



**COKAL**

**30 JUNE 2019**

**ANNUAL**

**FINANCIAL**

**REPORT**

---

Cokal Limited ACN 082 541 437

Annual Financial Report for the year ended 30 June 2019

For personal use only

# Contents

Corporate Information	1
Chairman’s Letter to Shareholders	2
Review of Operations	3
Directors’ report	10
Auditor’s Independence Declaration to the Directors of Cokal Limited	21
Shareholder Information	22
Interests in Tenements and Projects	25
Consolidated Statement of Comprehensive Income for the year ended 30 June 2019	26
Consolidated Statement of Financial Position as at 30 June 2019	27
Consolidated Statement of Changes in Equity for the year ended 30 June 2019	28
Consolidated Statement of Cash Flows for the year ended 30 June 2019	29
Notes to the Consolidated Financial Statements for the year ended 30 June 2019	30
Declaration by Directors	66
Independent Auditor’s Report	67

## Competent Person Statement

The Total Coal Reserve estimate announced on 1<sup>st</sup> August 2017 is based on information compiled by Robert de Jongh who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of ASEAMCO Pty Ltd. Mr de Jongh is a qualified mining engineer and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Explorations Results, Mineral Resources and Ore Reserves.”

The Total Coal Resource estimate was announced on 29 April 2016, titled “Updated JORC Resource Statement for BBM”. The information in the report relating to Mineral Resources is based on information compiled by Yoga Suryanegara who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Suryanegara is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 29 April 2016 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 29 April 2016 continue to apply and have not materially changed.

# Corporate Information

## DIRECTORS

Domenic Martino  
Patrick Hanna  
Karan Bangur

## COMPANY SECRETARIES

Louisa Martino

## 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

Mills Oakley  
Level 7,  
151 Clarence Street  
Sydney NSW 2000  
Phone: + 61 2 8289 5800  
Fax: +61 2 9247 1315

## SHARE REGISTRY

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands WA 6009  
Phone: +61 8 9389 8033  
Fax: +61 8 9262 3723

## 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

## AUSTRALIAN BUSINESS NUMBER

ABN 55 082 541 437

# Chairman's Letter to Shareholders

---

Dear Shareholders,

This last year has laid the foundations for your Company's transformation to a coal producer. Achievements have included:

- The recruitment of a new local team with local geological and mining experience, including some senior positions filled by experienced mine start-up personnel. The latter not only have extensive experience in the start-up of mines, but the contacts and reputation to ensure the Company can fulfil the pre mining requirements both regulatory and technically for the BBM project.
- The restructure of the Jakarta office and the finance operations of the Company with a complete change of finance personal including the appointment of an Indonesian based, Australian finance and accounting professional to head up finance and accounting in Jakarta.
- The complete review and reassessment of the feasibility study, which is currently in progress, using the new local team to provide a number of alternatives to the production and especially the logistical solutions now available to the Company to develop the BBM project.
- The addition of a major shareholder in Aahana that has provided the Company with a strong local presence and access to both experienced coal mining personnel as well as reputable and experienced contractors who have expressed a willingness to work on the BBM project given Aahana's involvement as a major stakeholder.
- With Aahana's assistance the streamlining of our relationships with the local authorities including a review of all outstanding commitments on our licenses and setting a process for rectification of any outstanding matters with the relevant government departments.
- The development with Aahana's assistance of a number of funding alternatives for the development of the BBM project including the underwriting of the recent rights issue as well as the introduction by Aahana of further funding options including mine development and production contractors, turnkey infrastructure builders and commodities trading houses.

Not all of this is easily visible to you, our shareholders, but they are significant in laying the foundations for what Cokal will become - a stable, growing, metallurgical coal producer with a premium product.

The Company now has in placed an experienced on the ground team and substantial financial avenues to complete the project at hand.

We thank you for your on going support.



**Domenic Martino**  
Chairman

# Review of Operations

Cokal Limited (ASX:CKA; **Cokal** or the **Company**) is an Australian listed company with the objective of becoming a metallurgical coal producer with a global presence. Cokal has interests in four projects in Central Kalimantan, Indonesia, each with known resources of metallurgical coal.

## Indonesian Coal Assets

Cokal holds the following Indonesian coal assets:

- 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 is approximately 15,000ha and the BBP project is approximately 13,050ha.
- 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 to and southeast of 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 has an area of approximately 5,000ha. 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. The Company is focussed on the development of the BBM Project, as discussed further below.

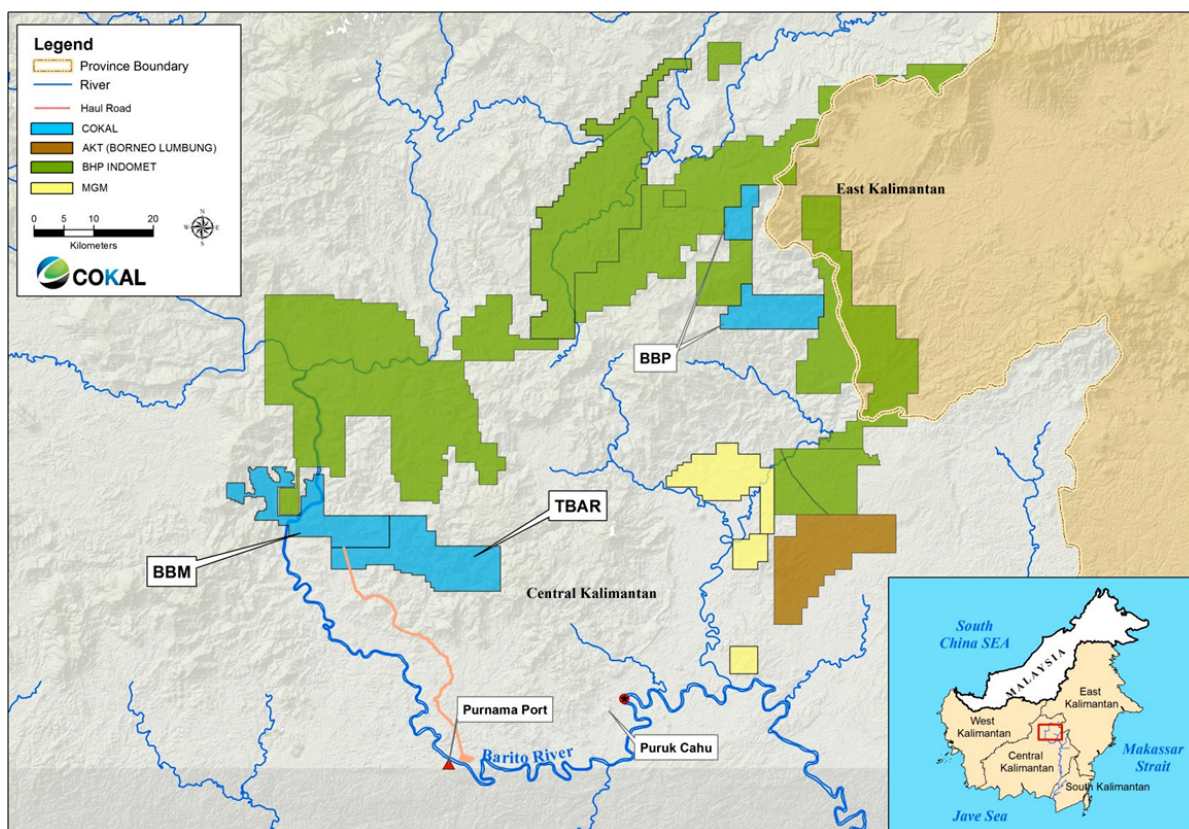


Figure 1: Location of Cokal Indonesian Coal Assets

# Review of Operations

## Bumi Barito Mineral (BBM) Project

BBM's permit covers an area of 14,980ha with multiple seams of high quality metallurgical coal. Almost the entire IUP contains coal-bearing sediments with open cut mineable areas controlled by three major fault systems. BBM has all regulatory approvals in place including:

- Mining Licence – 20 years with two further extensions of 10 years each
- Environmental approval for a mining rate of 6Mt per annum
- Port construction approval (albeit in a different location)
- Forestry Permit to commence mining activity
- RKAB approval of its annual plan.

Since all permits for mining are in place, BBM will be the first area to be mined by Cokal.

BBM is dissected by the Barito River, which cuts through the tenement in a north-south trend. Coal analyses from over 130 outcrops on the west side of the Barito River indicate that it contains premium quality anthracite and PCI coals. This coal does not currently form part of stated BBM coal resources.

Updated rehabilitation plans were submitted as required by the government. The work plan for 2019 was submitted (RKAB) during the year. This was approved by the government (Directorate General Minerals and Coal).

During the year the Company developed a five year mine plan which will be implemented over the coming months. The mine plan includes:

- Refurbishment of the existing 65-man camp at Krajan;
- Construction of roads from Pit 2 and Pit 3 to Krajan port;
- Use of a mining contractor to mine Pit 2 and Pit3;
- Use of second mining contractor for highwall mining;
- Develop Coal Handling Preparation Plant (CHPP) at the Krajan port to prepare coking coal for sale;
- Develop a barge loading facility at Krajan:
- Use shallow draft barges and push boats to deliver coal directly from Krajan.

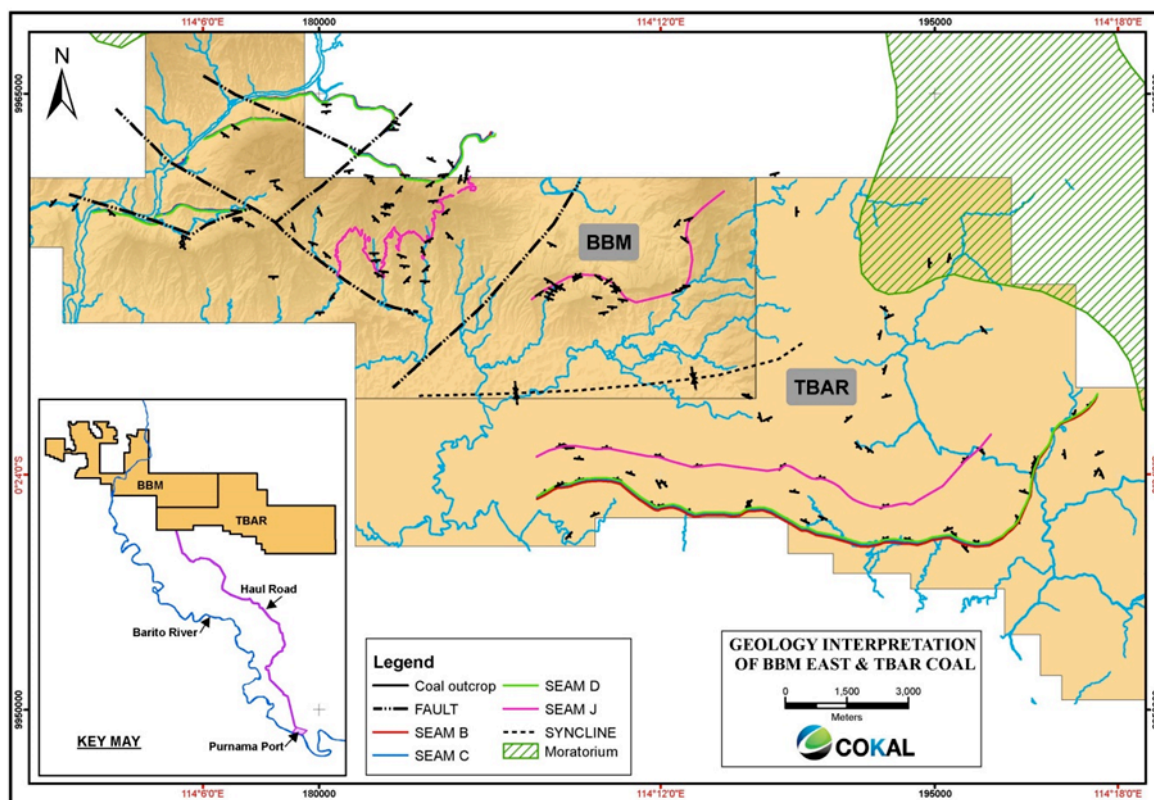
## Tambang Benua Alam Raya (TBAR) Project

TBAR's exploration authority covers an area of 18,850ha immediately adjacent to and south of Cokal's BBM tenement. Over 80% of the lease is available for exploration subject to the issuance of an exploration forestry permit. The application of exploration forestry permit was submitted in 2014 and continues to be processed by the Environment and Forestry Ministry of Indonesia. Following its transfer process from Murung Raya to Provincial Government, Cokal continues its efforts to acquire regulatory approval for the IUP (exploration licence) upgrade process application to a Production and Operation IUP, equivalent to a mining licence. Progress is being made in this regard through dialogue with the ombudsman. Now that the Presidential election has been concluded it is expected faster progress can be made.

