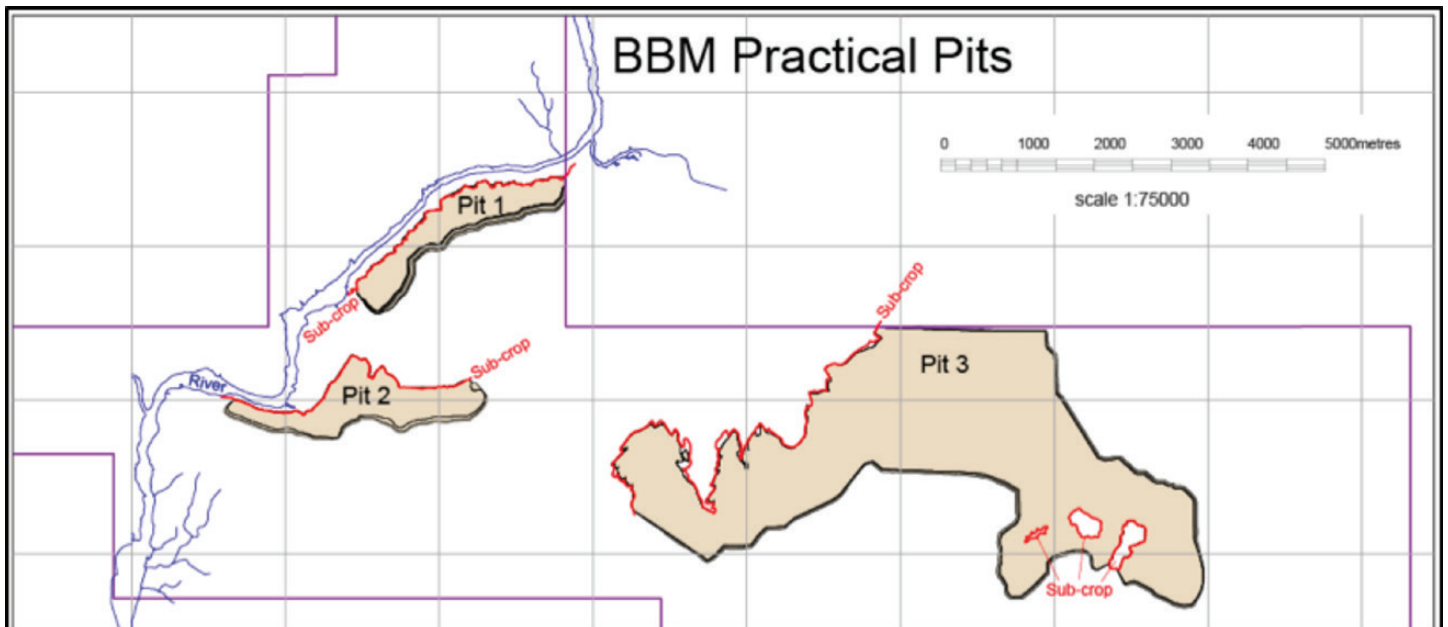
Since June 2016, no further exploration activity was conducted in the field on any of Cokal's assets. Consequently, the updated JORC Resources Statement for the BBM Project announced on 29 April 2016, remains current. The total Resource estimate remains at 266.6Mt for BBM, with the coal resource categories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

On 28th of July 2017, Cokal announced its maiden JORC Reserves Statement. The Coal Reserve statement is only for the Eastern portion of the Bumi Barito Mineral (BBM) coal project.

The highlights of this Reserve statement report included:

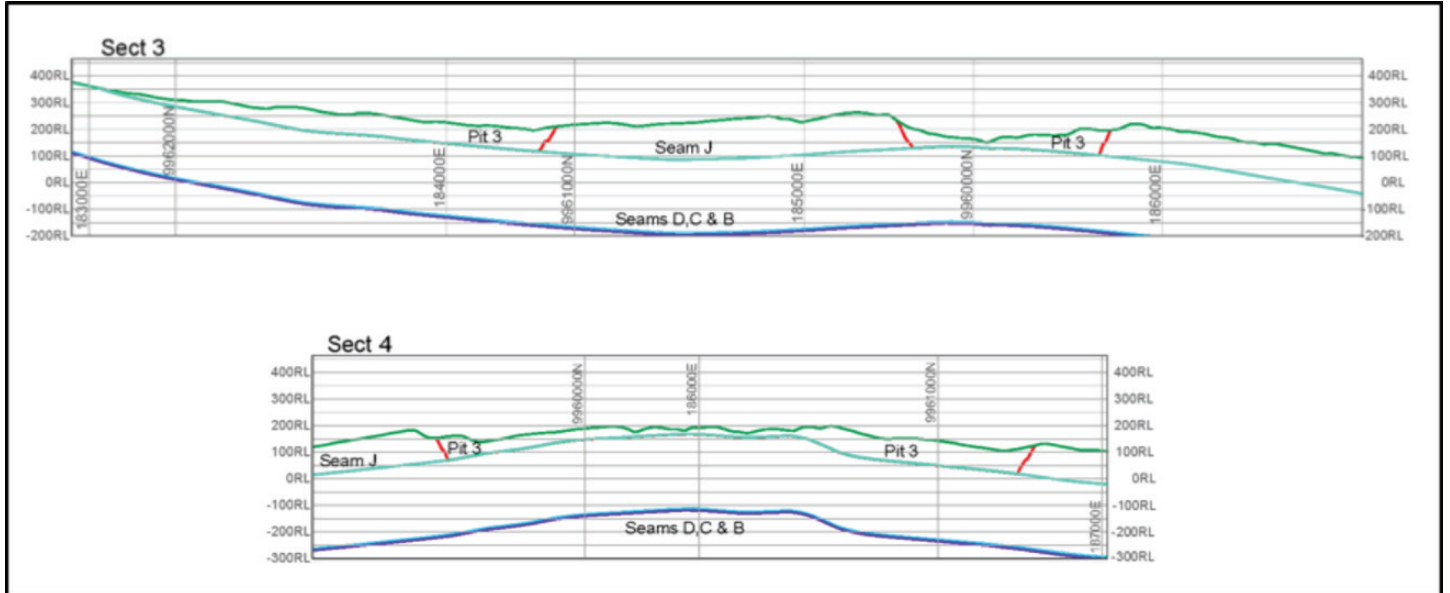
- Coal Reserve estimate of 20.2Mt of openpit Run-of-Mine (ROM) for BBM, producing 16.9Mt of Marketable Reserves in accordance with the 2012 JORC Code.
- Comprised of 13.0Mt Proved and 7.2Mt Probable ROM Reserves, (totalling 20.2Mt ROM coal) for B, C, D and J Seams at US\$150/tonne.
- Marketable Coal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

## ECONOMIC OPENPITS BBM



PCI COAL (SEAM D) EXPOSED AT BBM ANAK MINE PIT

### CROSS SECTION THROUGH OPENPITS



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

Economic Reserves were determined by using the Definitive Feasibility Study, that was prepared in 2014 by Resindo, and recently updated to reflect reduced fuel costs and depreciation of the Rupiah in November, 2016 (see ASX Announcement 2nd November, 2016).





# Valmin Report

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

The Valmin Report has confirmed the viability of the BBM Mine and associated transport system.

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

A Valmin Cokal valuation may not satisfy the requirements of fair value measurement under Australian Accounting Standards.



# External Relations

## Permits

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

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

## Safety and Health

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

- Zero Long Term Injuries and Zero Fatality performances for 2013 – 2017 period.
- A repeat of formal commendation from the Provincial Government for both the standard and compliance of reporting with BBM achieving the highest compliance score of the more than 60 IUPs operating in the Regency.
- Regular inspection protocols of equipment and facilities on a regular basis including Work Place Inspection, Camp & Facility Inspection, Fire Extinguisher Inspection, Fire Alarm Inspection, Vehicle Inspection, Speed Boat Inspection, Generator House Inspection, Water Treatment Inspection, Road & Bridge Inspection, Clinic Inspection & Hygiene Inspection. At least 4 times of inspections are conducted in monthly basis.
- Complete Health, Safety and Environmental Induction process for all employees, contractors and visitors including specific inductions for water transport and site flora and fauna protection. Currently total approx. 570 persons have been inducted during 2013 – 2017 period.
- Health and Safety awareness campaigns carried out on a regular basis including daily and weekly meetings, including/mainly Safety Talk sessions in all BBM offices (at Krajan Site, Puruk Cahu, and Jakarta Office).
- Providing safety socialisations to local community who access BBM mine area for their farming activities.

## Environmental

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

- The continuation of baseline water and environmental monitoring at the BBM project area. For pH monitoring, it is conducted on bi-monthly basis. Impacts from seasons (dry season and rainfall season) and also local activities (illegal mining activities in upstream area) are key factors to this pH condition at BBM site.
- The continuation of the environmental awareness programme aimed at "grass roots" level and presented in such a manner that it is easily comprehensible to surrounding community with limited education. Topics include forest burning, illegal logging, gold sluicing and rubbish disposal which are critical issues in this area.
- The monitoring of an authorised waste storage area. The drums, batteries and waste oil were taken by a licenced hazardous materials contractor and taken to an approved and registered disposal facility in Banjarmasin. In addition, an ongoing contract has been established with the licenced operator to remove drums and waste oil from the PT BBM site so that we comply with the maximum on site storage time of 3 months. A Register of Hazardous material has been established in order to ensure that hazardous material is disposed of correctly.

## Community Development

Cokal continues to implement its Corporate Social Responsibility (CSR) program. To date Cokal has undertaken the following programs:

- Support for Orangutans Release Programme conducted by Borneo Orangutan Survival Foundation (BOSF). From 11-24 April 2016, Orangutans transit cages and accommodation for BOSF dedicated staff were provided on site at BBM's Krajan camp during this release programme. There are total 12 OUs released at Betikap Protection Forest areas (upstream Barito River) approximately 150 kilometres north east of the BBM mine site. Cokal is the only mining company which supports this programme, and both parties will continue its partnerships, including plans for supporting HSE trainings and SOPs for BOSF.
- Continuation of the sponsorship of the three teachers at Tumbang Tuan Junior High School. This school was previously established by Cokal in 2012 and the continuation of the sponsorship allows the school to remain open.
- Continuation of the University scholarships program for 12 local students across a range of faculties at Palangkaraya University including finance, law, agriculture and engineering.
- Continuation of the University of Palangkaraya mining faculty partnership. This program includes Cokal providing regular lectures to the Mining faculty undergraduate program.
- Providing support to various cultural, religious and community based activities.
- Continuation with provision of medical and paramedic support to local villages in the vicinity of the PT BBM Project.





# Directors' Report

# Directors' Report

Your Directors present their report for the year ended 30 June 2017.