Outcrop mapping of four seams over 17km strike indicates a substantial resource of high grade coking coal in this deposit. These seams correlate to the B, C, D and J seams in the adjacent BBM deposit.

No exploration activity was conducted by Cokal during the year. Further exploration will be proposed as soon as the transfer to the Provincial Government has been concluded.

# Review of Operations



**Figure 2: Geological interpretation of BBM East and TBAR**

## Borneo Bara Prima (BBP) Project

Cokal's BBP project covers 13,050ha in Murung Raya Regency, Central Kalimantan. BBP has been granted an Exploration Forestry Permit (IPPKH) and has been confirmed on the Central Government's Clean and Clear list. The IUP was transferred to the Central Government where it now awaits approval to be upgraded to a mining licence (Production and Operation IUP).

A business licence decree for operation foreign mining production (IUP OP PMA) from capital investment coordination board centre (BKPM) was received in Q1 2019. Work plans and the budget (RKAB) 2019 have been submitted to the government (Directorate General Minerals and Coal).

## Anugerah Alam Katingan (AAK) Project

Cokal's AAK project covers 5,000ha in Central Kalimantan. Applications for the Exploration Forestry Permit (IPPKH) and Clean and Clear Certificates continue to be processed. Cokal continues to monitor the progress of the regulatory upgrade approvals for AAK. No exploration activity was conducted on AAK during the year.

## Shallow Draft Barging

During the year Cokal identified a source of shallow draft barges and push boats in Vietnam which can operate in 2m deep water. It is envisaged that four 1,700t barges will form 2 x 2 tows to be pushed by single push boats each with 2 x 1,000HP azimuth thrusters to transport BBM coal from Krajan to Kelanis. It is anticipated that from Kelanis to ships standing offshore coal will be transported using conventional barges.

No land coal storage is being developed for BBM apart from stockpiles at Krajan. Consideration is being given to transfer to conventional barges further up river than Kelanis. At this transfer point surges in coal delivery may be accommodated using moored barges. Some improvements in the river channel will enhance the barging operation.

# Review of Operations

## JORC Code Statements

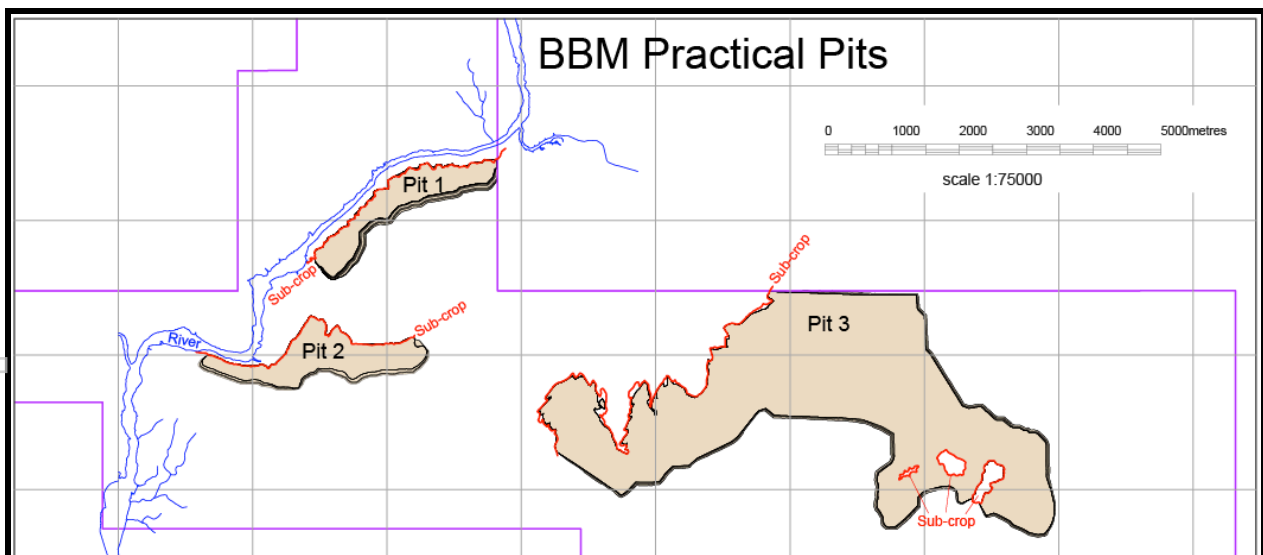
Since June 2016 no exploration activity was conducted in the field on any of Cokal’s assets. Consequently the JORC Resources Statement for the BBM Project announced on 29 April 2016, remains current. The total Resource estimate remains at 266.6Mt for BBM comprising 19.5Mt Measured and 23.1Mt Indicated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

On 1<sup>st</sup> August 2017 Cokal announced its maiden JORC Reserves Statement. The Coal Reserve statement is only for the Eastern portion of the BBM coal project and remains valid.

The highlights of this Reserve statement report included:

- Coal Reserve estimate of 20.2Mt of open pit Run-of-Mine (ROM) for BBM, producing 16.9Mt of Marketable Reserves in accordance with the 2012 JORC Code.
- Reserve estimate comprised 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.

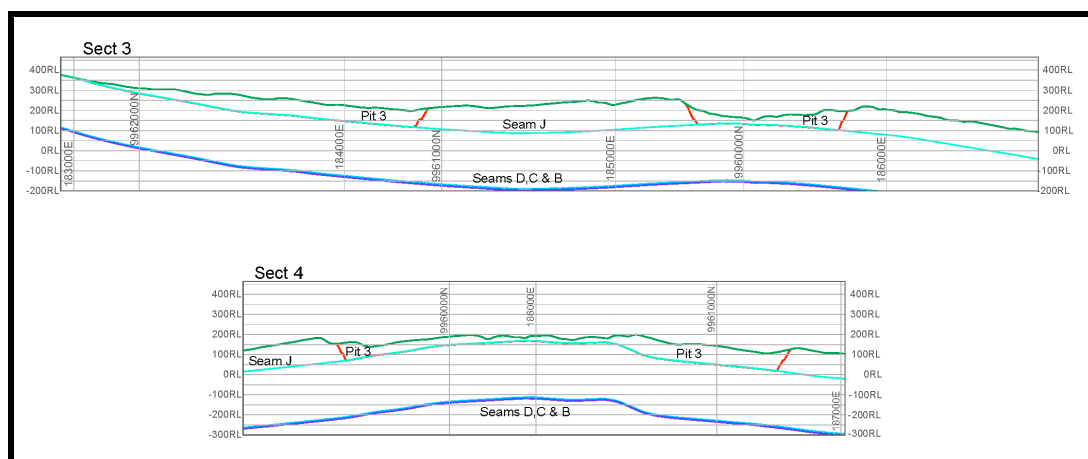
The J Seam Reserves (5.5Mt Proved and 3.2Mt Probable Marketable Coal Reserves) is 100% coking coal. In the case of Seams B, C and D, 3.0Mt Proved and 1.1Mt Probable is Coking Coal Marketable Reserves, while 2.4Mt Proved and 1.7Mt Probable is PCI Marketable Coal Reserves.



**Figure 3: Economic Open pits in Eastern Portion of BBM Tenement**

For personal use only

# Review of Operations



**Figure 4: Cross Section through Open pits**

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

## CORPORATE ACTIVITY

### BT Bara Ineral Asri (BMA)

Due diligence by PT Bara Mineral Asri (BMA) continued during the year. BMA has advised that it is working towards a proposal to partner with Cokal for the funding and development of the BBM Mine. The manner of this future cooperation will now change with the established participation of the Aahana Global Resources and Investment Pte Ltd.

During the year BMA loaned US\$2 million to Cokal to be repaid from the sale of coal when mining commences. This will be paid at \$10/t for coal sales at \$100/t or greater and 10%/t for coal sold at less than \$100/t.

BMA indicated it will submit a revised proposal for cooperation but so far this has not been received.

### Aahana Global Resources and Investment Pte Ltd (AGRI)

During the year Aahana Mineral Resources SDN BHD (AMR), an associate company of Aahana Global Resources & Investment Pte Ltd (AGRI), completed the acquisition of a substantial shareholding in Cokal Limited. AMR/AGRI is now the largest single shareholder in Cokal.

In addition, during the year AGRI nominated its first director appointed to the Cokal Limited board, Mr. Karan Bangur. Mr. Karan Bangur is the CEO of Aahana Global Resources & Investment Pte Ltd and has over 10 years experience in the South East Asian region in mining and resources companies. He is a most welcome and valuable addition to our team.

AGRI, under AMR, fully underwrote the Cokal Entitlement Offer to raise approximately AU\$5.1 Million that completed in August 2019.

Further to this AGRI is proceeding with discussions with the Company to arrange a suitable financing package for the development of the BBM Coking Coal project.

### Krakatau National Resources (Krakatau)

Meetings were held with senior management of Krakatau to discuss the future sale to them of both PCI coal and coking coal. Krakatau indicated its PCI capable blast furnace is being commissioned and will require 10,000t/month PCI coal month by the end of this year. They requested a 10kg sample of our PCI coal which was provided. Discussions continue.

For personal use only



# Review of Operations

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

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

On 20 February 2018, the Company issued 75 million Options to the Platinum Entities with an expiry date of 20 February 2023 and an exercise price of 1.6 cents (**Existing Platinum Options**). Each Existing Platinum Option currently vests once all the Platinum Loans have been released and discharged. Half of these options have subsequently been transferred to AGRI as part of its acquisition of a substantial holding in the Company as mentioned above. It has been agreed that the remaining 37,500,000 options will not be exercised as discussed below.

The amended agreement:

- Confirms that a number of the conditions precedent in respect of the Platinum Loans have been satisfied or waived by the Platinum Entities and extends the date for meeting the remaining conditions precedent (**subsequent conditions**) under the royalty deed for conversion of the balance of the Platinum Loans to 31 July 2020.
- Provides that upon the Company issuing **New Options** (37.5 million options with a 4 year term and exercise price of 1.6 cents), subject to shareholder approval, and the Platinum Entities agreeing not to exercise 37.5 million of the Existing Platinum Options (once the New options are issued 37.5 million of the Existing Platinum Options are cancelled), one third of the Platinum Loans will be forgiven. The resolution to issue the New Options was resolved by shareholders at the Company's 2018 Annual General Meeting.

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

## Convertible Notes

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

## Fraudulent Activity

During the audit of the 2018 annual accounts Cokal was made aware of financial irregularities and fraudulent activity which impacted the Company's financial statements for the year ended 30 June 2018. The Company investigated and rectified the irregularities. After rectification there has been no material financial loss to the Company. New authorisations and organisation have been put in place to prevent such matters occurring in the future. The Company requested and received the resignation of the Chief Financial Officer and the Purchasing Officer effective 15 November 2018. Others involved no longer work for Cokal.

## Staffing

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

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

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

# Review of Operations

Experienced mining engineer Arie Cahyono and geologist Luki Wilianto joined our team in the second half of the year.

Andrew Ichwan was appointed Finance Manager and commenced in January 2019. Andrew is Indonesian with experience in both Indonesia and Australia. He has a track record working with several ASX listed companies including Straits Resources Limited and Silverlake Resources Limited dealing with gold, zircon and coal. Andrew is a member of CPA Australia and holds a Bachelor of Accounting degree from Curtin University.

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

## Relocation to New Office in Jakarta

During the year Cokal relocated its Indonesian Jakarta office from suite #1202 to suite #2302 in the same building. This was part of a necessary restructure to reduce Company overheads, resulting in a saving of approximately US\$20,000 for every quarter in Indonesian office rental payment.

## Rights Issue Raised AU\$5.1 Million

On 18 June 2019 the Company announced a fully underwritten non-renounceable entitlement offer of one (1) new share for every eight (8) Cokal shares held, at an issue price of AUD0.05 per new share to raise approximately AUD5.1 million before costs. After the closing date of the entitlement offer, approximately AUD1.7 million had been taken up by shareholders. The directors placed some of the shortfall with the remainder placed with the Company's major shareholder and underwriter, Aahana Global Resources & Investment Pte Ltd.

The funding raised is being used towards current operating costs and initial infrastructure development and upgrading of existing facilities at the BBM mine site.

In addition to this, the Company is in discussions with prospective investors who are keen to work on long term offtake and investment based arrangements for sourcing PCI and premium coking coal from the BBM mine.

## External Relations

### Safety and Health

No activities on site during the year.

### Environmental

Sound management of the environment is a critical part of Cokal's strategy in becoming a global supplier in the metallurgical coal sector. Work practices will be developed to establish environmental compliance and demonstrate Cokal's commitment to the environment. These include:

- Baseline water and environmental monitoring at the BBM project area. pH monitoring 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.
- 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.
- Monitoring of an authorised waste storage area. The drums, batteries and waste oil to be taken by a licenced hazardous materials contractor to an approved and registered disposal facility in Banjarmasin. In addition, an ongoing contract will be 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 will be established in order to ensure that hazardous material is disposed of correctly.

## Community Development

Cokal will continue and further develop its Corporate Social Responsibility (CSR) program.

# Directors' Report

Your Directors present their report for the year ended 30 June 2019.

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:

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

**B. Bus, FCPA**

Mr. Martino, 64 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:

- Pan Asia Corporation Limited (since 24 December 2010, resigned 4 July 2018)
- 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\* (appointed 19 December 2013)

\* denotes current directorship

**Patrick Hanna, Non-Executive Director**  
**(Appointed on 24 December 2010)**

**B. Applied Science (Geology), CPI, FAusIMM**

Mr Hanna has over 40 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, 67, over 40 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 40 coal projects globally.

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

**Gerhardus (Garry) Kielenstyn, Executive Director**  
**(Appointed 27 January 2017, Resigned 21 August 2019)**

Mr. Kielenstyn, 65 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.

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

# Directors' Report

## **Karan Bangur, Non-Executive Director (Appointed on 10 April 2019)**

### **BCom**

Mr Bangur, 35 has over a decade of experience in operating mining and logistics projects in South East Asia. He is well experienced and familiar with Indonesian mining and general laws relating to on ground operations due to his experience in several projects in Indonesia.

Current ongoing and previous projects include:

- Operations of thermal coal mine in Tanah Grogot, East Kalimantan in capacity of financier.
- Operating fleet of HEMM (Heavy Earth Moving Equipment) in thermal coal mine project in Tarakan, North Kalimantan in capacity of owner.
- He currently serves as Managing Director of Aahana Global Resources & Investment Pte Ltd, which is primarily an investment and holding Co incorporated in Singapore 2008- Present.
- He serves as Director in Aahana Mineral Resources Sdn Bhd, which is the single majority shareholder in Cokal Ltd. 2019 - Present.
- Previous assignments involve evaluation and planning of Iron Ore, Bauxite Ore and Graphite concentrate recovery projects in Indonesia.
- Previous projects include logistics and port development in Indonesia and other parts of SE Asia.
- Development and operating Iron Ore tenement in Malaysia including HEMM fleet management and rental services.

The following person was Chief Executive Officer of Cokal Limited ("Group", "consolidated entity" or "Cokal") during the financial year and up to the date of this report, unless otherwise stated:

## **James (Jim) Coleman, Chief Executive Officer (Appointed on 27 July 2018)**

### **B. Eng (Hons, Mining), FAusIMM**

Mr Coleman, 74 has a proven 51-year track record in corporate management of operations for large successful companies including Riversdale Mining, The Griffin Group, The Electricity Trust of South Australia, Utah Development Company and Rio Tinto.

He has led multi-faceted teams and consortia for large coal projects in developing countries and also specialised in deep mines in soft saturated strata. Mr Coleman was responsible for the development of Thailand's 14 million tonnes per annum coal mine which feeds directly into EGAT's on-site power station in northern Thailand.

As a mining engineer, he has over 50 years' experience in open cut and underground mining specialising in mine management, project development and operation using a variety of equipment including extensive application of in-pit crushing and conveying systems. He designed strategic mine planning to optimise economic returns for

various coal operations. He was also responsible for the development of integrated projects in Australia, Mozambique, Thailand, The Philippines, India and throughout SE Asia. Mr Coleman has specific expertise in application of selective mining systems for low ash high quality coals to minimise dilution.

Jim possesses a high awareness in the application of shallow river barging systems to transport coal from inland projects over long distances. He participated in the successful evaluation of 500 km shallow water barging on the Zambezi River in Mozambique for the transportation of coking coal from Riversdale's Benga project to off-shore mother vessels. This experience is in line with Cokal's plans to use shallow-river barging on the Barito River to deliver the coking coal in good condition to the nearby Asian market place.

Through the 1980s and 1990s, he owned and managed a highly successful mining consulting business (Coleman and Associates) employing some 40 mining professionals and managing operations concurrently throughout Australia and in five countries including Australian Government aid funded projects in SE Asia.

The following persons were Chief Financial Officer and 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, resigned 15 November 2018)**

Over 9 years' practical experience in finance roles involving finance policy and procedure strategy, and implementation, accounting, budgeting, auditing and other financial consulting type of work.

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

### **BCom, CA**

Ms Martino provides company secretarial and accounting services to a number of listed entities through Indian Ocean Capital.

Previously Ms Martino 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 Martino 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).

# Directors' Report

## Interests in Shares and Options

At the date of this report, the interests of the Directors in the shares of Cokal Limited are shown in the table below.

	Ordinary Shares	Options
Domenic Martino	41,688,512	-
Patrick Hanna	27,900,000	-
Karan Bangur	184,641,719	37,500,000

## 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 2019, the loss for the consolidated entity after providing for income tax was US\$1,855,717 (2018: US\$7,796,143).

## 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 financial year, Cokal issued a total of 103,142,367 shares. 88,765,000 shares were issued to raise US\$1.6 million in cash (this includes 37.5m options exercised). 7,591,796 shares were issued on redemption of 147,234 convertible notes and 6,785,571 shares were issued on conversion of a loan and in payment of invoices and salary.

At 30 June 2019, the consolidated entity had 816,842,159 ordinary shares and 96 million unlisted options on issue.

### Financial Position

The net assets of the consolidated entity have increased by US\$1,219,834 from US\$6,726,886 at 30 June 2018 to US\$7,946,720 at 30 June 2019.

### 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 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 significant changes in the Group's state of affairs during the year ended 30 June 2019.

## Significant Events after the Reporting Date

There have been no significant events after reporting date except for:

- Completion of the Entitlement Offer, raising AU\$5.1 million; and
- Resignation of Mr Gerhardus (Garry) Kielenstyn as a director of the Company.

## 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 its properties in Indonesia may be affected by a number of factors. These factors are similar to most exploration companies moving through the 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

## Directors' Report

the production phase of the BBM 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 Group's main project is located in 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 2019 (2018: Nil).

### Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2019 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.

#### **Remuneration report approval at FY18 AGM**

The remuneration report for the 2018 financial year received positive shareholder support with proxy votes of 98.2% 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.

# Directors' Report

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 non-executive directors for the year ending 30 June 2019 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 2019 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 and development within the Central Kalimantan coking coal basin in Indonesia.

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

Year-end (30 June)	2019	2018	2017	2016	2015
Share price (US\$)	0.03	0.03	0.04	0.02	0.10
Basic (loss) per share (US cents)	(0.26)	(1.18)	(1.96)	(6.07)	(2.76)

There were no dividends paid during the year.

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.

# Directors' Report

## Executive Directors

### 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 Kielenstyn was appointed to the role of Chief Operating Officer (COO) effective 24<sup>th</sup> of June 2016 and Executive Director on 27 January 2017. Mr Kielenstyn resigned on 21 August 2019.

### Senior Management

#### Chief Executive Officer

Mr James Coleman was appointed Chief Executive Officer on 27<sup>th</sup> of July 2018. The Company has entered into an employment agreement with Mr Coleman.

The employment agreement may be terminated with 4 months' notice or at any time with cause.

#### CFO / Joint Company Secretary

Mr Teuku Juliansyah was appointed the position of Indonesian Finance Manager commencing on the 23rd February 2012. He was further made Joint Company Secretary on 1<sup>st</sup> September 2015.

Mr Juliansyah was appointed to the role of Chief Finance Officer (CFO) effective 24<sup>th</sup> of June 2016. The Company does not have a contract in place with Mr Juliansyah in his position of CFO.

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 resigned on 15<sup>th</sup> of November 2018.