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

## **Peter Lynch, Non-Executive Chairman (Appointed on 24 December 2010, Ceased 26 January 2017) B.Eng (Mining)**

Since graduating with a Mining Engineering degree in 1988, Mr Lynch has held various positions, within the coal industry in Australia, as mining engineer, project manager, mine manager, general manager and managing director culminating most recently in the role, from January 2006 until January 2010, as the President, CEO and Director of Waratah Coal Inc., a TSX listed company which was taken over by the Mineralogy Group in December 2008, having reached a peak market capitalisation of CAD300 Million. Other highlights include:

- Mining Engineer, 52, over 30 years' experience mainly in coal.
- Proven track record in coal project evaluation, development and operation.
- Responsible for design and construction of one of Australia's best producing longwall projects, Oaky North.
- Ex-CEO of Waratah Coal responsible for putting the Galilee basin on the map, visionary development plan.
- Ex-MD APC, MacArthur Coal operating entity expanded to 6Mtpa.
- Strong following in Nth American Capital Markets, WCI. TSX-V.
- Currently a director of WCB Resources Limited (TSX-V:WCB).

During the past three years Peter did not served as a director of another listed company.

## **Domenic Martino, Non Executive Chairman (Appointed Director on 24 December 2010 and Chairman on 27 January 2017) B.Bus, FCPA**

Mr Martino is a Chartered Accountant and an experienced director of ASX listed companies. Previously CEO of Deloitte Touch Tohmatsu in Australia, he has significant experience in the development of "micro-cap" companies.

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

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

- Food Revolution Group Limited (since 11 February 2016, resigned 31 August 2016)
- Pan Asia Corporation Limited (since 24 December 2010, resigned 4 July 2017)
- Australasian Resources Limited\* (since 27 November 2003)
- ORH Limited\* (since 6 May 2009)
- South Pacific Resources Limited\* (appointed 3 August 2012)
- Skyland Petroleum Group Limited (SKP) (appointed 19 December 2013)\*

\* denotes current directorship

Domenic is the Chairman of the Audit Committee.

## **Patrick Hannah, Non-Executive Director (Appointed on 24 December, 2010) B. Applied Science (Geology), CP, FAusIMM**

Mr Hanna has over 43 years' experience as a coal geologist in the areas of exploration and evaluation including planning, budgeting and managing drilling programs in Australia and Indonesia, gained since graduating from the University of New South Wales in 1976. Mr Hanna has authored and co-authored numerous coal industry publications.

- Geologist, 62, over 33 years' experience all in coal.
- Extensive experience in Indonesian coal.
- Exploration Manager for Riversdale Mining, principal responsibility for discovery and documentation of new coking coal basin in Mozambique.
- Ex-member of JORC committee.
- Principal Geologist SRK Australia for 6 years.



- Author of 19 technical publications.
- Reviewed and consulted on over 100 coal projects globally.
- Highly experienced and respected.

Patrick is a member of the Audit Committee.

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

### **Gerhardus (Garry) Kielensstyn, Executive Director (Appointed 27 January 2017)**

Mr. Kielensstyn has been a member of the senior management team in the capacity of Chief Operating Officer since June 2016 and prior to that was Cokal's Indonesian Country Manager / President Director PT Cokal (PT Cokal is a 100% owned subsidiary of Cokal) since May 2013.

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

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

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

During the past three years Garry has also served as a director of TSX listed company East Asia Minerals Limited (TSX-V: EAS) (appointed August 2017).

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

### **Teuku Juliansyah, Chief Financial Officer (CFO) and Joint Company Secretary (Appointed on 24 June 2016)**

Over 8 years' practical experience in finance roles involving finance policy and procedure strategy, and implementation, accounting, budgeting, auditing and other financial consulting type of work.

### **Duncan Cornish, Joint Company Secretary (Appointed on 24 December 2010, Resigned 9 August 2017) B.Bus (Accounting), CA**

Duncan is an accomplished and highly regarded corporate administrator and manager. He has many years' experience in pivotal management roles in capital raisings and stock exchange listings for numerous companies on the ASX, AIM Market of the London Stock Exchange and the Toronto Stock Exchange.

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

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

### **Louisa Martino (Youens), Joint Company Secretary (Appointed on 9 August 2017) BCom, CA**

Ms Louisa Youens has been appointed company secretary, effective immediately. Ms Youens provides company secretarial and accounting services to a number of listed entities through Indian Ocean Capital.

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

Prior to that, Ms Youens worked for a major accounting firm in Perth, London and Sydney where she provided corporate advisory services, predominantly on IPOs and also performed due diligence reviews. She has a Bachelor of Commerce from the University of Western Australia, is a member of Chartered Accountants Australia and New Zealand and a member of the Financial Services Institute of Australasia (FINSIA).

## Interests in Shares and Options

At 30 June 2017, the interests of the Directors in the shares of Cokal Limited are shown in the table below.

Options are unlisted, exercisable at US\$0.126 with an expiry date of 24 February 2019.

	Ordinary Shares	Options
Domenic Martino	37,120,001	-
Patrick Hanna	25,800,000	-
Garry Kielenstyn	-	4,000,000

## Principal Activities

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

## Operating Results

For the year ended 30 June 2017, the loss for the consolidated entity after providing for income tax was US\$11,853,745 (2016: US\$30,329,717).

The operating results have been heavily driven by a US\$9.2m (2016: US\$25.7m) de-recognition of pre-tenure exploration expenditures).

More detail on the program is included separately in the Annual Report particularly in the 'Review of Operations' and 'Chairman's Letter to Shareholders' sections.

## Dividends Paid or Recommended

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

## Review of Operations

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

## Review of Financial Condition

### Capital Structure

During the year, Cokal issued 93,750,000 shares to raise US\$1,130,014 in cash.

At 30 June 2017, the consolidated entity had 593,092,704 ordinary shares and 59,800,000 unlisted options on issue.

### Financial Position

The net assets of the consolidated entity have decreased by US\$10,668,111 from US\$20,123,511 at 30 June 2016 to US\$9,455,400 at 30 June 2017. This decrease has largely resulted from a derecognition of exploration assets.

### Treasury Policy

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

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

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

### Liquidity and Funding

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



## Significant Changes in the State of Affairs

There have been no other significant changes in the Group's state of affairs during the year ended 30 June 2017.

## Significant Events after the Reporting Date

- (a) On 17 July Cokal announced that it had successfully completed a private placement for \$700,000. The funds to be used to assist in completion of BBM Anak construction.
- (b) On 28 July Cokal announced a coal reserve estimate of 20.2Mt of openpit Run-of-Mine (ROM) for the Bumi Barito Mineral (BBM) Project, producing 16.9Mt of marketable reserves in accordance with the 2012 JORC code. This reserve estimate comprised 13.0Mt Proved and 7.2Mt Probable ROM reserves. The coal reserves comprise 12.8Mt coking coal product and 4.1Mt PCI product (totalling 16.9MT product coal).
- (c) On 23 August it was announced that Cokal has completed the initial construction phase and has commenced mining operations of premium PCI coal at BBM Anak. The announcement also included the results of the Company's initial valuation study of its coal assets in Central Kalimantan, Indonesia based on the Valmin Code.

## Future Developments, Prospects and Business Strategies

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

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

## Business Results

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

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

## Environmental Issues

The consolidated entity is subject to environmental regulation in relation to its exploration activities in respective countries. Indonesia where the company's main project is located the principal laws are Act No.41 of 1999 regarding Forestry (the Forestry Law), Act No.4 of

2009 regarding Minerals and Coal Mining (the Mining Law) and Act No. 32 of 2009 regarding Environmental Protection and Management (the Environment Law). There are no matters that have arisen in relation to environmental issues up to the date of this report.

## Non-Audit Services

No non-audit services were provided by Cokal's auditor, Ernst & Young during the financial year ended 30 June 2017 (2016: nil).

## Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

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

### Remuneration Report Approval at FY16 AGM

The remuneration report for the 2016 financial year received positive shareholder support at the 2016 AGM with proxy votes of 77% in favour (of shares voted).

## Remuneration Policy

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

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

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

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

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

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

## Non-Executive Director Remuneration

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

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



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

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

The remuneration of the sole non-executive director for the year ending 30 June 2017 is detailed in this Remuneration Report.

## Executive Directors and Senior Management Remuneration

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

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

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

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Short-term incentives may be provided in the form of performance

bonuses. Fixed remuneration and short-term incentives are reviewed annually by the Board, in carrying out the functions of the Remuneration Committee, and the process consists of a review of Company-wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices.

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

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

The remuneration of the Executive Directors and senior management for the year ending 30 June 2017 is detailed in this Remuneration Report.

## Relationship between Remuneration and Consolidated Entity Performance

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

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

<b>Year end (30 June)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Share price	0.04	0.02	0.10	0.14
Basic (loss) per share	(1.96)	(6.07)	(2.76)	(1.40)

There were no dividends paid during the year ended 30 June 2017.

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

## Employment and Services Agreements

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

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

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

## Executive Director

### Gerhardus Kielenstyn

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

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

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

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

## Senior Management

### CFO / Joint Company Secretary

Cokal Limited has an employment agreement with Teuku Juliansyah for the position of Indonesian Finance Manager that commenced on 23rd February 2012. He was further made Joint Company Secretary on the 1st September 2015. Mr Juliansyah receives an annual base salary of AU\$160,000, inclusive of benefits.

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

Mr Juliansyah was appointed to the role of Chief Finance Officer (CFO) effective 24th of June 2016.

### Joint Company Secretary

During the 2017 financial year, Cokal Limited had a services agreement with Corporate Administration Services Pty Ltd (CAS) and Duncan Cornish, the Joint Company Secretary. The agreement commenced on 1 December 2011 and ended on 9 August 2017. Under the terms and conditions of the agreement, CAS agreed to provide certain corporate secretarial, administration and other services to Cokal Limited. Additionally, Mr Cornish agreed to act as the secretary of Cokal Limited.

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



Both Cokal Limited and CAS were entitled to terminate the agreement upon giving not less than one month's written notice.

### **Manager Corporate Restructure**

Mr Kuss is currently contracted, as and when services are required, to provide advice to the Board on strategic matters. Previously he was the Manager for Corporate Restructure, which ceased during the 2017 financial year.