### Details of Key Management Personnel (KMP)

#### (i) Directors

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

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

Gerhardus Kielenstyn, Executive Director - Indonesia Country Manager (appointed 1 May 2013 – 23 June 2016, appointed COO 24th June 2016, appointed director 27 January 2017, resigned 21 August 2019)

Karan Bangur, Non-Executive Director (appointed 10 April 2019)

#### (ii) Senior Management

James Coleman, Chief Executive Officer (appointed 27 July 2018)

Teuku Juliansyah, CFO (appointed 24 June 2016, resigned 15 November 2018) and Joint Company Secretary (appointed 1 September 2015, resigned 15 November 2018)

### Remuneration Details

The following table of benefits and payments details, in respect to the financial years ended 30 June 2019 and 2018, the component of remuneration for each key management person of the consolidated entity:

2019	Short-Term Benefits			Post-Employment	Termination Benefits	Share-based payments		Total	% Remuneration as equity
	Salary & Fees	Cash Bonus	Other short-term benefits	Superannuation		Equity-settled (options)	Cash-settled	US\$	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
<b>Directors</b>									
Domenic Martino	77,760	-	-	-	-	-	-	77,760	0%
Patrick Hanna	71,280	-	-	-	-	-	-	71,280	0%
Karan Bangur *	30,043	-	-	2,349	-	-	-	32,392	0%
Gerhardus Kielenstyn <sup>^</sup>	209,630	-	-	-	-	44,134	-	253,764	17%
<b>Total</b>	<b>388,713</b>	<b>-</b>	<b>-</b>	<b>2,349</b>	<b>-</b>	<b>44,134</b>	<b>-</b>	<b>435,196</b>	<b>11%</b>
<b>Senior Management</b>									
James Coleman **	165,000	-	-	15,674	-	55,944	-	236,618	24%
Teuku Juliansyah #	70,305	-	-	-	45,683	-	-	115,988	0%
<b>Total</b>	<b>235,305</b>	<b>-</b>	<b>-</b>	<b>15,674</b>	<b>45,683</b>	<b>55,944</b>	<b>-</b>	<b>352,606</b>	<b>16%</b>



# Directors' Report

2018	Short-Term Benefits			Post-Employment	Termination Benefits	Share-based payments		Total	% Remuneration as options
	Salary & Fees	Cash Bonus	Other short-term benefits	Superannuation		Equity-settled (options)	Cash-settled	US\$	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
<b>Directors</b>									
Domenic Martino	88,692	-	-	-	-	-	-	88,692	0%
Patrick Hanna	88,692	-	-	-	-	-	-	88,692	0%
Gerhardus Kielensstyn ^	437,995	-	-	-	-	51,005	-	489,000	10%
<b>Total</b>	<b>615,379</b>	-	-	-	-	51,005	-	<b>666,384</b>	<b>8%</b>
<b>Senior Management</b>									
Duncan Cornish^^	3,431	-	-	-	-	-	-	3,431	-
Teuku Juliansyah	170,055	-	-	-	-	-	-	170,055	-
<b>Total</b>	<b>173,486</b>	-	-	-	-	-	-	<b>173,486</b>	-

\* Appointed as Non-Executive Director on 10 April 2019. In addition to director fees, Mr Bangur receives a fee for services provided to BBM which are included in the schedule

^ Appointed as Executive Director of the Company on 27 January 2017 and appointed as COO on 24 June 2016. Resigned on 21 August 2019

\*\* Appointed as Chief Executive Officer on 27 July 2018. First three months' salary was paid in shares, being US\$28,686 (2018: US\$nil) issued on 20 December 2018.

# Resigned on 15 November 2018

^^ Resigned 9 August 2017

Type text here

## Advances to KMP

Nil advances to Key Management Personnel as at 30 June 2019 (2018: nil) have been made.

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

KMP and other executives may be paid cash bonuses or performance-related bonuses. Remuneration options on issue during the 2019 financial year to KMP were as follows:

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
<b>Consolidated entity KMP</b>									
Gerhardus Kielensstyn	Options	22/12/2017	Note 1	1,000,000	0.09	0.02	-	100%	22/12/2020
Gerhardus Kielensstyn	Options	22/12/2017	Note 2	4,000,000	0.12	0.02	-	100%	22/12/2020
James Coleman	Options	20/12/2018	Note 3	3,000,000	0.03	0.01	-	100%	22/12/2021
James Coleman	Options	20/12/2018	Note 4	3,000,000	0.04	0.01	-	100%	22/12/2021
James Coleman	Options	20/12/2018	Note 5	3,000,000	0.05	0.01	-	100%	22/12/2021
James Coleman	Options	20/12/2018	Note 6	5,000,000	0.07	0.01	-	100%	22/12/2021

Note 1: vesting on production of 100,000 tonnes of coal

Note 2: vesting on achieving a consistent production rate for three months of 45,000 tonnes of coal per month

Note 3: vesting on achieving a consistent production rate for three months of 20,000 tonnes of coal per month

Note 4: vesting on achieving a consistent production rate for three months of 40,000 tonnes of coal per month

Note 5: vesting upon commencement of shallow river barging

Note 6: vesting upon first shipment of coking coal from BBM

# Directors' Report

## Options holdings

Details of share-based payments to KMP and other executives awarded and vested/unvested during the year ended 30 June 2019 and 30 June 2018 are detailed in the table below:

	Balance 1 July 2018	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2019	Total vested at 30 June 2019	Total vested and exercisable at 30 June 2019	Total vested and unexercisable at 30 June 2019
<b>Directors</b>								
Domenic Martino	-	-	-	-	-	-	-	-
Patrick Hanna	-	-	-	-	-	-	-	-
Karan Bangur^^	-	-	-	-	-	-	-	-
Gerhardus Kielenstyn	9,000,000	-	-	(4,000,000)	5,000,000	-	-	-
<b>Senior Management</b>								
James Coleman *	-	14,000,000	-	-	14,000,000	-	-	-
Teuku Juliansyah***	500,000	-	-	(500,000)	-	-	-	-
<b>Total</b>	<b>9,500,000</b>	<b>14,000,000</b>	<b>-</b>	<b>(4,500,000)</b>	<b>19,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Balance 1 July 2017	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2018	Total vested at 30 June 2018	Total vested and exercisable at 30 June 2018	Total vested and unexercisable at 30 June 2018
<b>Directors</b>								
Domenic Martino #	-	-	-	-	-	-	-	-
Patrick Hanna	-	-	-	-	-	-	-	-
Gerhardus Kielenstyn^	8,000,000	5,000,000	-	(4,000,000)	9,000,000	4,000,000	4,000,000	-
<b>Senior Management</b>								
Duncan Cornish**	-	-	-	-	-	-	-	-
Teuku Juliansyah	500,000	-	-	-	500,000	500,000	500,000	-
<b>Total</b>	<b>8,500,000</b>	<b>5,000,000</b>	<b>-</b>	<b>(4,000,000)</b>	<b>9,500,000</b>	<b>4,500,000</b>	<b>4,500,000</b>	<b>-</b>

\* Appointed as Chief Executive Officer on 27 July 2018

\*\* Resigned 9 August 2017

\*\*\* Resigned 15 November 2018

# 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 as Non-Executive Director on 10 April 2019

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 2018	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2019 ●
<b>Directors</b>					
Domenic Martino	37,120,001	-	-	-	37,120,001
Patrick Hanna	25,800,000	-	-	-	25,800,000
Karan Bangur ~	-	-	-	148,125,000	148,125,000
Garry Kielenstyn	-	-	-	-	-
<b>Senior Management</b>					
James Coleman **	-	1,245,031	-	-	1,245,031
Teuku Juliansyah***	-	-	-	-	-
<b>Total</b>	<b>62,920,001</b>	<b>1,245,031</b>	<b>-</b>	<b>148,125,000</b>	<b>212,290,032</b>

# Directors' Report

	Balance 1 July 2017	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2018 •
<b>Directors</b>					
Domenic Martino	37,120,001	-	-	-	37,120,001
Patrick Hanna	25,800,000	-	-	-	25,800,000
Garry Kielienstyn	-	-	-	-	-
<b>Senior Management</b>					
Duncan Cornish*	2,401,215	-	-	-	2,401,215
Teuku Juliansyah	-	-	-	-	-
<b>Total</b>	<b>65,321,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,321,216</b>

\* Resigned 9 August 2017

\*\* Appointed 27 July 2018

\*\*\* Resigned 15 November 2018

• If position ceased during the financial year, balance as at that date

~Appointed as Non-Executive Director of the Company on 10 April 2019

## Transactions with KMP and their related entities

### *Mr Domenic Martino*

- As at 30 June 2019 director fees totaling US\$182,724 (2018: US\$148,615) remain outstanding to Mr Martino.
- As at 30 June 2019 a loan of US\$nil (2018: US\$44,346) was owing to Mr Martino by the Company. This loan was provided for working capital purposes, is repayable on demand and does not accrue interest.
- As at 30 June 2019, Mr Martino was owed US\$2,242 (2018: US\$67,128) for expenses paid on the Company's behalf. This amount is repayable on demand and does not accrue interest.
- On 9 August 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. As at 30 June 2019, company secretarial fees of US\$nil (2018: US\$16,000) remain outstanding. In addition, during the 2019 financial year, Indian Ocean Corporate Pty Ltd has provided corporate advisory services totaling US\$69,731 (2018: US\$218,483) and assistance with the preparation of reports, totaling US\$46,550 (2018: US\$26,422). An amount of US\$15,400 was outstanding as at 30 June 2019

### *Mr Patrick Hanna*

- As at 30 June 2019 director fees totaling US\$156,622 (2018: US\$148,615) remain outstanding to Mr Hanna.
- As at 30 June 2019 a loan of AUD108,500 (US\$76,981) (2018: US\$80,192) was owing to Mr Hanna by the Company. This loan was for working capital purposes, is repayable on demand and does not accrue interest.

### *Mr Gerhardus Kielienstyn*

- As at 30 June 2019 remuneration fees totaling US\$Nil (2018: US\$51,200) remain outstanding to Mr Kielienstyn.
- As at 30 June 2019 a loan of US\$83,041 (2018: US\$33,000 and US\$90,000) was owing to Mr Kielienstyn by the Company. These loans are repayable on demand and do not accrue interest.

### *Mr James Coleman*

- As at 30 June 2019 remuneration totaling US\$165,675 (2018: US\$nil) remains outstanding to Mr Coleman.

### *Mr Teuku Juliansyah*

- As at 30 June 2019 remuneration fees totaling US\$nil (2018: US\$37,837) remain outstanding to Mr Juliansyah.
- As at 30 June 2019 and 30 June 2018 the following loans were owing to Mr Juliansyah. Interest on all loans was accrued until repayment.

## Directors' Report

2019 financial year Principal	Interest rate per month	Interest accrued at beginning of year	Total interest charged (incl any penalty) for the Year	Amount repaid during year	Amount Outstanding as at 30 June 2019
IDR1,850,000,000	6.5%	IDR 601,250,000	IDR 584,914,500	(IDR 3,036,164,500)	-
IDR541,895,604	7.5%	IDR 312,347,864	IDR 39,838,670	(IDR 894,082,138)	-
IDR340,000,000	6.5%	IDR 265,200,000	IDR 37,925,000	(IDR 643,125,000)	-
IDR245,000,000	Nil	-	-	(IDR 245,000,000)	-
<b>IDR2,976,895,604 (US\$ 209,640)</b>		<b>IDR 1,178,797,864 (US\$ 83,014)</b>	<b>IDR 662,678,170 (US\$ 46,667)</b>	<b>(IDR 4,818,371,638) ((US\$ 339,321))</b>	-

2018 financial year Principal	Interest rate per month	Total interest charged for the Year	Amount repaid during year	Amount Outstanding as at 30 June 2018
IDR1,850,000,000	6.5%	IDR 1,443,000,000	(IDR 841,750,000)	IDR 2,451,250,000
IDR541,895,604	7.5%	IDR 487,706,044	(IDR 175,358,108)	IDR 772,959,199
IDR340,000,000	6.5%	IDR 265,200,000	-	IDR 420,600,000
IDR245,000,000	Nil	-	-	IDR 245,000,000
<b>IDR2,976,895,604 (US\$ 207,335)</b>		<b>IDR 2,195,906,044 (US\$ 134,421)</b>	<b>(IDR 1,017,108,180) ((US\$ 70,840))</b>	<b>IDR 3,889,809,199 (US\$ 270,916)</b>

Given the Company's financial position during the year, the directors considered the above interest rates arms' length for an immediate short-term loan, with no security over the Company's assets.

### Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	Board	
	Number of meetings held while in office	Meetings attended
Domenic Martino	4	4
Pat Hanna	4	4
Karan Bangur	2	2
Garry Kielenstyn	4	4

### 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.

# Directors' Report

## Options

At 30 June 2019, there were 96,000,000 unissued ordinary shares under options as follows:

- 1,000,000 unlisted options exercisable at AU\$0.10 on or before 19 September 2020
- 1,000,000 unlisted options exercisable at AU\$0.12 on or before 22 December 2020 (vesting on production of 100,000 tonnes of coal)
- 4,000,000 unlisted options exercisable at AU\$0.15 on or before 22 December 2020 (vesting on achieving a consistent production rate for three months of 45,000 tonnes of coal per month)
- 75,000,000 unlisted options exercisable at AU\$0.016 on or before 16 February 2023 (vesting on all Platinum loans being released and discharged under the Debt Restructure Transaction)
- 1,000,000 unlisted options exercisable at AU\$0.045 on or before 20 December 2021
- 3,000,000 unlisted options exercisable at AU\$0.045 on or before 20 December 2021 (vesting upon production of 20,000 tonnes per month of coal (including PCI) for three consecutive months)
- 3,000,000 unlisted options exercisable at AU\$0.055 on or before 20 December 2021 (vesting upon production of 40,000 tonnes per month of coal (including PCI) for three consecutive months)
- 3,000,000 unlisted options exercisable at AU\$0.07 on or before 20 December 2021 (vesting upon commencement of shallow river barging)
- 5,000,000 unlisted options exercisable at AU\$0.10 on or before 20 December 2021 (vesting upon first shipment of coking coal from BBM)

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

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 21.

## 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.



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

Sydney, 1 October 2019



**Building a better  
working world**

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 2019, 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.

A handwritten signature in black ink that reads 'Ernst + Young' followed by a stylized signature.

Ernst & Young

A large, stylized handwritten signature in black ink, likely belonging to Andrew Carrick.

Andrew Carrick  
Partner  
Brisbane  
1 October 2019

For personal use only

## 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 18 September 2019

### (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	357	257,440
1,001 – 5,000	123	352,155
5,001 – 10,000	228	2,056,756
10,001 – 100,000	553	23,118,162
100,001 and over	467	892,609,701
Total	1,728	918,394,214

The number of shareholders holding less than a marketable parcel (a total of 9,999 ordinary shares) is 566 on a share price of AU\$0.05.

	Unlisted options (AU\$0.10 @ 19/9/2020)		Unlisted options (AU\$0.12 @ 22/12/2020)		Unlisted options (AU\$0.15 @ 22/12/2020)		Unlisted options (AU\$0.016 @ 22/12/2020)	
	No. of holders	No. of options	No. of holders	No. of options	No. of holder	No. of options	No. of holders	No. of options
1 – 1,000	-	-	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-	-	-
10,001 – 100,000	-	-	-	-	-	-	-	-
100,001 and over	1	1,000,000	1	1,000,000	1	4,000,000	4	75,000,000
Total	1	1,000,000	1	1,000,000	1	4,000,000	4	75,000,000

	Unlisted options (AU\$0.045 @ 20/12/2021)		Unlisted options (AU\$0.045 @ 22/12/2021)		Unlisted options (AU\$0.055 @ 20/12/2021)		Unlisted options (AU\$0.07 @ 20/12/2021)		Unlisted options (AU\$0.10 @ 22/12/2021)	
	No. of holders	No. of options	No. of holders	No. of options	No. of holder	No. of options	No. of holders	No. of options	No. of holders	No. of options
1 – 1,000	-	-	-	-	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-	-	-	-	-
10,001 – 100,000	-	-	-	-	-	-	-	-	-	-
100,001 and over	1	1,000,000	1	3,000,000	1	3,000,000	1	3,000,000	1	5,000,000
Total	1	1,000,000	1	3,000,000	1	3,000,000	1	3,000,000	1	5,000,000

# Shareholder Information

## 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 AAHANA MINERAL RESOURCES SDN BHD	184,641,719	20.10%
2 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	57,734,227	6.27%
3 BNP PARIBAS NOMINEES PTY LTD	41,676,211	4.54%
4 PH CAPITAL PTY LTD <THE HANNA FAMILY A/C>	27,000,000	2.94%
5 BNP PARIBAS NOMS PTY LTD <DRP>	21,671,020	2.36%
6 LE MEYER HOLDINGS LIMITED	18,000,000	1.96%
7 CITICORP NOMINEES PTY LIMITED	17,877,293	1.95%
8 MRS LAURA LYNCH	17,500,000	1.91%
9 GEBRUN PTY LTD <PETLA A/C>	17,500,000	1.91%
10 TEKNIKS PUBLICATIONS PTY LIMITED <SUPER FUND A/C>	16,590,000	1.81%
11 XIN HUA PTY LTD <JING JING SUPER FUND A/C>	12,631,200	1.38%
12 HORVATH INVESTMENTS PTY LTD <HORVATH FAMILY A/C>	12,271,799	1.34%
13 BNP PARIBAS NOMINEES PTY LTD <LDN UK BCH DRP A/C>	11,812,500	1.29%
14 MS KWAI LAN CHIN	11,800,000	1.29%
15 MR MICHAEL CHRISTOPHER HORVATH	11,704,207	1.27%
16 MR STEPHEN RODNEY HARIONO <DENVHI VALUE A/C>	11,400,000	1.24%
17 BATMAN MANAGEMENT GROUP PTY LTD	10,791,007	1.18%
18 MR VASILIOS VOTSARIS	10,103,026	1.10%
19 TJ SMOCK & CO PTY LTD <MIDDLETON FAMILY A/C>	10,000,000	1.09%
20 LANNE PTY LTD <LANNE INVESTMENT A/C>	8,420,800	0.92%
Top 20	<b>531,125,009</b>	<b>57.83%</b>
Total	<b>918,394,214</b>	<b>100.00%</b>

## Option Holders

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

	Unlisted options (AU\$0.10 @ 19/9/2020)	Unlisted options (AU\$0.12 @ 22/12/2020)	Unlisted options (AU\$0.15 @ 22/12/2020)	Unlisted options (AU\$0.016 @ 22/12/2020)
	No. of options	No. of options	No. of options	No. of options
HELBRAUN HOLDINGS PTY LTD	1,000,000	-	-	-
MR GERHARDUS KIELENSTYN	-	1,000,000	4,000,000	-
AAHANA MINERAL RESOURCES SDN BHD	-	-	-	37,500,000
NORTHROCK FINANCIAL LLC	-	-	-	28,924,426
TOTAL				66,424,426
<b>Total options in class</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>4,000,000</b>	<b>75,000,000</b>

	Unlisted options (AU\$0.045 @ 20/12/2021)	Unlisted options (AU\$0.045 @ 22/12/2021)	Unlisted options (AU\$0.055 @ 20/12/2021)	Unlisted options (AU\$0.07 @ 20/12/2021)	Unlisted options (AU\$0.10 @ 22/12/2021)
	No. of options	No. of options	No. of options	No. of options	No. of options
LIGHTGLOW ENTERPRISES PTY LTD <PALOMA INVESTMENTS A/C>	1,000,000	-	-	-	-
FARINA PTY LTD <DUETTO SUPERANNUATION FUND>	-	3,000,000	3,000,000	3,000,000	5,000,000
TOTAL	1,000,000	3,000,000	3,000,000	3,000,000	5,000,000
<b>Total options in class</b>	<b>1,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>5,000,000</b>



# Shareholder Information

## Substantial shareholders

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

Name of Shareholder:	Ordinary Shares:
Aahana Mineral Resources Sdn Bhd	184,641,719
Peter Anthony Lynch (estate) & Laura Anne Lynch	56,052,000

The Company notes that, as at 18 September 2019, the following shareholders own substantial shareholdings ( $\geq 5.0\%$ ) in Cokal:

Name of Shareholder:	Ordinary Shares:	% of total shares:
HSBC Custody Nominees (Australia) Limited	57,734,227	6.27%

### (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.

### (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.

For personal use only

## Interests in Tenements and Projects

---

Cokal Limited had the following interests in projects as at 30 June 2019:

### Indonesia

Project	Location	% Interest
PT Anugerah Alam Katingan (AAK)	Kalimanta	75%
PT Bumi Barito Mineral (BBM)	Kalimanta	60%
PT Borneo Bara Prima (BBP)	Kalimanta	60%
PT Tambang Benua Alam Raya (TBAR)	Kalimanta	75%

For personal use only

# Consolidated Statement of Comprehensive Income for the year ended 30 June 2019

	Note	2019 US\$	2018 US\$
Revenue from coal sales	2	470,109	652,074
Revenue and other income	2	4,631,743	98
Employee benefits expenses		(1,468,388)	(1,846,222)
Depreciation expenses	10	(82,657)	(25,239)
Arrangement fee	21	(111,386)	(996,198)
Production expenses		(454,867)	(3,808,113)
Finance costs		(36,450)	(639,611)
Legal expenses		(34,557)	(75,556)
Administration and consulting expenses		(827,175)	(650,913)
Licence fees		(1,549,658)	-
Write-off property, plant and equipment	10	(1,162,166)	-
Share based payment expense on amendment of debt to royalty conversion agreement	24	(1,003,561)	-
Other expenses		(226,704)	(406,463)
<b>Loss before income tax expense</b>		<b>(1,855,717)</b>	<b>(7,796,143)</b>
Income tax expense	4	-	-
<b>Loss for the period</b>		<b>(1,855,717)</b>	<b>(7,796,143)</b>
Other comprehensive income			
<i>Items may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange translation differences		-	-
<b>Total comprehensive loss for the period</b>		<b>(1,855,717)</b>	<b>(7,796,143)</b>
<b>Earnings/(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	(0.26)	(1.18)
Diluted loss per share (cents per share)	6	(0.26)	(1.18)

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 2019

	Note	2019 US\$	2018 US\$
<b>Current Assets</b>			
Cash and cash equivalents	7	127,361	15,502
Short term deposits	7	138,916	138,916
Accounts receivable	8	2,102	23,134
Other current assets	12	17,470	6,849
<b>Total Current Assets</b>		<b>285,849</b>	<b>184,401</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	10	186,831	1,428,811
Exploration and evaluation assets	11	25,067,202	25,067,202
Other non-current assets	12	38,148	35,362
<b>Total Non-Current Assets</b>		<b>25,292,181</b>	<b>26,531,375</b>
<b>TOTAL ASSETS</b>		<b>25,578,030</b>	<b>26,715,776</b>
<b>Current Liabilities</b>			
Accounts payable and others	13	8,369,775	5,461,564
Convertible notes	14	-	364,108
Interest bearing loans	15	9,261,535	14,163,218
<b>Total Current Liabilities</b>		<b>17,631,310</b>	<b>19,988,890</b>
<b>Non-Current Liabilities</b>			
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>17,631,310</b>	<b>19,988,890</b>
<b>NET ASSETS</b>		<b>7,946,720</b>	<b>6,726,886</b>
<b>Equity</b>			
Issued capital	16	91,686,061	89,727,054
Reserves	17	6,116,687	5,000,143
Accumulated losses	18	(89,856,028)	(88,000,311)
<b>TOTAL EQUITY</b>		<b>7,946,720</b>	<b>6,726,886</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 2019