#### **(a) Details of Key Management Personnel (KMP)**

##### **(i) Directors**

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

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

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

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

Lt. Gen. (Ret.) Widjojo, Non-Executive Director (appointed 14 August 2013, resigned 10 May 2016)

##### **(ii) Senior Management**

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

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

Moosa Fense, CFO (appointed 1 September 2015, resigned 24 June 2016)

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

#### **(b) Remuneration Details**

The following table of benefits and payments details, in respect to the financial years ended 30 June 2017 and 2016, the component of remuneration for each key management person of the consolidated entity:

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

@ Deceased on 26 January 2017

# Appointed as Chairman of the Company on 27 January 2017

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

• Appointed 14 August 2013 and resigned 10 May 2016

\* Resigned as CFO on 1 September 2015 and appointed Manager Corporate Restructure which ceased during the 2017 financial year

\*\* Appointed as CFO on 24 June 2016

o These fees have not been paid, but accredited as a loan from directors (refer note 14)



2016	Short-Term Benefits			Post -Employment	Termination Benefits	Share-based payments		Total	% Remuneration as options
	Salary & Fees	Cash Bonus	Other short- term benefits	Super- annuation	Number of holders	Equity- settled (options)	Cash- settled		
	US \$	US \$	US \$	US \$	US \$	US \$	US \$		
<b>Directors</b>									
Peter Lynch #	174,136	-	-	-	-	-	-	174,136	0%
Patrick Hanna #	84,944	-	-	-	-	-	-	84,944	0%
Domenic Martino	27,062	-	-	-	-	-	-	27,062	0%
Agus Widjojo •	42,191	-	-	-	-	-	-	42,191	0%
<b>Total</b>	<b>328,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>328,333</b>	<b>0%</b>
<b>Senior Management</b>									
Duncan Cornish	37,337	-	-	-	-	-	-	37,337	0%
Victor Kuss *	125,812	-	13,522	13,104	-	94,213	-	246,651	38.2%
Gerhardus Kielenstyn	444,647	-	-	-	-	73,548	-	518,195	14.2%
Teuku Juliansyah	10,225	-	-	-	-	645	-	10,870	5.9%
Moosa Fense	82,838	-	-	-	-	-	-	82,838	0%
<b>Total</b>	<b>700,859</b>	<b>-</b>	<b>13,522</b>	<b>13,104</b>	<b>-</b>	<b>168,406</b>	<b>-</b>	<b>895,891</b>	<b>18.8%</b>

# Fees based on current status of project

• Appointed 14 August 2013

\* Resigned as CFO on 1 September 2015 and appointed Manager Corporate Restructure

## Advances to KMP

Advances to KMP at 30 June 2017 have been included in other receivables. The details of these advances are:

	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
Peter Lynch	-	2,844

Advances made relate to travel advances and are made in the ordinary course of business. These advances have been repaid in full at the date of adoption of the director's report.

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

KMP and other executives may be paid cash bonuses or performance-related bonuses. Options are subject to continuation of services until agreed expiry date. The Board resolved to extend the period of expiry to six months after ceasing employment for all employee options holders that have been given notice of termination of employment between January to June 2016.

	Remuneration type	Grant date	Vesting date	Number	Exercise Price US\$	Grant value (per option) US\$	Percentage vested / paid during year %	Percentage forfeited/ cancelled during year %	Percentage remaining as unvested %	Expiry date
Victor Kuss	Options	11/07/2013	11/07/2015	5,000,000	0.23	0.09	-	-	-	11/07/2017
Victor Kuss	Options	24/02/2015	24/02/2016	2,500,000	0.10	0.03	-	-	-	24/02/2019
Victor Kuss	Options	24/02/2015	24/02/2017	2,500,000	0.10	0.03	100%	-	-	24/02/2019
Gerhardus Kielenstyn	Options	11/07/2013	11/07/2014	2,000,000	0.20	0.09	-	-	-	11/07/2017
Gerhardus Kielenstyn	Options	11/07/2013	11/07/2015	2,000,000	0.20	0.09	-	-	-	11/07/2017
Gerhardus Kielenstyn	Options	24/02/2015	24/02/2016	2,000,000	0.10	0.03	-	-	-	24/02/2019
Gerhardus Kielenstyn	Options	24/02/2015	24/02/2017	2,000,000	0.10	0.03	100%	-	-	24/02/2019
Teuku Juliansyah	Options	24/02/2015	24/02/2017	500,000	0.10	0.03	100%	-	-	24/02/2019



## Options holdings

Details of share-based payments to KMP and other executives awarded and vested/unvested during the year ended 30 June 2017 and 30 June 2016 are detailed in the table below:

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

• Appointed 14 August 2013 and resigned 10 May 2016

\* Resigned as CFO on 1 September 2015 and appointed Manager Corporate Restructure, which ceased during 2017 financial year.

	Balance 1 July 2015	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2016	Total vested at 30 June 2016	Total vested and exercisable at 30 June 2016	Total vested and unexercisable at 30 June 2016
<b>Directors</b>								
Peter Lynch	-	-	-	-	-	-	-	-
Patrick Hanna	-	-	-	-	-	-	-	-
Domenic Martino	-	-	-	-	-	-	-	-
Agus Widjojo •	-	-	-	-	-	-	-	-
<b>Senior Management</b>								
Duncan Cornish	-	-	-	-	-	-	-	-
Gerhardus Kielensstyn	8,000,000	-	-	-	8,000,000	6,000,000	6,000,000	-
Teuku Juliansyah	-	-	-	500,000	500,000	500,000	500,000	-
Victor Kuss *	15,000,000	-	-	(5,000,000)	10,000,000	7,500,000	7,500,000	-
<b>Total</b>	<b>23,000,000</b>	<b>-</b>	<b>-</b>	<b>(4,500,000)</b>	<b>18,500,000</b>	<b>14,000,000</b>	<b>14,000,000</b>	<b>-</b>

\* Resigned as CFO on 1 September 2015 and appointed Manager Corporate Restructure

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

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

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

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

## Shareholdings

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

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

# Deceased 26 January 2017

\* Resigned 9 August 2017

	Balance 1 July 2015	Granted as Remuneration	On Exercise of Options	Net Change Other*	Balance 30 June 2016
<b>Directors</b>					
Peter Lynch	56,052,000	-	-	(30,131,200)	25,920,800
Patrick Hanna	25,800,000	-	-	-	25,800,000
Domenic Martino	37,120,001	-	-	-	37,120,001
Agus Widjojo **	-	-	-	-	-
<b>Senior Management</b>					
Duncan Cornish	2,401,215	-	-	-	2,401,215
Garry Kielenstyn	-	-	-	-	-
Teuku Juliansyah	-	-	-	-	-
Victor Kuss ***	675,000	-	-	225,000	900,000
Total	122,048,216	-	-	(29,906,200)	92,142,016

\*\* Resigned 10 May 2016

\*\*\* Resigned as CFO on 1 September 2015 and appointed Manager Corporate Restructure, which ceased during the 2017 financial year

• If position ceased prior to 30 June 2017, balance as at that date

## Transactions with KMP and their related entities

- During the financial year ended 30 June 2017, Hanna Consulting Services Pty Ltd (of which Pat Hanna is a director) provided to the Group geological consulting services for various exploration projects, Indonesia, including site management, geological staff recruitment, preparation of field base camp and geological mapping surveys. Hanna Consulting Services Pty Ltd received US\$Nil (2016: US\$84,944) for these services during the financial year. In the prior year, the services were based on normal commercial terms and conditions.
- During the financial year ended 30 June 2017, Petla Trust (of which Peter Lynch is a director) provided to the Group consulting services. Petla Trust received US\$Nil (2016: US\$174,136) for these services during the financial year. In the prior year, services were based on normal commercial terms and conditions.

- Post financial year ended 30 June 2017, the Company entered into an agreement with Indian Ocean Corporate Pty Ltd, a company of which Mr Martino is a director, for company secretarial services at a cost of AU\$4,000 (excl GST) per month. The services are based on normal commercial terms and conditions

## Directors' Meetings

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

	Board		Audit Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Peter Lynch	12	7	2	2
Pat Hanna	12	12	2	2
Domenic Martino	12	12	2	2
Garry Kielenstyn	12	7	n/a	n/a



## Indemnification and Insurance of Directors, Officers and Auditor

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

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

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

## Options

At 30 June 2017, there were 59,800,000 unissued ordinary shares under options as follows:

- 4,000,000 unlisted options exercisable at US\$0.21 on or before 11 July 2017 (subsequent to year end these options expired)
- 5,800,000 unlisted options exercisable at US\$0.25 on or before 11 July 2017 (subsequent to year end these options expired)
- 15,000,000 unlisted options exercisable at US\$0.20 on or before 27 August 2018
- 25,000,000 unlisted options exercisable at US\$0.13 on or before 6 February 2019
- 10,000,000 unlisted options exercisable at US\$0.13 on or before 24 February 2019

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

During the year ended 30 June 2017, no ordinary shares in Cokal Limited were issued as a result of the exercise of options.

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

## Proceedings on Behalf of the Consolidated Entity

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

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

## Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 40.

## Corporate Governance

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

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



**Domenic Martino**  
**Cokal Limited**  
**Chairman**

Sydney, 29 September 2017



Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com/au

## Auditor's Independence Declaration to the Directors of Cokal Limited

As lead auditor for the audit of Cokal Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Andrew Carrick  
Partner  
Brisbane  
29 September 2017

# Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 5 September 2017

## (a) Distribution of Ordinary Shares and Options

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

Ordinary shares		
	Number of holders	Number of shares
1 – 1,000	364	271,168
1,001 – 5,000	132	400,077
5,001 – 10,000	243	2,225,381
10,001 – 100,000	609	25,903,511
100,001 and over	433	584,012,012
<b>Total</b>	<b>1,781</b>	<b>612,812,149</b>

	Unlisted options (US\$0.19 @ 27/08/2018)		Unlisted options (US\$0.10 @ 06/02/2019)		Unlisted options (US\$0.10 @ 24/02/2019)	
	Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-
10,001 – 100,000	-	-	-	-	-	-
100,001 and over	1	15,000,000	1	25,000,000	5	10,000,000
<b>Total</b>	<b>1</b>	<b>15,000,000</b>	<b>1</b>	<b>25,000,000</b>	<b>5</b>	<b>10,000,000</b>

The number of shareholders holding less than a marketable parcel (a total of 933,909 ordinary shares) is 532 on a share price of AU\$0.071



## Twenty Largest Holders

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

		Number of shares	% of total shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	94,186,611	15.37%
2	BNP PARIBAS NOMINEES PTY LTD	52,660,166	8.59%
3	WINTERCREST ADVISORS LLC	34,241,293	5.59%
4	PATRICK JOSEPH HANNA	25,000,000	4.08%
5	MRS LAURA LYNCH	17,500,000	2.85%
6	GEBRUN PTY LTD <PETLA A/C>	17,500,000	2.85%
7	MR STEPHEN RODNEY HARIONO <DENVHI VALUE A/C>	15,665,269	2.56%
8	MR MICHAEL CHRISTOPHER HORVATH	15,603,634	2.55%
9	XIN HUA PTY LTD <JING JING SUPER FUND A/C>	12,631,200	2.06%
10	TJ SMOCK & CO PTY LTD <MIDDLETON FAMILY A/C>	10,000,000	1.63%
11	LANNE PTY LTD <LANNE INVESTMENT A/C>	8,420,800	1.37%
12	MR MATTHEW JOHN MCALLISTER	8,100,000	1.32%
13	MR VASILIOS VOTSARIS	7,142,329	1.17%
14	INKESE PTY LTD	7,052,305	1.15%
15	MONAL PTY LIMITED <ALAN CARDY SUPER FUND A/C>	7,000,000	1.14%
16	BNP PARIBAS NOMINEES PTY LTD <LDN UK BCH DRP A/C>	5,125,079	0.84%
17	MDC FUNDS PTY LTD	5,000,000	0.82%
18	MR SIMON PETER O'BRIEN	4,400,000	0.72%
19	NEW TELECOM AUSTRALIA PTY LTD	4,022,878	0.66%
20	MR SHANE DOHERTY	4,000,000	0.65%
	Top 20	<b>355,251,564</b>	57.97%
	Total	612,812,149	100.00%

## Option Holders

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

	Unlisted options (US\$0.19 @ 27/08/2018)	Unlisted options (US\$0.10 @ 06/02/2019)	Unlisted options (US\$0.10 @ 24/02/2019)
	Number of options	Number of options	Number of options
Platinum Partners Credit Opportunities Master Fund L.P.	15,000,000	25,000,000	-
Vicki Susan Kuss & Victor Herbert Kuss <Briastre Super Fund A/C>	-	-	5,000,000
Gerhardus Antonius Kienstyn	-	-	4,000,000
<b>Total</b>	<b>15,000,000</b>	<b>25,000,000</b>	<b>9,000,000</b>
<b>Total options in class</b>	<b>15,000,000</b>	<b>25,000,000</b>	<b>10,000,000</b>

## Substantial shareholders

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

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

### (b) Voting rights

All ordinary shares carry one vote per share without restriction. Options do not carry voting rights.

### (c) Restricted securities

The Group currently has no restricted securities on issue.

The Company notes that, as at 5 September 2017, the following shareholders own substantial shareholdings (>= 5.0%) in Cokal:

Name of Shareholder:	Ordinary Shares	% of total shares
HSBC Custody Nominees (Australia) Limited	94,186,611	15.37%
BNP Paribas Nominees Pty Ltd	52,660,166	8.59%
Wintercrest Advisors LLC	34,241,293	5.59%

### (d) On-market buy-back

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

### (e) Business Objectives

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

# Interest in Tenements and Projects

Cokal Limited had the following interests in projects as at 30 June 2017:

## Indonesia

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

#in process of transferring the shares to the Group.



# Consolidated Statement of Comprehensive Income for the year ended 30 June 2017

		<b>2017</b>	<b>2016</b>
		<b>US\$</b>	<b>US\$</b>
Other income	2	60,516	425,923
Employee benefits expenses		(1,261,480)	(1,057,027)
Depreciation expenses	11	(41,884)	(130,923)
Finance costs		(8,796)	(382,116)
Legal expenses		(129,449)	(138,988)
Administration and consulting expenses		(968,608)	(1,388,056)
Exploration expenditure de-recognised	12	(9,177,568)	(25,655,222)
Loss on sale of exploration tenement	12	-	(1,728,233)
Other expenses		(326,480)	(275,075)
<b>Loss before income tax expense</b>		<b>(11,853,745)</b>	<b>(30,329,717)</b>
Income tax expense	4	-	-
<b>Loss for the year attributable to the equity holders of the parent</b>		<b>(11,853,745)</b>	<b>(30,329,717)</b>
Other comprehensive income			
Items may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange translation differences		-	95,129
<b>Total comprehensive profit/(loss) for the period</b>		<b>(11,853,745)</b>	<b>(30,234,588)</b>
<b>Loss per share for the loss attributable to owners of Cokal Limited:</b>		<b>Cents</b>	<b>Cents</b>
Loss per share (cents per share)	6	(2.02)	(6.07)
Diluted loss per share (cents per share)	6	(2.02)	(6.07)

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

# Consolidated Statement of Financial Position as at 30 June 2017

		<b>2017</b>	<b>2016</b>
		<b>US\$</b>	<b>US\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	7	28,264	462,770
Short term deposits	7	138,916	167,655
Accounts receivable	8	163,878	129,230
Other current assets	13	6,849	-
<b>Total Current Assets</b>		<b>337,907</b>	<b>759,655</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	1,450,895	1,502,019
Exploration and evaluation assets	12	23,460,617	32,740,312
Other non-current assets	13	35,362	186,150
<b>Total Non-Current Assets</b>		<b>24,946,874</b>	<b>34,428,481</b>
<b>TOTAL ASSETS</b>		<b>25,284,781</b>	<b>35,188,136</b>
<b>Current Liabilities</b>			
Accounts payable and others	14	1,937,079	1,157,841
Interest bearing loans	15	13,892,302	13,892,302
<b>Total Current Liabilities</b>		<b>15,829,381</b>	<b>15,050,143</b>
<b>Non-Current Liabilities</b>			
Deferred liability	14	-	14,482
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>14,482</b>
<b>TOTAL LIABILITIES</b>		<b>15,829,381</b>	<b>14,734,066</b>
<b>NET ASSETS</b>		<b>9,455,400</b>	<b>20,123,511</b>
<b>Equity</b>			
Issued capital	16	84,752,154	83,622,140
Reserves	17	4,907,414	4,851,794
Accumulated losses	18	(80,204,168)	(68,350,423)
<b>TOTAL EQUITY</b>		<b>9,455,400</b>	<b>20,123,511</b>

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

# Consolidated Statement of Changes in Equity for the year ended 30 June 2017

	Issued capital US\$	Reserves US\$	Accumulated losses US\$	Total US\$
<b>At 1 July 2016</b>	<b>83,622,140</b>	<b>4,851,794</b>	<b>(68,350,423)</b>	<b>20,123,511</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	-	(11,853,745)	(11,853,745)
Other comprehensive income	-	-	-	-
	-	-	(11,853,745)	(11,853,745)
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	1,130,014	-	-	1,130,014
Share based payments	-	55,620	-	55,620
<b>At 30 June 2017</b>	<b>84,752,154</b>	<b>4,907,414</b>	<b>(80,204,168)</b>	<b>9,455,400</b>
<b>At 1 July 2015</b>	<b>83,622,140</b>	<b>4,571,178</b>	<b>(38,020,706)</b>	<b>50,172,612</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	-	(30,329,717)	(30,329,717)
Other comprehensive income	-	95,129	-	95,129
	-	95,129	(30,329,717)	(30,234,588)
<b>Transactions with owners in their capacity as owners</b>				
Share based payments	-	185,487	-	185,487
	-	185,487	-	185,487
<b>At 30 June 2016</b>	<b>83,622,140</b>	<b>4,851,794</b>	<b>(68,350,423)</b>	<b>20,123,511</b>

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



# Consolidated Statement of Cash Flows for the year ended 30 June 2017

		<b>2017</b>	<b>2016</b>
		<b>US\$</b>	<b>US\$</b>
<b>Cash Flows from Operating Activities</b>			
Payments to suppliers and employees		(1,813,380)	(2,457,877)
Interest received		2,643	425,923
Finance costs paid		(8,796)	-
Net cash outflow from operating activities	23	(1,819,533)	(2,031,954)
<b>Cash Flows from Investing Activities</b>			
Payments for plant and equipment		-	(5,000)
Decrease/(increase) in deposits maturing after three months and restricted deposits		-	1,370,940
Payments for exploration and evaluation assets		-	(759,171)
Proceeds from sale of tenements		160,000	150,000
Security deposit receipts / (payments)		-	10,208
Receipts from other non-current assets		28,739	-
Net cash outflow from investing activities		188,739	766,797
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares and options		1,130,014	-
Proceeds from borrowings		47,702	-
<b>Net cash inflow from financing activities</b>		<b>1,177,716</b>	<b>-</b>
Net (decrease)/increase in cash and cash equivalents		(453,078)	(1,265,157)
Cash and cash equivalents at beginning of year		462,770	1,753,213
Net foreign exchange differences		18,572	(25,286)
<b>Cash and cash equivalents at beginning of year</b>		<b>28,264</b>	<b>462,770</b>

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

# Notes to the Consolidated Financial Statements for the year ended 30 June 2017

## Note 1: Summary of Significant Accounting Policies

### (a) General information

The consolidated financial statements of Cokal Limited for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors dated 29 September 2016 and covers the consolidated entity (the “Group” or “Cokal”) consisting of Cokal Limited (the “Company”) and its subsidiaries.

The financial statements are presented in United States Dollars (“USD” or “US\$”).

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

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

### (b) Basis of preparation

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

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

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

### (c) Going concern

At 30 June 2017, the Group’s current liabilities exceed the current assets by \$15,491,474 (30 June 2016: \$14,290,488).

This position is largely due to the classification at 30 June 2017 of the Group debt with Platinum Partners (refer note 15) of \$13,892,302 as a current liability.

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

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

- Satisfaction of all conditions precedent and completion of the Royalty Deed with Platinum Partners and the conversion of all associated debt to a royalty on coal sold;
- The successful completion of capital raising (through debt or equity) of approximately AUD \$4,000,000 prior to December 2018 to fund the Group’s working capital requirements associated with commencement of production at BBM Anak project (being a start-up operation at the larger BBM project);
- The successful commencement of production at the BBM Anak project and receipt of the associated cash inflows;
- The continued financial support of management and directors who have provided short term loans to the Group and continued willingness of creditors to extend payment terms to the Group until such time as cash flow are generated by the BBM Anak project; and
- The successful raising of sufficient funding, through debt, equity or other arrangements (or a combination of transactions) to progress the development of the larger BBM project, including meeting capital expenditure, tenement purchase commitments (refer note 21) and working capital requirements, until such time as the project’s is in production and its revenues from coal

## Note 1: Summary of Significant Accounting Policies (continued)

sales are sufficient to meet its cash outflows.

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

The Directors are confident given the current permitting and financing processes undertaken and announced to the market that the Group will be successful in its endeavours and will satisfy the conditions precedent in the Platinum Partners Royalty Deed.

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

### (d) New accounting standards and interpretations

#### (i) Changes in accounting policy and disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2016. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following amendment was adopted during the year and did not have a material impact on the group:

- Amendments to AASB 11 *Joint Arrangements: Accounting for Acquisitions of Interests* (effective annual reporting periods commencing on or after 1 January 2016).

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

A number of Australian Accounting Standards and Interpretations have recently been issued but are not yet effective. The directors have not early adopted any of these

new or amended Standards and Interpretations for the year ended 30 June 2017. The directors have not yet fully assessed the impact of these new or amended Standards or Interpretations (to the extent relevant to the Group). The new standards and interpretations that could potentially impact the Group include the following:

- AASB 9: Financial Instruments (effective annual reporting periods commencing on or after 1 January 2018);
- AASB 15: Revenue from Contracts with Customers (effective annual reporting periods commencing on or after 1 January 2018; and
- AASB 16: Leases (effective annual reporting periods commencing on or after 1 January 2019).