	Issued capital US\$	Reserves US\$	Accumulated losses US\$	Total US\$
<b>At 1 July 2018</b>	<b>89,727,054</b>	<b>5,000,143</b>	<b>(88,000,311)</b>	<b>6,726,886</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	-	(1,855,717)	(1,855,717)
Other comprehensive income	-	-	-	-
	-	-	(1,855,717)	(1,855,717)
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	1,959,007	-	-	1,959,007
Share based payments	-	1,116,544	-	1,116,544
	1,959,007	1,116,544	-	3,075,551
<b>At 30 June 2019</b>	<b>91,686,061</b>	<b>6,116,687</b>	<b>(89,856,028)</b>	<b>7,946,720</b>
<b>At 1 July 2017</b>	<b>84,752,154</b>	<b>4,907,414</b>	<b>(80,789,063)</b>	<b>9,455,400</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	-	(7,796,143)	(7,796,143)
Other comprehensive income	-	-	-	-
	-	-	(7,796,143)	(7,796,143)
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	4,974,900	-	-	4,974,900
Share based payments	-	92,729	-	92,729
	4,974,900	92,729	-	5,067,629
<b>At 30 June 2018</b>	<b>89,727,054</b>	<b>5,000,143</b>	<b>(88,000,311)</b>	<b>6,726,886</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 2019

	Note	2019 US\$	2018 US\$
<b>Cash Flows from Operating Activities</b>			
Receipt from customers		162,921	959,263
Payments to suppliers and employees		(3,027,126)	(4,039,122)
Interest received		976	98
Finance costs paid		(114,040)	(215,476)
Payment of arrangement fee	21	-	(496,198)
<b>Net cash outflow from operating activities</b>	<b>23</b>	<b>(2,977,269)</b>	<b>(3,791,435)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment		(2,843)	(3,155)
Proceeds from lease deposit		-	136,868
<b>Net cash outflow from investing activities</b>		<b>(2,843)</b>	<b>133,713</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares and options		1,595,822	1,744,476
(Repayment) / Proceeds from convertible note		(186,251)	1,567,177
Proceeds from borrowings		2,000,000	333,307
Repayment of borrowings		(317,600)	-
<b>Net cash inflow from financing activities</b>		<b>3,091,971</b>	<b>3,644,960</b>
Net (decrease)/increase in cash and cash equivalents		111,859	(12,762)
Cash and cash equivalents at beginning of year	7	15,502	28,264
Net foreign exchange differences		-	-
<b>Cash and cash equivalents at end of year</b>		<b>127,361</b>	<b>15,502</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 2019

## Note 1: Summary of Significant Accounting Policies

### (a) General information

The consolidated financial statements of Cokal Limited for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors dated 30 September 2019 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 (“US\$” 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 2019, the Group’s current liabilities exceed the current assets by US\$17,248,643 (30 June 2018: US\$19,804,489). This position is due to:

- The classification of the Group debt with Platinum Partners (refer note 15) of US\$9,261,535 as a current liability;
- The classification of the Group’s liability with PT Bara Mineral Asri (BMA Group) (refer note 13) of \$2,000,000 as a current liability; and
- The Group’s arrears of trade and other payables. A significant number of the Group’s creditors, including the directors, are providing informal financial support to the entity.

On 22 July 2016, Cokal announced it had reached an agreement with Platinum Partners for the conversion of all outstanding loans owing to them to production royalties. The royalties will be payable on 1% of the realised selling price of coal (FOB) from the Bumi Barito Mineral Project (BBM) and PT Tambang Benua Alam Raya (TBAR) projects up to a maximum of US\$40 million. Under the arrangement, no minimum royalty is payable and the royalty is only payable as and when coal is mined and sold.

On 29 April 2017, the Group entered into a Royalty Deed with Platinum Partners (refer note 15) to convert all outstanding loans owing to them to production royalties (this formalised the agreement on 22 July 2016) subject to certain conditions precedent. During the year ended 30 June 2019, the Company entered into a further agreement with Platinum Partners, the effect of which confirmed Cokal’s satisfaction with a number of the conditions precedent to the Royalty Deed and extended the date for meeting all of the remaining conditions precedent (the “Subsequent Conditions”) under the Royalty Deed for conversion of two-thirds of the Platinum Loans (being \$9,261,535) to 31 July 2020. In addition, under the agreement when Cokal cancels and reissues 37.5 million options to Platinum Partners, one-third of the Group’s debt with Platinum Partners is discharged and released. The cancellation and reissue of the 37.5 million options occurred on 10 January 2019.

In addition, the Group is in the process of agreeing an arrangement with the BMA Group in respect of the \$2.0 million of funding received from pursuant to the Key Principles of Agreement dated 21 September 2018. It is currently anticipated the liability will be repaid based on a \$ per tonne of coal sold or percentage of coal sales proceeds from the BBM project.

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 as a going concern is impacted by a number of matters including:

- Satisfaction of the Subsequent Conditions under the Royalty Deed (as amended) with Platinum Partners and the conversion of the remaining two-thirds of the of the Platinum Loans to a royalty on coal;
- Finalisation of the arrangements with the BMA Group in respect of the repayment of the \$2.0 million received pursuant to the Key Principles of Agreement dated 21 September 2018;

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## (c) Going concern (Cont'd)

- The continued financial support of management and directors who have provided short term loans to the Group and/or have agreed to not require the Group to pay amounts owing to them until such time as cash flows are generated by the BBM project or have otherwise agreed to have the amounts payable to them satisfied by way of a share issue (subject to shareholder approval);
- The continued willingness of creditors to extend payment terms to the Group until such time as cash flow are generated by the BBM 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 is in production and its revenues from coal sales are sufficient to meet its cash outflows.

Should these avenues be delayed or fail to materialize, the Group has some ability to scale back its activities to help the Group to manage to meet its debts as and when they fall due in the short term. However, should the above matters not be successfully resolved, the Group may not be able to continue as a going concern.

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

Importantly, the Group's significant arrears of trade and other payables means its ability to continue as a going concern is dependent on creditors, including management and the directors, extending payment terms, providing informal financial support and not demanding payment of amounts owed to them in excess of the Group's available funds at the time. At the date of this report, no creditor or lender of the Group, including Platinum Partners, have made demands for payment.

During the year the Company completed a placement to raise US\$1,172,628 (before issue costs) through the issue of 51,265,000 shares at an issue price of AU\$0.032 per share to sophisticated and professional investors and US\$423,194 from the issue of shares on conversion of options at an exercise price of AU\$0.016. In addition, post year end, the Company has completed an Entitlement Issue, raising approximately US\$3.5million.

The funds raised from the above placements has enabled the Group to meet its required cash out flows to the date of this report but arrears of trade and other payables remains.

The Directors are confident given the current permitting and financing processes being undertaken and announced to the market that the Group will be successful in its endeavours to develop the larger BBM project and will satisfy the Subsequent Conditions in the Platinum Partners Royalty Deed (as amended). The directors believe that the commencement of operation at the BBM project (and the forecast generating of operating cash inflows) in conjunction with planned capital raisings will enable it to satisfy its working capital requirements (including its arrears of trade and other payables). This being the case, the directors have a reasonable expectation that given the status of the current permitting and financing processes, the Group's creditors will continue to extend payment terms, provide informal financial support and not demand payment of amounts owed to them in excess of the Group's available funds. As a result, the financial report has been prepared on a going concern basis.

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



# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

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

The Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period. There was no material impact on the financial report as a result of the mandatory new and amended Accounting Standards adopted.

### AASB 9: Financial Instruments

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

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

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

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

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

### AASB 15: Revenue from Contracts with Customers

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

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

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

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

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

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

## (e) Revenue recognition

The Group adopted AASB 15 Revenue from Contracts with Customers, as permitted from 1 July 2018. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group's revenue from contracts with customers is predominately sourced from the sale of coal from its BBM operation.

## Sale of coal

The Group has determined that revenue from the sale of coal is recorded when delivered to the customer (being the point at which control passes to the customer). At this point, the Group has satisfied all its performance obligations under the sales agreement with the customer. The revenue is recognised at 100% of the sale value, calculated based on the tonnes supplied at the contracted price per tonne (adjusted for any known quality penalties).

## Interest income

Interest revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## (f) 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 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.

## (g) 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 FVLCD and 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.

## (h) 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.

The Group does not currently have any joint ventures.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## (i) Joint operations

Joint operations are joint arrangements in which the parties with joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The activities of a joint operation are primarily designed for the provision of output to the parties to the arrangement, indicating that:

- The parties have the rights to substantially all the economic benefits of the assets of the arrangement; and
- All liabilities are satisfied by the joint participants through their purchases of that output. This indicates that, in substance, the joint participants have an obligation for the liabilities of the arrangement.

The consolidated financial statements of the Group include its share of the assets and liabilities, revenues and expenses arising jointly or otherwise from those operations and its revenue derived from the sale of its share of output from the joint operation. All such amounts are measured in accordance with the terms of each arrangement, which are usually in proportion to the Group's interest in the joint operation.

The Group does not currently have any joint operations.

## (j) 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.

## (k) Financial instruments

### Financial Instruments

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.

### Recognition and Initial Measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

### Subsequent Measurement of financial assets

Financial assets at amortised cost (debt instruments) is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (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.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## (k) Financial instruments (cont'd)

### Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities under unfavourable conditions.

### Recognition and Initial Measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or as payables. 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 including bank overdrafts, and derivative financial instruments.

### Subsequent Measurement of financial liabilities

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 derecognised 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 as finance costs in the statement of profit or loss.

### Derecognition of financial liabilities

A financial liability is derecognised 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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## (l) 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 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.

## (m) 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.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## (m) Exploration, evaluation and development expenditure (cont'd)

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:

- a) Future economic benefits (being improved access to the ore body) are probable;
- b) The component of the ore body for which access will be improved can be accurately identified; and
- c) 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 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. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional 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. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

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

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## **(m) Exploration, evaluation and development expenditure (cont'd)**

costs are recognised immediately in the statement of profit or loss and other comprehensive income.

The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

## **(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.

## **(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.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## (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.

### 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:



# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## (v) Fair value measurement (cont'd)

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

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## (aa) Critical accounting estimates and judgments

Details of critical accounting estimates and judgments 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 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) Share-based payments

The Group uses estimates to determine the fair value of equity instruments issued to directors, executives, employees and suppliers. Further detail of estimates used in determining the value of share-based payments is included in Note 24.

### (v) 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.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

---

## (aa) Critical accounting estimates and judgments (cont'd)

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. 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.

For personal use only

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 2: Revenue and Other Income

	2019 US\$	2018 US\$
Revenue		
- Sale of coal	470,109	652,074
Other income		
- Interest income from external parties	976	98
- Gain on discharge and release of loan	4,630,767	-
Total other income	4,631,743	98

On 29 April 2017, the Group entered into a Royalty Deed with Platinum Partners (refer note 15) to convert all outstanding loans owing to them to production royalties (this formalised the agreement on 22 July 2016) subject to certain conditions precedent. In November 2018, the Company entered into a further agreement with Platinum Partners, the effect of which confirmed Cokal's satisfaction with a number of the conditions precedent to the Royalty Deed and extended the date for meeting all of the remaining conditions precedent (the "Subsequent Conditions") under the Royalty Deed for conversion of two-thirds of the Platinum Loans (being \$9,261,535) to 31 July 2020. In addition, under the agreement when Cokal cancels and reissues 37.5 million options to Platinum Partners, one-third of the Group's debt with Platinum Partners, being \$4,630,767, is discharged and released. The cancellation and reissue of the 37.5 million options occurred on 10 January 2019, at which time one-third of the debt was discharged and released and a corresponding gain recognised in the Group's income statements.

The Group previously recognised a share based payment expense for fair value (at grant date) of the 75 million options granted to Platinum Partners as part consideration for the execution of the Royalty Deed. The Group has recorded a further share based payment expense of \$1,003,561 in respect of the incremental fair value of the 37.5 million new options granted to Platinum Partners as part of the November 2018 amendment to the Royalty Deed. This expense is reported separately in the statement of comprehensive income.

## Note 3: Dividends and Franking Credits

There were no dividends paid or recommended during the financial year (30 June 2018: Nil).

There were no franking credits available to the shareholders of the Group (30 June 2018: Nil).

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 4: Income tax

	2019 US\$	2018 US\$
The prima facie income tax on the loss is reconciled to the income tax expense as follows:		
Prima facie tax benefit at 27.5% (2017: 30%) on loss before income tax	(510,322)	(2,143,939)
Add tax effect of:		
- Not deductible expenses and impact of tax rate differences	510,322	2,143,939
- Deferred tax asset not recognised	-	-
Income tax expense	-	-
<b>Deferred tax assets</b>		
Deductible temporary differences	-	-
Carry forward tax losses	9,940,760	10,089,602
<b>Deferred tax liabilities</b>		
Assessable temporary differences	-	-
Net deferred tax assets not recognised	9,940,760	10,089,602

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 2019 were US\$36,148,760 (30 June 2018: US\$37,928,866) and US\$nil (30 June 2018: 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 2019 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: Auditor's Remuneration

	2019 US\$	2018 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	131,318	138,000
Ernst & Young - Indonesia	7,090	-
	<b>138,408</b>	<b>138,000</b>

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 6: Loss per Share

	2019 Number	2018 Number
Loss attributable to owners of Cokal Limited used to calculate basic and diluted loss per share (USD)	(1,855,717)	(7,796,143)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	725,498,143	660,704,114
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	725,498,143	660,704,114
Basic loss per share (US cents per share)	(0.26)	(1.18)
Diluted loss per share (US cents per share)	(0.26)	(1.18)

\* 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 2019.

## Note 7: Cash and Cash Equivalents

	2019 US\$	2018 US\$
Cash and bank balances	266,277	154,418
Cash at bank bear floating and fixed interest rates between 0.10% and 2.5% (2018: between 0.10% and 2.78%).		
Included in the consolidated statement of cash flows as follows:		
Cash and bank balances *	266,277	154,418
Less: Short term deposits maturing after three months and restricted bank balance classified as investing activities**	(138,916)	(138,916)
Cash and cash equivalents	<b>127,361</b>	<b>15,502</b>

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

\*\*Include restricted deposit of US\$ 138,916 (2018: US\$138,916) can be used only after TBAR production commences.

## Note 8: Accounts Receivable

	2019 US\$	2018 US\$
<b>Current</b>		
Other receivables*	2,102	23,134
	<b>2,102</b>	<b>23,134</b>

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

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 9: Subsidiaries

### a) Interest in subsidiaries

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

Name of entity	Country of Incorporation	Class of Shares	Percentage Owned (%) <sup>*</sup>	
			2019	2018
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 Tambang Benua Alam Raya <sup>#</sup> (TBAR)	Indonesia	Ordinary	75%	75%
Cokal Karoo Limited <sup>#</sup>	Tanzania	Ordinary	100%	100%
Cokal Manda Limited <sup>#</sup>	Tanzania	Ordinary	100%	100%

\* 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 a return is established only when they contribute their share of capital upon completion of the Initial Work Programs for each of the projects. At reporting date, the Initial Work Programs for these projects have not yet been completed and therefore there is no right to a return for non-controlling interests.

<sup>#</sup> During the 2018 financial year, the Group terminated its joint operations with a private company, Tanzoz Resource Company Ltd. The Company now owns 100% of the Tanzanian entities. The entities are dormant entities. All capitalised expenditures for these entities has been impaired to \$nil in prior periods. The fair value of the underlying assets, liabilities and contingent liabilities at the acquisition date and 30 June 2019 are \$nil.

### 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 currently material at 30 June 2019 and 30 June 2018 as the right of non-controlling shareholders' receiving a return is established only when they contribute their share of capital upon completion of the Initial Work Programs for each of the projects. At reporting date, the Initial Work Programs for these projects have not yet been completed and therefore there is no right to a return for non-controlling interests.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 10: Property, Plant and Equipment

	2019 US\$	2018 US\$
<b>Land</b>		
At cost	31,526	31,526
	31,526	31,526
<b>Computer equipment</b>		
At cost	555,731	552,886
Accumulated depreciation	(551,903)	(551,782)
	3,828	1,104
<b>Furniture and office equipment</b>		
At cost	552,957	552,957
Accumulated depreciation	(401,480)	(318,942)
	151,477	234,015
<b>Motor Vehicles</b>		
At cost	9,974	9,974
Accumulated depreciation	(9,974)	(9,974)
	-	-
<b>Capital WIP</b>		
At cost	1,162,166	1,162,166
Capital WIP written off	(1,162,166)	-
	-	1,162,166
<b>Total property, plant and equipment</b>	<b>186,831</b>	<b>1,428,811</b>



# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 10: Property, Plant and Equipment (cont'd)

### (a) Movements in carrying amounts

2019	Land	Computer equipment	Furniture and office equipment	Motor Vehicles	Capital WIP	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at the beginning of the year	31,526	1,104	234,015	-	1,162,166	1,428,811
Additions	-	2,843	-	-	-	2,843
Disposals	-	-	-	-	-	-
Depreciation expense	-	(121)	(82,536)	-	-	(82,657)
Amount written off	-	-	-	-	(1,162,166)	(1,162,166)
Carrying amount at the end of the year	31,526	3,826	151,479	-	-	186,831

2018	Land	Computer equipment	Furniture and office equipment	Motor Vehicles	Capital WIP	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at the beginning of the year	31,526	1,816	258,542	-	1,159,011	1,405,895
Additions	-	-	-	-	3,155	3,155
Disposals	-	-	-	-	-	-
Depreciation expense	-	(712)	(24,527)	-	-	(25,239)
Carrying amount at the end of the year	31,526	1,104	234,015	-	1,162,166	1,428,811

## Note 11: Exploration and Evaluation Assets

	2019 US\$	2018 US\$
<b>Non-Current</b>		
Exploration and evaluation expenditure capitalised		
- exploration and evaluation phases	25,067,202	23,460,617
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	25,067,202	23,460,617
Additions <sup>1</sup>	-	1,606,585
<b>Carrying amount at the end of the period</b>	<b>25,067,202</b>	<b>25,067,202</b>

<sup>1</sup> The additions for the year ended 30 June 2018 represent the issuance of 25 million ordinary shares to the vendors of PT Tambung Benua Alam Raya (TBAR) in full and final satisfaction of all post-completion payments, owing by the Group, in respect of its acquisition of the Group's interest in TBAR. The shares were issued to the vendors in February 2018.

The Group assessed impairment indicators under AASB 6 *Exploration for and Evaluation of Mineral Resources* (AASB 6) that were present during the year ended 30 June 2019 and tested for impairment under AASB 136 *Impairment of Assets* (AASB 136).

Historically, the Group has determined the recoverable amount of the BBM project using the Fair Value Less Cost of Disposal (FVLCD) methodology considering the Group 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 of the fair value hierarchy (refer note 1 (v)).

During the year ended 30 June 2018 the Group paid the post completion amounts in respect of the TBAR project. As a consequence:

- The carrying amount of the Group's E&E included \$23.5 million and \$1.6 million for BBM and TBAR respectively;
- The Group has two identifiable areas of interest that need to be assessed for impairment.

At 30 June 2019, the Fair Value less Cost of Disposal (FVCLD) of the Group's two areas of interest was measured with respect to the Group's market capitalisation. At that time, the Group's market capitalisation exceeded the carrying amount of its net asset.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 11: Exploration and Evaluation Assets (cont'd)

Given the presence of the two areas of interest, the FVLCD implied by the Group's Enterprise Value did not provide a precise evaluation of the FVLCD of the distinct areas of interest. This being the case, the Group also had reference to an Independent Study of all of Cokal's tenement interests prepared in accordance with the Valmin Code as at 30 June 2017 (released on 23 August 2017). The Independent Study provided an estimate of value (in accordance with the Valmin Code) of BBM and TBAR. The Independent Study estimated the value of BBM using a discounted cash flow method and assessed the value of TBAR with reference to a resource multiple (\$ per tonne of in-situ resource tonnes). The Valmin Code valuation is a proxy for FVLCD under AASB 136 and would be categorised under Level 3 of the fair value hierarchy (refer note 1 (v)). Based on the combined impact of the EV assessment and Independent Study the Group is satisfied no further impairment was required at 30 June 2019.

In addition, given the AASB 6 impairment indicator identified by the Group was associated with its intention and ability to spend substantial amounts on the continued exploration and evaluation of the areas of interest, the Group's continued funding issues (refer note 1(c)) means there is no current indication previously recorded impairments in respect of both BBM and TBAR should be reversed.

## Note 12: Other Assets

	2019 US\$	2018 US\$
<b>Current</b>		
Prepayments	17,470	6,849
<b>Non-Current</b>		
Security deposits	38,148	35,362

## Note 13: Accounts Payable and Others

	2019 US\$	2018 US\$
<b>Current</b>		
Revenue in advance	-	307,189
Sundry payables and accrued expenses	5,756,424	4,370,048
BMA Group loan	2,000,000	-
Director fees owing	348,020	348,430
Loans payable to directors and employees #	157,209	352,370
Employee benefits	64,677	40,082
Deferred liability (rent incentive)	43,445	43,445
	<b>8,369,775</b>	<b>5,461,564</b>

# These loans payable to directors and employees are non-interest bearing and repayable on demand.

### **BMA Group loan**

On 21 September 2018, Cokal signed a Key Principles of Agreement with PT Bara Mineral Asri (BMA Group) to develop and operate PCI and Coking Coal operations at the BBM Project. Cokal received US\$2.0 million loan from BMA Group to secure the transaction but the BMA Group failed to complete the other funding conditions set out in the Key Principles of Agreement and has also failed to document the loan arrangement with the Group. Therefore, the Group has assessed the loan is repayable on demand and has been disclosed at the face value of the amounts received.

At the date of this report, the Group is in the process of agreeing an arrangement with the BMA Group in respect of the \$2.0 million of funding received. It is currently anticipated the liability will be repaid based on a \$ per tonne of coal sold or percentage of coal sales proceeds from the BBM project.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 14: Convertible Notes

	2019 US\$	2018 US\$
<b>Current</b>		
Fair value of Convertible Notes on issue	-	1,927,730
Convertible Notes converted to shares	-	(1,563,622)
	-	<b>364,108</b>

During October 2017 the Company issued 1,577,234 Convertible Notes upon the receipt of US\$1,567,177 (AUD\$2,000,000) in cash from MEF I, L.P. ("Magna"). The face value of each Convertible Note is US\$1.10. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twelve (12) months after the issue date. The conversion price for each convertible note is the lower of a fixed price (being AUS\$0.10 per share) or a share price each to 90% of the four (4) lowest day VWAPs over the ten (10) day trading period immediately prior to the conversion. At the time of issuance, the difference between the fair value of the Convertible Notes being US\$1,927,730 and the proceeds received of US\$1,567,177 was recorded as a finance cost in the statement of comprehensive income. As at 30 June 2018, Magna had converted 1,430,000 Convertible Notes to shares, with the remaining 147,234 Convertible Notes repaid by the Company in November 2018.