### (e) Basis of consolidation

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

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

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

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

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

## Note 1: Summary of Significant Accounting Policies (continued)

date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

### (f) Revenue recognition

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

The specific recognition criteria described below must also be met before revenue is recognised:

### Interest

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

### Consultation fees

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

### (g) Income tax

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

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

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control



## Note 1: Summary of Significant Accounting Policies (continued)

the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

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

### (i) Joint venture

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

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

### (j) Joint operations

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

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

The Group recognises its interest in joint operations as follow:

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

## Note 1: Summary of Significant Accounting Policies (continued)

jointly.

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

### (k) Cash and cash equivalents

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

### (l) Financial instruments – initial recognition and subsequent measurement

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

#### (i) Financial assets

##### Initial recognition and measurement

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

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

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

##### Subsequent measurement

##### Loans and receivables

This category is the most relevant to the Group and

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

##### De-recognition

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

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

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

##### Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition

## Note 1: Summary of Significant Accounting Policies (continued)

of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### (ii) Financial liabilities

#### Initial recognition and measurement

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

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

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

#### Subsequent measurement

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

##### Accounts payable

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

##### Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the

EIR method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

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

#### De-recognition

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

#### Offsetting of financial instruments

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

### (m) Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost

## Note 1: Summary of Significant Accounting Policies (continued)

of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

### Depreciation

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

The depreciation rates used for each class of assets are:

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

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

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

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

### (n) Exploration, evaluation and development expenditure

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

of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing. To the extent these criteria are not satisfied impairment testing is performed as detailed in note 1 (h).

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

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

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

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

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

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

If all of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred. When production commences, the accumulated



## Note 1: Summary of Significant Accounting Policies (continued)

costs for the relevant area of interest (mine development and acquired properties) will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves using a units of production method.

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

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Disturbances which arise due to further development /construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

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

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

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

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

### (o) Employee benefits

#### **Wages and salaries, annual leave and sick leave**

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

### (p) Provisions

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

## Note 1: Summary of Significant Accounting Policies (continued)

### (q) Issued capital

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

### (r) Share-based payments

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

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

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

ultimately vest because a market condition was not met.

At each subsequent reporting date until vesting the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the award;
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employees turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period.

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

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

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

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

### (s) Earnings per share

#### Basic earnings per share

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

## Note 1: Summary of Significant Accounting Policies (continued)

### Diluted earnings per share

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

### (t) GST

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

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

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

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

### (u) Determination and presentation of operating segments

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

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

### (v) Fair value measurement

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

## Note 1: Summary of Significant Accounting Policies (continued)

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### (w) Foreign currency translation

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

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

### (x) Operating leases

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

### (y) Parent entity financial information

The financial information for the parent entity, Cokal Limited, included in Note 20, has been prepared on the same basis as the consolidated financial statements, except investments in

subsidiaries and joint venture operations are accounted for at cost, less provision for impairment.

### (z) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when either:

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

The Group classifies all other liabilities as non-current.

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

### (aa) Critical accounting estimates and judgments

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

#### (i) Impairment of non-financial assets

The Group assesses each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimates of the recoverable amount is made, which is considered to be



## Note 1: Summary of Significant Accounting Policies (continued)

the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU). The assessments require the use of estimates and assumptions such as long term coal prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements and decommissioning operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risks and uncertainty. Therefore, there is a possibility that changes in circumstances will impact this project, which may impact the recoverable amount of the asset.

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

### (ii) Exploration and evaluation assets

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

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

### (iii) Taxation

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

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

### (iv) Joint arrangements

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

## Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

Per agreement with subsidiary shareholders, the relevant activities including financing of certain entities' are managed and controlled by Cokal until the completion of Initial Work Program (refer note 10). The rights of other shareholders to receive returns and obligations for expenditure are only established when they contribute their share of capital upon completion of the Initial Work Program by Cokal. Given this, to date it has been determined that Cokal controls these entities and hence currently consolidates them as subsidiaries. In future periods, however, the accounting treatment of these entities will be required to be reassessed upon completion of Initial Work Program. This may lead to a change in accounting if it is then determined that instead of controlling these entities, Cokal now only jointly controls these and they are joint arrangements. Depending on whether these joint arrangements are classified as joint ventures or joint operations, this may require either equity accounting (for a joint venture) or recognition of Cokal's share of the assets, liabilities, income and expenses of the arrangement (for a joint operation). Directors have not reassessed the impact at reporting date as the Initial Work Program has not been completed at this date.

## Note 2: Other Income

	2017	2016
	US\$	US\$
<b>Other income</b>		
- Interest income from external parties	2,643	18,375
- Consulting fees	-	400,000
- Gain on disposal of subsidiary	57,873	7,548
Total other income	60,516	425,923

## Note 3: Dividends and Franking Credits

There were no dividends paid or recommended during the financial year (30 June 2016: Nil).

There were no franking credits available to the shareholders of the Group (30 June 2016: Nil).

## Note 4: Income Tax

	2017 US\$	2016 US\$
The prima facie income tax on the loss is reconciled to the income tax expense as follows:		
Prima facie tax benefit (30%) on loss before income tax	(3,556,124)	(9,098,915)
Add tax effect of:		
- Not deductible expenses and impact of tax rate differences	3,519,222	9,003,544
- Deferred tax asset not recognised	36,602	95,371
Income tax expense	-	-
<b>Deferred tax assets</b>		
Deductible temporary differences	-	-
Carry forward tax losses	7,647,338	7,156,578
	7,647,338	7,156,578
<b>Deferred tax liabilities</b>		
Assessable temporary differences	-	-
Net deferred tax assets not recognised	7,647,338	7,156,578

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

The carried forward tax losses and temporary differences not recognised as deferred tax assets as at 30 June 2017 were US\$27,839,264 (30 June 2016: US\$25,898,555) and US\$nil (30 June 2016: US\$nil) respectively.

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test must be passed. The majority of losses are carried forward at 30 June 2017 under COT.

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

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

## Note 5: Auditors Remuneration

	2017 US\$	2016 US\$
<b>Audit services</b>		
Amounts paid/payable to Ernst & Young for audit or review of the financial statements for the Group		
Ernst & Young - Australia	75,323	92,250
Ernst & Young - Indonesia	28,024	33,011
Ernst & Young - Singapore	30,000	37,941
	133,347	163,202

## Note 6: Loss per Share

	2017 US\$	2016 US\$
Loss attributable to owners of Cokal Limited used to calculate basic and diluted loss per share	(11,853,745)	(30,329,717)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	586,568,731	499,342,704
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	586,568,731	499,342,704
Basic loss per share (cents per share)	(2.02)	(6.07)
Diluted loss per share (cents per share)	(2.02)	(6.07)

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

Options could potentially dilute earnings per share in the future. Refer to Note 16 for details of option granted as at 30 June 2017.



## Note 7: Cash and Cash Equivalents

	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
Cash and bank balances	167,180	630,425
Cash at bank bear floating and fixed interest rates between 0.10% and 2.78% (2016: between 0.10% and 3.06%). Included in the consolidated statement of cash flows as follows:		
Cash and bank balances *	167,180	630,425
Less: Short term deposits maturing after three months and restricted bank balance classified as investing activities**	(138,916)	(167,655)
<b>Cash and cash equivalents</b>	<b>28,264</b>	<b>462,770</b>

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

\*\* Include restricted deposit of US\$138,916 (2016: US\$138,916) can be used only after TBAR production commences

## Note 8: Accounts Receivable

	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
<b>Current</b>		
Other receivables*	163,878	129,230
	<b>163,878</b>	<b>129,230</b>

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

## Note 9: Subsidiaries

### a) Interest in subsidiaries

Name of entity	Country of Incorporation	Class of Shares	Percentage Owned (%) <sup>*</sup>	
			2017	2016
Jack Doolan Capital Pty Ltd	Australia	Ordinary	100%	100%
Cokal Mozambique Pty Ltd	Australia	Ordinary	100%	100%
Cokal Holdings Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-AAK Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-AAM Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-BBM Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-BBP Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal Services Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal Karoo Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal Manda Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-West Kalimantan Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-BPR Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-TBAR Pte. Ltd	Singapore	Ordinary	100%	100%
Mining Logistics Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal-KED Pte. Ltd	Singapore	Ordinary	100%	100%
Cokal Resources Limited	Tanzania	Ordinary	100%	100%
PT Cokal	Indonesia	Ordinary	100%	100%
PT Bumi Kalimantan Logistik (BKL)	Indonesia	Ordinary	100%	100%
PT Anugerah Alam Katingan <sup>^</sup> (AAK)	Indonesia	Ordinary	75%	75%
PT Bumi Barito Mineral <sup>^</sup> (BBM)	Indonesia	Ordinary	60%	60%
PT Borneo Bara Prima <sup>^</sup> (BBP)	Indonesia	Ordinary	60%	60%
PT Silangkop Nusa Raya <sup>^</sup> (SNR) <sup>++</sup>	Indonesia	Ordinary	0%	75.2%
PT Tambang Benua Alam Raya <sup>#</sup> (TBAR)	Indonesia	Ordinary	75%	75%

<sup>\*</sup> the proportion of ownership interest is equal to the proportion of voting power held.

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

<sup>#</sup> in process of transferring the shares to the Group.

<sup>++</sup> Disposed during the year (Includes PT Ketungau Nusa Raya (KNR) which is a subsidiary of SNR)

## Note 9: Subsidiaries (continued)

### b) Financial information of subsidiaries

Financial information of subsidiaries that will have material non-controlling interests are provided below. The balances of non-controlling interests are not material at 30 June 2017 and 30 June 2016.

Proportion of equity interest held by non-controlling interests:

Name of entity	Country of incorporation and operation	2017	2016
PT Bumi Barito Mineral (BBM)	Indonesia	40%	40%
PT Borneo Bara Prima (BBP)	Indonesia	40%	40%

## Note 10: Joint Operations

### Tanzania

Cokal has joint operations to explore for coal in Tanzania. The joint operations are with a private company, Tanzoz Resource Company Ltd which has been active in Tanzania since 2007, and currently holds interests in Tanzania for uranium, gold and coal.

Name of entity	Country of Incorporation	Class of Shares	Percentage Owned (%) <sup>*</sup>	
			2017	2016
Cokal Karoo Limited <sup>^</sup>	Tanzania	Ordinary	60%	60%
Cokal Manda Limited <sup>^</sup>	Tanzania	Ordinary	50%	50%

<sup>\*</sup> the proportion of ownership interest is equal to the proportion of voting power held.

<sup>^</sup> the Group has not undertaken any activities. The expenditures incurred have been fully written down in previous years as they are no longer recoverable.

### Indonesia

The Group has executed a joint operation agreement with Meratus Advance Maritim (MDM), an Indonesian company, to engage in the ownership of push tugs and barges for shallow river operations. The parties wish to establish a mutually owned limited company for this operation and the

registration of this is in progress. The company will have the operations should Cokal commence production and other conditions precedent are satisfied. At 30 June 2017, no activities to establish this company had been carried out.

## Note 11: Property, Plant and Equipment

	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
<b>Land</b>		
At cost	31,526	31,526
	<u>31,526</u>	<u>31,526</u>
<b>Computer equipment</b>		
At cost	552,886	552,886
Accumulated depreciation	(551,070)	(549,609)
	<u>1,816</u>	<u>3,277</u>
<b>Furniture and office equipment</b>		
At cost	552,957	552,957
Accumulated depreciation	(294,415)	(255,494)
	<u>258,542</u>	<u>297,463</u>
<b>Motor Vehicles</b>		
At cost	9,974	9,974
Accumulated depreciation	(9,974)	(8,475)
	<u>-</u>	<u>1,499</u>
<b>Capital WIP</b>		
At cost	1,159,011	1,168,254
<b>Total property, plant and equipment</b>	<b>1,450,895</b>	<b>1,502,019</b>



## Note 11: Property, Plant and Equipment (continued)

(a) Movements in carrying amounts

2017	Land	Computer equipment	Furniture & office equipment	Motor Vehicles	Capital WIP	Total
	US \$	US \$	US \$	US \$	US \$	US \$
Balance at the beginning of the year	31,526	3,277	297,463	1,499	1,168,254	1,502,019
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	(9,243)	(9,243)
Depreciation expense	-	(1,461)	(38,921)	(1,499)	-	(41,881)
Carrying amount at the end of the year	31,526	1,816	258,542	-	1,159,011	1,450,895

2016	Land	Computer equipment	Furniture & office equipment	Motor Vehicles	Capital WIP	Total
	US \$	US \$	US \$	US \$	US \$	US \$
Balance at the beginning of the year	31,526	75,271	354,536	3,494	1,163,254	1,628,081
Additions	-	-	-	-	5,000	5,000
Disposals	-	(27)	(112)	-	-	(139)
Depreciation expense	-	(71,967)	(56,961)	(1,995)	-	(130,923)
Carrying amount at the end of the year	31,526	3,277	297,463	1,499	1,168,254	1,502,019

## Note 12: Exploration and Evaluation Assets

	2017 US\$	2016 US\$
<b>Non-Current</b>		
Exploration and evaluation expenditure capitalised - exploration and evaluation phases	23,460,617	32,740,312
Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation of coal, or alternatively, sale of the respective areas of interest.		
<b>(a) Movements in carrying amounts</b>		
Balance at the beginning of the period	32,740,312	59,424,333
Additions	-	759,171
Disposals <sup>^</sup>	(102,126)	(1,787,970)
Exploration expenditure de-recognised*	(9,177,568)	(25,655,222)
Written off	-	-
Carrying amount at the end of the period	23,460,617	32,740,312

<sup>^</sup>Disposal during the current period represents the sale of PT Silangkop Nusa Raya (SNR) project and PT Ketungau Nusa Raya (KNR) project, a gain of \$57,873 is recognised in the statement of comprehensive income.

\* The carrying amount of exploration and evaluation ("E&E") assets at 30 June 2017 represents only PT Bumi Barito Mineral (BBM) project.

Consistent with the position at 30 June 2016, Group assessed impairment indicators under AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6) were present during the year ended 30 June 2017 and tested for impairment under AASB 136 Impairment of Assets (AASB 136).

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. The fair value measurement is categorised under Level 2 fair value hierarchy (refer note 1 (v)).

Measurement of the BBM project's recoverable amount with reference to the Group's EV resulted an amount of E&E asset \$9,177,568 being de-recognised in the statement of comprehensive income at 31 December 2016 (30 June 2016: \$25,655,222). At 30 June 2017, the Group again assessed the BBM project's recoverable amount and determined no further impairment or impairment reversal was required.

## Note 13: Other Assets

	2017 US\$	2016 US\$
<b>Current</b>		
Prepayments	6,849	-
<b>Non-Current Assets</b>		
Security deposit	174,278	186,150

## Note 14: Accounts Payable and Others

	2017 US\$	2016 US\$
<b>Current</b>		
Sundry payables and accrued expenses	1,567,674	831,293
Loans payable to directors and employees #	226,396	21,175
Employee benefits	99,564	47,446
Deferred liability *	43,445	257,927
	1,937,079	1,157,841
<b>Non-Current Assets</b>		
Deferred liability*	-	14,482

\* Deferred liability represents the unamortised deferred benefit relating to operating lease incentives which have not yet been credited to profit or loss. This amount will be credited to the profit or loss over the period of the lease term.

# Loans payable to directors and employees are non-interest bearing and repayable on demand

## Note 15: Interest Bearing Loans

	2017 US\$	2016 US\$
<b>Current</b>		
Platinum Partners facility	10,065,000	10,065,000
Blumont Group/Wintercrest facility	3,827,302	3,827,302
<b>Total Current</b>	13,892,302	13,892,302
<b>Total interest bearing loans</b>	13,892,302	13,892,302

## Note 15: Interest Bearing Loans (continued)

### Blumont Group/Wintercrest Facility

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

### Platinum Partners/Northrock Facility

Under terms of various short-term loan facility agreements and a bridging loan facility agreement dated August 2015, the Group has borrowed a total of US\$10,065,000 from various subsidiaries of Platinum Partners. At 30 June 2017, the full amount of the loan is due and payable to Northrock Financial LLC (“Northrock”), being subsidiary of Platinum Partners.

### 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;
- e) Cokal evidencing to the satisfaction of the Lenders (in their sole discretion) that:
  - i. Cokal’s production is not less than 8500 tonnes per month for a period of six (6) consecutive months;
  - ii. Cokal’s production for three (3) months from the date of first production is not less than the monthly equivalent of 100ktpa;provided the above three and six month period occur with 18 months of the Group satisfying the condition in (d) above; and
- f) The Lenders have received and approved all financial budgets anticipated to meet the production targets in (d) and (e) above.

At 30 June 2017, the Lenders had completed due diligence and as such condition (a) was satisfied, but all of the other conditions precedent were outstanding. As such, the loans remain in force and repayable on demand at that time.

Subsequent to 30 June 2017, the Group has successfully raised AU\$700,000 to fund the commencement of production at BBM (being BBM Anak project).

As the Group agreed in principal to the conversion of the Wintercrest and Northrock debt to a royalty in July 2016, no interest expense has been recorded for the year ended 30 June 2017. In the event, the Group is not able to satisfy the conditions precedent in the Royalty Deed, the Lenders may seek to retrospectively charge interest on amounts owing to them for the period. As such, the Group has determined it appropriate to disclose the debts as interest-bearing liabilities at 30 June 2017.



## Note 16: Issued Capital

	2017 US\$	2016 US\$
593,092,704 authorised and fully paid ordinary shares (30 June 2016: 499,342,704)	84,752,154	83,622,140

The movement in Issued capital is as follows :

	2017 US\$	2016 US\$
At the beginning of the year	83,622,140	83,622,140
Amount received for issue of shares during the year		
Share issue from capital raising	1,130,014	-
<b>At reporting date</b>	<b>84,752,154</b>	<b>83,622,140</b>

	2017 US\$	2016 US\$
<b>(a) Ordinary shares</b>		
At the beginning of the year	499,342,704	-
Shares issued during the year		
Share issue from capital raising	-	-
Ordinary share issues	93,750,000	-
<b>At reporting date</b>	<b>593,092,704</b>	<b>499,342,704</b>

During the year there were 75 million fully paid ordinary shares issued raising US\$0.9 million. The placement was issued in 2 tranches for general corporate purposes on 22 July 2016 and 29 July 2016. On 12 August 2016, additional placement of 18.75 million fully paid ordinary shares was issued raising additional US\$0.2 million. The additional placement was issued for the Company's working capital.

### (b) Options

All options on issue at 30 June 2017 were as follows:

Number of options	Exercise price US\$	Expiry date US\$
<b>Employees:</b>		
4,000,000	0.21	11 July 2017
5,800,000	0.25	11 July 2017
10,000,000	0.13	24 February 2019
<b>Platinum:</b>		
15,000,000	0.20	27 August 2018
25,000,000	0.13	6 February 2019
<b>59,800,000</b>		

## Note 16: Issued Capital (continued)

For information relating to the Cokal Limited employee option plan, including details of options issued, exercised and lapsed during the year and the options outstanding at year-end refer to Note 25.

### (c) Capital Risk Management

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

The Group capital comprises equity as shown in the Statement of Financial Position. There are no externally imposed capital requirements other than shown in note 16.

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

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

## Note 17: Reserves

	2017 US\$	2016 US\$
Share based payments option reserve	6,362,868	6,307,249
Translation reserve	(1,455,455)	(1,455,455)
	<b>4,907,413</b>	<b>4,851,794</b>

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

Translation reserve represents the net exchange differences arising from the translation as a result of change in presentation currency to USD from AUD. The reduction represents the translation reserves relating SNR and KNR transferred to profit and loss on disposal.

## Note 18: Accumulated Losses

	2017 US\$	2016 US\$
Accumulated losses attributable to members of Cokal Limited at beginning of the year	(68,350,423)	(38,020,706)
Loss for the year	(11,853,745)	(30,329,717)
Accumulated losses attributable to members of Cokal Limited at the end of the year	(80,204,168)	(68,350,423)

## Note 19: Parent Entity Information

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

<b>Parent Entity</b>	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
Current assets	131,241	537,047
Non-current assets	24,057,253	33,703,483
<b>Total assets</b>	<b>24,188,494</b>	<b>34,240,530</b>
Current liabilities	14,414,916	13,993,962
Non-current liabilities	318,178	123,057
<b>Total liabilities</b>	<b>14,733,094</b>	<b>14,117,019</b>
<b>Net assets</b>	<b>9,455,400</b>	<b>20,123,511</b>
Issued capital	84,752,154	83,622,140
Reserves	6,362,865	6,307,249
Revaluation reserve	(3,565,142)	(3,565,142)
Accumulated losses	(78,094,477)	(66,240,736)
<b>Total shareholder's equity</b>	<b>9,455,400</b>	<b>20,123,511</b>
<b>Loss for the year</b>	<b>(11,853,471)</b>	<b>(47,663,222)</b>
<b>Total comprehensive loss for the year</b>	<b>(11,853,471)</b>	<b>(47,663,222)</b>

### Guarantees

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

### Contractual Commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2017 (2016 – nil).

### Contingent liabilities

The parent entity has no contingent liabilities.

### Capital commitments

The parent entity has no capital commitments.

### Impairment assessment

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

## Note 20: Commitments

	2017 US\$	2016 US\$
<b>(a) Operating lease commitments</b>		
Future minimum rentals payable under non-cancellable operating leases at 30 June 2017 are as follows:		
- not later than 12 months	188,927	427,287
- between 12 months and 5 years	-	189,460
- greater than 5 years	-	-
	<b>188,927</b>	<b>616,747</b>

## Note 21: Contingent Liabilities

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

At 30 June 2017, the Group's contingent liabilities total US\$20.70m (30 June 2016: US\$24.70m) in respect of its BBM, PT Borneo Bara Prima (BBP), and TBAR projects. 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.

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

#### Deferred purchase consideration

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

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

No liability is recognised as at 30 June 2017 in respect this deferred purchase consideration as the Group had not secured funding to commence the construction/development of the BBM project or the start-up BBM Anak 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 Anak project. Uncertainty exists as to whether current activity at BBM Anak meets the condition of the funding of the development of the BBM project, as anticipated as part of the 3 March 2016 agreement between the parties.

At this time, the Group does not have sufficient funds to develop the larger BBM project or fund any portion of the \$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.



## Note 21: Contingent Liabilities (continued)

### Other commitments

In addition to the contingent liabilities for deferred purchase consideration detailed above, the Group has also executed a joint operating agreement with Meratus Advance Maritim (MAM), an Indonesian Group, to engage in the ownership of push tugs and barges for shallow river operations.

The parties wish to establish a jointly owned company for this operation. The jointly owned company will manage the barging operation for the BBM project should production

commence and other conditions precedent take place. Once the jointly owned company is incorporated, Cokal will hold 49% interest by contributing an estimated \$11 million (49% ordinary share capital of jointly owned company, Indonesian Rupiah 200 billion).

No liability is recognised as at 30 June 2017 in respect the acquisition consideration for the jointly owned company.

Given the conditions precedent, the Directors do not anticipate the estimated \$11 million will be payable in the coming 12 months. In the event the amount did become due and payable, the Group will need to raise capital to fund these payments.

## Note 22: Operating Segments

AASB 8 requires operating segments to be identified on the basis of internal reports that are used by the CODM in order to allocate resources to the segment and to assess its performance. As noted earlier, 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 for coal in Indonesia and Australia. The Singapore entity was considered separately for corporate services.

	Australia US\$	Indonesia US\$	Singapore US\$	Total US\$
<b>Segment performance for the year ended 30 June 2017</b>				
<b>Revenue</b>				
Other revenue	-	57,873	-	57,873
Interest revenue	2,355	288	-	2,643
Intersegment income*	-	-	-	-
<b>Total segment income</b>	<b>2,355</b>	<b>58,161</b>	<b>-</b>	<b>60,516</b>
Depreciation expenses	19,713	22,168	-	41,881
Finance costs	-	8,796	-	8,796
Exploration expenditure de-recognised	-	9,177,568	-	9,177,568
Other expenses	827,831	1,779,615	78,567	2,686,013
<b>Total segment expenses</b>	<b>847,544</b>	<b>10,998,147</b>	<b>78,567</b>	<b>11,853,742</b>
<b>Segment net loss before tax</b>	<b>(845,189)</b>	<b>(10,929,986)</b>	<b>(78,567)</b>	<b>(11,853,742)</b>
<b>Segment assets and liabilities as at 30 June 2017</b>				
Property, plant and equipment	175,704	1,275,191	-	1,450,895
Exploration and evaluation assets	-	23,460,617	-	23,460,617
Other segment assets	127,632	245,637	-	377,269
<b>Total segment assets</b>	<b>303,336</b>	<b>24,981,445</b>	<b>-</b>	<b>25,284,781</b>
<b>Total segment liabilities</b>	<b>14,334,345</b>	<b>1,422,188</b>	<b>72,848</b>	<b>15,829,881</b>
<b>Capital expenditure for the year ended 30 June 2017</b>				
Property, plant and equipment	-	-	-	-
Exploration and evaluation assets	-	-	-	-

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

## Note 22: Operating Segments (continued)

	Australia US\$	Indonesia US\$	Singapore US\$	Total US\$
<b>Segment performance for the year ended 30 June 2016</b>				
<b>Revenue</b>				
Other revenue	407,575	(27)	-	407,548
Interest revenue	17,585	790	1,591,054	1,609,429
Intersegment income*	-	-	(1,591,054)	(1,591,054)
Total segment income	425,160	763	-	425,923
	101,550			
Depreciation expenses		29,373	-	130,923
Finance costs	382,116	-	-	382,116
Exploration expenditure de-recognised	-	25,655,221	-	25,655,221
Other expenses	1,297,512	3,158,962	130,905	4,587,379
Total segment expenses	1,781,178	28,843,556	130,905	30,755,640
Segment net loss before tax	(1,356,018)	(28,842,793)	(130,906)	(30,329,717)
<b>Segment assets and liabilities as at 30 June 2016</b>				
Property, plant and equipment	195,416	1,306,603	-	1,502,019
Exploration and evaluation assets	-	32,740,312	-	32,740,312
Other segment assets	705,079	240,726	-	945,805
Total segment assets	900,495	34,287,641	-	35,188,136
Total segment liabilities	14,067,770	701,882	294,973	15,064,625
<b>Capital expenditure for the year ended 30 June 2016</b>				
Property, plant and equipment	-	5,000	-	5,000
Exploration and evaluation assets	-	759,171	-	-

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

## Note 23: Cashflow Information

	2017 US\$	2016 US\$
<b>(a) Reconciliation of loss after income tax to net cash flow used in operating activities</b>		
Profit/(Loss) for the year	(11,853,745)	(30,329,717)
Depreciation	41,881	130,923
Exploration expenditure de-recognised	9,177,568	25,655,222
Share options and shares expensed	55,620	185,487
Loss on sale of company	-	1,728,233
Property, plant and equipment write-off	9,243	139
Non-cash finance cost	-	382,116
Unrealised exchange loss/(gain)	83,554	25,286
Change in operating assets and liabilities:		
- (Increase)/Decrease in accounts receivables	109,291	72,024
- Increase/(Decrease) in accounts payables	557,055	118,333
Net cash flow used in operating activities	(1,819,533)	(2,031,954)



## Note 24: Share-based Payments

The following share-based payment arrangements existed at 30 June 2017.

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

During the period ended 30 June 2017, no options were issued to directors, executives, employees and suppliers of the Group:

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

The range of exercise prices for options outstanding at 30 June 2017 was US\$0.10 to US\$0.23 (2016: US\$0.10 to US\$1.53) and weighted average remaining contractual life of 0.47 years (30 June 2016: 1.23 years).

	30 June 2017		30 June 2016	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
Outstanding at beginning of period	20,150,000	0.13	26,150,000	0.28
Granted	-	-	-	-
Forfeited/Cancelled	-	-	(1,000,000)	0.23
Exercised	-	-	-	-
Expired	(350,000)	0.77	(5,000,000)	1.32
Outstanding at period-end	19,800,000	0.12	20,150,000	0.13
Exercisable at period-end	19,800,000	0.16	14,650,000	0.19

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

### Options to Suppliers

- On 27 August 2014, 15,000,000 options were issued to Platinum Partners at US\$ 0.186 expiring on 27 August 2018, under the extension agreement.
- On 6 February 2015, 25,000,000 options were issued to Platinum Partners at US\$ 0.101 expiring on 6 February 2019, under the extension agreement.

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

## Note 25: Related Party Disclosure

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

### (a) Parent entity

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

### (b) Subsidiaries

Interests and transactions in subsidiaries are disclosed in Note 10.

### (c) Key management personnel (KMP) compensation

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

	2017 US\$	2016 US\$
Short-term employee benefits*	535,721	1,042,714
Post-employment benefits	-	13,104
Share-based payments	50,560	168,406
	<b>586,281</b>	<b>1,224,224</b>

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

Options holdings of KMP for the year ended are:

	Balance 1 July 2016	Granted as Remuneration	Exercise of Options	Net Change Other*	Balance 30 June 2017	Total Vested at 30 June 2017	Total vested and exercisable at 30 June 2017	Total vested and unexercisable at 30 June 2017
Directors*	-	-	-	4,000,000	4,000,000	4,000,000	4,000,000	-
Senior Management	18,500,000	-	-	(4,000,000)	14,500,000	14,500,000	14,500,000	-
<b>Total</b>	<b>18,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,500,000</b>	<b>18,500,000</b>	<b>18,500,000</b>	<b>-</b>

- Gerhardus Kielenstyn was appointed a Director on 27 January 2017. He held 4 million options at the time of appointment.

## Note 25: Related Party Disclosure (continued)

	Balance 1 July 2015	Granted as Remuneration	Exercise of Options	Net Change Other*	Balance 30 June 2016	Total Vested at 30 June 2016	Total vested and exercisable at 30 June 2016	Total vested and unexercisable at 30 June 2016
Directors	-	-	-	-	-	-	-	--
Senior Management	23,000,000	-	-	(4,500,000)	18,500,000	13,500,000	13,500,000	-
<b>Total</b>	-	-	-	<b>(4,500,000)</b>	<b>18,500,000</b>	-	<b>13,500,000</b>	-

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

2017 Number of options outstanding	2016 Number of options outstanding	Exercise price US\$	Issued date	Vesting date	Expiry date
2,000,000	2,000,000	0.230	11-Jul-13	11-Jul-14	11-Jul-17
2,000,000	2,000,000	0.230	11-Jul-13	11-Jul-15	11-Jul-17
5,000,000	5,000,000	0.230	11-Jul-13	11-Jul-15	11-Jul-17
4,500,000	4,500,000	0.10	24-Feb-15	24-Feb-16	24-Feb-19
5,000,000	5,000,000	0.10	24-Feb-15	24-Feb-17	24-Feb-19
18,500,000	18,500,000				

Shareholdings of KMP for the year ended are:

	Balance 1 July 2016	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2017
Directors	83,240,801	-	-	(25,920,800)	57,320,001
Senior Management	3,333,215	-	-	(900,000)	2,433,215
<b>Total</b>	<b>86,574,016</b>	-	-	-	<b>59,753,216</b>

## Note 25: Related Party Disclosure (continued)

	Balance 1 July 2015	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2016
Directors	113,372,001	-	-	(30,131,200)	83,240,801
Senior Management	3,108,215	-	-	225,000	3,333,215
<b>Total</b>	<b>116,480,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,574,016</b>

Advances to KMP at 30 June 2017 have been included in other receivables. The details of these advances are:

	2017 US\$	2016 US\$
Peter Lynch	-	2,844
	-	2,844

Advances made relate to travel advances and are made in the ordinary course of business under the Group's normal travel policies.

Terms of directors' services:

- During the year ended 30 June 2017, Hanna Consulting Services Pty Ltd (of which Pat Hanna is a director) provided to the Group geological consulting services for various exploration projects in Indonesia including site management, geological staff recruitment, preparation of field base camp and geological mapping surveys. Hanna Consulting Services Pty Ltd received US\$ Nil (2016: US\$84,944) for these services during the year. The services were based on normal commercial terms and conditions.
- During the year ended 30 June 2017, Petla Trust (of which Peter Lynch was a director) provided to the Group consulting services. Petla Trust received US\$ Nil (2016: US\$174,136) for these services during the year. The services were based on normal commercial terms and conditions.
- During the year ended 30 June 2017, the Group paid consulting fees of US\$ Nil (2016: Nil) to PT. Pandu Wira Sejahtera of which Harun Abidin is a director. Harun is also

a director of PT. Anugerah Alam Manuhing, PT. Anugerah Alam Katingan and PT. Silangkop Nusa Raya. The services were based on normal commercial terms and conditions.

## Note 26: Financial Risk Management

### (a) General objectives, policies and processes

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

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

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

## Note 26: Financial Risk Management (continued)

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

### (b) Credit risk

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

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

	Note	2017 US\$	2016 US\$
Cash and bank balances	7	28,264	630,425
Receivables	8	163,878	129,230
Security deposits	13	174,278	186,150
Total		366,420	945,805

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

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

### (c) Liquidity Risk

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

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



## Note 26: Financial Risk Management (continued)

The Group manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

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

	Carrying Amount US\$	Contractual Cash flows US\$	<6 months US\$	6-12 months US\$	1-3 years US\$	>3 years US\$
<b>MATURITY ANALYSIS- 30 June 2016</b>						
<b>Financial Liabilities</b>						
Accounts payable	588,753	588,753	588,753	-	-	-
Interest bearing loans	13,892,302	13,892,302	13,892,302	-	-	-
<b>Total</b>	<b>14,481,055</b>	<b>14,481,055</b>	<b>14,481,055</b>	<b>-</b>	<b>-</b>	<b>-</b>

Further information regarding commitments is included in Note 21.

### (d) Market Risk

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

### (i) Interest rate risk

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

## Note 26: Financial Risk Management (continued)

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

2017	Floating interest rate	Fixed interest rate	Non- interest bearing	Total carrying amount	Weighted average effective interest rate
	US\$	US\$	US\$	US\$	%
<i>Financial assets</i>					
Cash and bank balances	28,264	-	-	28,246	-
Receivables	-	-	163,878	163,878	-
Security deposits	-	-	174,278	174,278	-
<b>Total financial assets</b>	<b>28,264</b>	<b>-</b>	<b>338,156</b>	<b>366,420</b>	<b>-</b>
<i>Financial liabilities</i>					
Accounts payable	-	-	1,937,079	1,937,079	-
Interest bearing loans	-	13,892,302	-	13,892,302	-
<b>Total financial liabilities</b>	<b>-</b>	<b>13,892,302</b>	<b>1,937,079</b>	<b>15,829,381</b>	<b>-</b>

2016	Floating interest rate	Fixed interest rate	Non- interest bearing	Total carrying amount	Weighted average effective interest rate
	US\$	US\$	US\$	US\$	%
<i>Financial assets</i>					
Cash and bank balances	461,733	167,656	1,035	630,425	1.17
Receivables	-	-	129,230	129,230	-
Security deposits	-	-	186,150	186,150	-
<b>Total financial assets</b>	<b>461,733</b>	<b>167,656</b>	<b>316,415</b>	<b>945,805</b>	
<i>Financial liabilities</i>					
Accounts payable	-	-	661,161	661,161	-
Interest bearing loans	-	13,892,302	-	13,892,302	2.75
<b>Total financial liabilities</b>	<b>-</b>	<b>13,892,302</b>	<b>661,161</b>	<b>14,553,463</b>	<b>-</b>

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

## Note 26: Financial Risk Management (continued)

At 30 June 2017 the effect on post tax profit and equity as a result of changes in the interest rate for floating interest rate instruments, with all other variables held constant, would be as follows:

	<b>Carrying Amount (interest bearing)</b>	<b>Increase in interest rate by 0.5%</b>	<b>Decrease in interest rate by 0.5%</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>2017</b>			
Cash and cash equivalents	167,180	(836)	(836)
Total effect on post tax profit	167,180	(836)	(836)
<b>2016</b>			
Cash and cash equivalents	461,733	2,309	(2,309)
Total effect on post tax profit	461,733	2,309	(2,309)

## Note 26: Financial Risk Management (continued)

### (ii) Currency risk

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

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

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

	AUD US\$	Indonesian Rupiah US\$	Total US\$
<b>2017</b>			
Cash and cash equivalents	16,491	9,654	26,145
Accounts payable	360,738	670,299	1,031,037
Net exposure	377,229	679,953	1,057,182
Effect on post tax profit:			
Increase by 10%	37,723	67,995	105,718
Decrease by 10%	(37,723)	(67,995)	(105,718)
<b>2016</b>			
Cash and cash equivalents	212,787	54,126	266,913
Accounts payable	103,061	30,161	133,222
Net exposure	315,848	84,287	400,135
Effect on post tax profit:			
Increase by 10%	31,585	8,429	40,014
Decrease by 10%	(31,585)	(8,429)	(40,014)

## Note 27: Significant Events after the Reporting Date

Subsequent to 30 June 2017 Cokal has completed a Private Placement, raising a total of AU\$700,000 from the issue of 19,444,445 shares at AU\$0.036 per share. The funds raised were used for working capital to advance BBM Anak towards initial construction and coal production.

In August 2017, the initial construction phase was completed and mining of premium PCI coal commenced at BBM Anak. Cokal expects to be able to produce approximately 10,000 to 15,000 tonnes per month from BBM Anak. This coal will be extracted from Seams close to the Barito River, allowing barges to take the coal to an intermediate stockpile downstream at Muara Teweh where domestic customers can collect the coal on larger barges. During the first quarter of the production stage of BBM Anak, Cokal will focus on developing the domestic market while at the same time preparing to enter the international market in the first quarter of 2018.

The Company has also announced a coal reserve estimate of 20.2MT of openpit Run-of-Mine (ROM) for its BBM Project, producing 16.9MT of Marketable Reserves (12.8MT Coking Coal Product at US\$150/tonne and 4.1MT PCI Product at US\$112.50/tonne) in accordance with the 2012 JORC Code. Of the 20.2MT ROM coal, 13.0Mt is Proved and 7.2Mt is Probable ROM Reserves.

Cokal also completed its initial evaluation study based on the Valmin Code for its coal assets subsequent to year end. The report estimated a total value of US\$209 million, giving a value of US\$127 million for Cokal's share in each of the projects. The valuation is based on current consensus long-term price for hard coking coal of US\$128/tonne and US\$90/tonne for PCI Coal. It is noted that the Valmin Code valuation may not satisfy the requirements of fair value measurement under Australian Accounting Standards.



# Declaration by Directors

The directors of the Group declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date.
2. The Group has included in the note 1 to the financial statements and explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 29 to 39 of the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2017, comply with section 300A of the Corporations Act 2001.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



**Domenic Martino**  
**Cokal Limited**  
**Chairman**

Sydney, 29 September 2017

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Cokal Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

#### Material Uncertainty Related to Going Concern

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

## Key Audit Matters

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

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

### 1. Carrying value of deferred exploration and evaluation

#### Why significant

The carrying value of exploration and evaluation assets is subjective as it is based on the Group's ability, and intention, to continue to explore the asset. The carrying value may also be impacted by the results of exploration work indicating that the mineral reserves and resources may not be commercially viable for extraction. This creates a risk that the amounts stated in the financial report may not be recoverable.

Refer to Note 13 – *Exploration and Evaluation Assets* to the financial report for the amounts held on the consolidated statement of financial position by the Group as at 30 June 2017 and related disclosure.

During the year ended 30 June 2017, the Group determined that impairment indicators were present and performed an impairment assessment. An impairment charge was recorded during the half year ended 31 December 2016 of \$9,177,586.

At 30 June 2017, the Group assessed if evidence of further impairment or impairment reversal was present and concluded no additional impairment or impairment reversal was required.

#### How our audit addressed the key audit matter

We evaluated the Group's assessment of the carrying value of exploration and evaluation assets. In performing our procedures, we:

- considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements;
- considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included assessment of the Group's budgeted and planned cash-flows, enquires with senior management and directors as to the intentions and strategy of the Group;
- assessed the Group's ability to finance its planned future exploration and evaluation activity;
- given the existence of impairment indicators, we assessed the Group's methodology for measuring the recoverable amount of the Group's PT Bumi Barito Mineral (BBM) project and calculation of the resulting impairment charge as at 31 December 2016; and
- considered the Group's assessment of the existence of further impairment or impairment reversal at 30 June 2017.

## 2. Recognition and classification on interest bearing liabilities

### Why significant

Note 16 - *Interest Bearing Loans* to the financial report details the Group has significant loans payable to Northrock Financial LLC and Wintercrest Advisors LLC (collectively the "Lenders"), being subsidiaries of Platinum Partners. The term of both loans has expired and the loans are repayable on demand at 30 June 2017. As such, the interest bearing loans of \$13,892,302 are disclosed as current liabilities at 30 June 2017.

In April 2017, a *Royalty Deed* was executed with the Lenders, pursuant to which the Lenders agreed to convert the full amount of the Group's loans owing to them into a production royalty.

The terms and conditions of the production royalty are detailed in Note 16 to the financial report. Conversion of the loans to a production royalty is subject to a number of substantial conditions precedent.

At 30 June 2017, the conditions precedent were not satisfied and as such the interest bearing loans remained due and payable. Satisfaction of the conditions precedent and accounting for the resulting transaction is expected to have a significant impact on the amounts recognised on the Group's statement of financial position and may have significant effects on the consolidated statement of comprehensive income. As a result, the assessment of whether the conditions precedent have been satisfied at 30 June 2017 is a key audit matter.

### How our audit addressed the key audit matter

We evaluated the recognition, measurement and disclosure of the Group's loans payable to the Lenders at 30 June 2017. In performing our procedures, we:

- read the *Royalty Deed* executed between the parties and understood the conditions precedent to the completion of the arrangement between the parties;
- considered the Group's assessment of its satisfaction, or otherwise, of the conditions precedent to the *Royalty Deed* at 30 June 2017 and subsequent to year end;
- agreed the amounts disclosed as owing to the Lenders at the date of the *Royalty Deed* and at 30 June 2017 to the amounts detailed as owing to Lenders in the executed *Royalty Deed*;
- assessed the adequacy of the Group's classification of the interest bearing loans as current liabilities at 30 June 2017; and
- assessed the adequacy of the Group's disclosure of the royalty arrangement in the financial report

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 38 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Cokal Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.



Building a better  
working world

## Responsibilities

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

Ernst & Young

Andrew Carrick  
Partner  
Brisbane  
29 September 2017





Level 5, 56 Pitt Street  
Sydney NSW 2000

Phone: + 61 2 8823 3179

Fax: +61 2 8823 3188

[cokal.com.au](http://cokal.com.au)