## Note 15: Interest Bearing Loans

	2019 US\$	2018 US\$
<b>Current</b>		
Loans payable to employee	-	270,916
Platinum Partners / Northrock facility	6,710,000	10,065,000
Blumont Group / Wintercrest facility	2,551,535	3,827,302
<b>Total Interest bearing loans</b>	<b>9,261,535</b>	<b>14,163,218</b>

### Loans payable to employee

During the previous financial year the Company entered into the following loans with the previous Chief Financial Officer.

Principal	Interest rate per month	Total interest charged for the 2018 Financial Year	Interest repaid during the 2018 Financial Year	Amount Outstanding as at 30 June 2018
IDR1,850,000,000	6.5%	IDR 1,443,000,000	IDR 841,750,000	IDR 2,451,250,000
IDR541,895,604	7.5%	IDR 406,421,703	IDR 175,358,108	IDR 772,959,199
IDR340,000,000	6.5%	IDR 80,600,000	-	IDR 420,600,000
IDR245,000,000	Nil	-	-	IDR 245,000,000
<b>IDR2,976,895,604 (US\$ 207,335)</b>		<b>IDR 1,930,021,703 (US\$ 134,421)</b>	<b>(IDR 1,017,108,108) (US\$ 70,840)</b>	<b>IDR 3,889,809,199 (US\$ 270,916)</b>

Given the Company's financial position during the 2018 financial year, the directors considered the above interest rates arms' length for an immediate short-term loan, with no security over the Company's assets. The loans with the Chief Financial Officer were repaid and/or set-off against monies determined to be owed to the Group by the previous Chief Financial Officer during the current financial year. The set-off was agreed as part of the termination of the previous Chief Financial Officer for his involvement in a fraud associated with purchases from the Group's former bargaining contractor.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 15: Interest Bearing Loans (cont'd)

### **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 million from various subsidiaries of Platinum Partners. At 30 June 2018, the full amount of the loan is due and payable to Northrock Financial LLC ("Northrock"), being a subsidiary of Platinum Partners.

### **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 2017: US\$3.4 million) (the amount owing as at 30 June includes interest and fees). 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.

### **Conversion of loans from Northrock and Wintercrest to royalties**

On 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 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 a first legal charge under a deed of charge, over all of Cokal's interest in the BBM and TBAR projects, in a form reasonably satisfactory to the Lenders, to protect the interest of the Lenders in the royalties;
- 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.

On 20 February 2018, the Company issued 75 million Options to the Platinum Entities with an expiry date of 20 February 2023 and an exercise price of 1.6 cents (Existing Platinum Options). Each Existing Platinum Option currently vests once all the Platinum Loans have been released and discharged.

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

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 since that date. In the event the Group is not able to satisfy the Subsequent Conditions in the Royalty Deed (as amended), 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.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 16: Issued Capital

	2019 US\$	2018 US\$
816,842,159 authorised and fully paid ordinary shares (30 June 2018: 713,699,792)	91,686,061	89,727,054

<b>Movement in Issued Capital</b>	2019 US\$	2018 US\$
At the beginning of the year	89,727,054	84,752,154
Amount received for issue of shares during the year		
Share issue from capital raising	1,172,628	1,744,476
Share issue on conversion of options	423,194	-
Share issue on conversion of convertible notes	164,970	1,563,622
Share issue on payment of creditors	185,048	60,217
Share issue on conversion of loan	13,167	-
TBAR debt settlement	-	1,606,585
<b>At reporting date</b>	<b>91,686,061</b>	<b>89,727,054</b>

<b>Movement in Issue Capital</b>	2019 Number	2018 Number
<b>(a) Ordinary shares</b>		
At the beginning of the year	713,699,792	593,092,704
Shares issued during the year		
Share issue from capital raising	51,265,000	52,940,002
Share issue on conversion of options	37,500,000	-
Share issue on conversion of convertible notes	7,591,796	41,792,086
Share issue on payment of creditors	6,245,031	875,000
Share issue on conversion of loan	540,540	-
TBAR debt settlement	-	25,000,000
<b>At reporting date</b>	<b>816,842,159</b>	<b>713,699,792</b>

### (b) Options

All options on issue at 30 June 2019 were as follows:

	Number of options	Exercise price US\$	Expiry date
Employees:			
	1,000,000	0.08	22 December 2020
	4,000,000	0.10	22 December 2020
	3,000,000	0.03	20 December 2021
	3,000,000	0.04	20 December 2021
	3,000,000	0.05	20 December 2021
	5,000,000	0.07	20 December 2021
Consultant			
	1,000,000	0.07	19 September 2020
	1,000,000	0.03	20 December 2021
Platinum / Northrock**			
	37,500,000	0.01	20 February 2023
Aahana Mineral Resources SDN			
	37,500,000	0.01	20 February 2023
	<b>96,000,000</b>		

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.

\*\* The parties have agreed, as part of the amended agreement discussed in Note 15, that these options will not be exercised.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 16: Issued Capital (cont'd)

### (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

	2019 US\$	2018 US\$
Share based payments option reserve	7,572,139	6,455,598
Translation reserve	(1,455,455)	(1,455,455)
	<b>6,116,687</b>	<b>5,000,143</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.

During the year ended 30 June 2018, Mr Gary Kielenstyn was issued 5,000,000 unlisted options on the following terms:

- 1,000,000 options with an exercise price of US\$0.08 and an expiry date of 22 December 2020, vesting when the Company has produced 100,000 tonnes of coal; and
- 4,000,000 options with an exercise price of US\$0.10 and an expiry date of 22 December 2020, vesting when the Company is consistently operating at a production rate for three months of 45,000 tonnes of coal per month.

1,000,000 options (with an exercise price of US\$0.07 and expiry date of 19 September 2020) were also issued to Helbraun Holdings Pty Ltd for consulting services provided to the Company during the 2018 financial year.

In addition the Company issued 75,000,000 options during the 2018 financial year to Platinum/Northrock in accordance with the transaction to convert loans to production royalties (refer Note 15). These options had no share based payment value as they were issued on the agreement of future conversion of debt, subject to a number of significant conditions.

During the year ended 30 June 2019, James Coleman was issued 14,000,000 unlisted options as a sign-up bonus on the following terms. A portion of the value of these options has been expensed in the 2019 financial year.

- 3,000,000 options with an exercise price of US\$0.03 and expiry date of 20 December 2021, vesting on production of 20,000 tonnes per month of coal (including PCI) for three consecutive months;
- 3,000,000 options with an exercise price of US \$0.04 and expiry date of 20 December 2021, vesting on production of 40,000 tonnes per month of coal (including PCI) for three consecutive months;
- 3,000,000 options with an exercise price of US \$0.05 and expiry date of 20 December 2021, vesting upon commencement of shallow river barging; and
- 5,000,000 options with an exercise price of US\$0.07 and expiry date of 20 December 2021, vesting upon first shipment of coking coal from BBM.

1,000,000 options (with an exercise price of US\$0.03 and expiry date of 20 December 2021) were also issued to Lightglow Enterprises for consulting services provided to the company.

Translation reserve represents the net exchange differences arising from the translation as a result of change in presentation currency to US\$ from AUD.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 18: Accumulated Losses

	2019 US\$	2018 US\$
Accumulated losses attributable to members of Cokal Limited at beginning of the year	(88,000,311)	(80,204,168)
Loss for the year	(1,855,717)	(7,796,143)
Accumulated losses attributable to members of Cokal Limited at the end of the year	(89,856,028)	(88,000,311)

## 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.

Parent Entity	2019 US\$	2018 US\$
Current assets	119,407	144,061
Non-current assets	18,755,668	22,113,230
Total assets	18,875,075	22,257,291
Current liabilities	10,581,376	15,529,834
Non-current liabilities	721,952	576,236
Total liabilities	11,303,327	16,106,070
<b>Net assets</b>	<b>7,571,748</b>	<b>6,151,221</b>
Issued capital	91,686,061	89,727,054
Reserves	7,572,136	6,455,595
Revaluation reserve	(3,565,142)	(3,565,142)
Accumulated losses	(88,121,311)	(86,466,286)
<b>Total shareholder's equity</b>	<b>7,571,748</b>	<b>6,151,221</b>
<b>Profit / (Loss) for the year</b>	<b>1,655,025</b>	<b>(8,371,809)</b>
<b>Total comprehensive profit / (loss) for the year</b>	<b>1,655,025</b>	<b>(8,371,809)</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 2019 (2018 – nil).

### Contingent liabilities

The parent entity has no contingent liabilities.

### Capital commitments

The parent entity has no capital commitments.

### Impairment assessment

At 30 June 2019, 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\$ 4,000,000 (2018: US\$5,700,000).

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 20: Commitments

	2019 US\$	2018 US\$
<b>Operating lease commitments</b>		
Future minimum rentals payable under non-cancellable operating leases as at 30 June 2019 are as follows:		
Payable		
- not later than 12 months	77,297	144,887
- between 12 months and 5 years	81,397	259,589
- greater than 5 years	-	-
	<b>158,694</b>	<b>404,477</b>

## Note 21: Contingent Liabilities

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

At 30 June 2019, the Group's contingent liabilities total US\$17.95m (30 June 2018: US\$17.95m) in respect of its BBM and PT Borneo Bara Prima (BBP) tenements. The amounts are payable on the achievement of certain milestones, including but not limited to the establishment of certain JORC Inferred Coal Resources and the issuance of production operation IUPs (licences) and production forestry permit. During the year ending 30 June 2018, the Company settled any outstanding contingent liabilities in respect of TBAR with the issue of 25,000,000 shares to the vendors (refer Note 16).

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

#### Deferred purchase consideration

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

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

No liability is recognised as at 30 June 2019 (30 June 2018: nil) in respect this deferred purchase consideration as the Group had not secured funding to commence the construction/development of the BBM project.

As part of the Directors' consideration of the ability of the Group to continue as a going concern (refer note 1 (c)), the Directors are aware some or all of the deferred consideration may be triggered by the commencement at the BBM project.

Given the potential uncertainty, the Company engaged with the vendors of the BBM project to clarify its interpretation of the agreement of 3 March 2016. As part of the negotiations and in good faith, the Company agreed to pay an arrangement fee of US\$996,198 to the vendors for them agreeing to certain clarifications to the agreement of 3 March 2016. US\$496,198 was paid at the time of executing the variation and a further US\$500,000 is payable, subject to certain conditions precedent including a capital raising. The full amount of the arrangement fee of US\$996,198 has been recorded as an expense in the statement of comprehensive income for June 2018. The clarification to the 3 March 2016 agreement confirmed the Company's view no further payments, including the abovementioned US\$10.0 million, are due or payable until the Company had entered into a substantial funding arrangement and/or commenced substantial production. No liability is recognised as at 30 June 2019 in respect this deferred purchase consideration as the Group had not secured funding to commence the construction/development of the BBM project.

At this time, the Group does not have sufficient funds to develop the larger BBM project or fund any portion of the US\$10.0 million deferred consideration that may be payable. To the extent monies are required to be paid, the Group will need to raise capital to fund these payments. The directors are not aware of any other significant contingent liabilities or contingent assets at the date of this report.



# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 22: Operating Segments

	Australia US\$	Indonesia US\$	Singapore US\$	Total US\$
<b>Segment performance for the year ended 30 June 2019</b>				
Sale of coal	-	470,109	-	470,109
Other income	4,630,767	-	-	4,630,767
Interest revenue	-	976	-	976
Intersegment income*	-	-	-	-
<b>Total segment income</b>	<b>4,630,767</b>	<b>471,085</b>	<b>-</b>	<b>5,101,852</b>
Depreciation expenses	(65,772)	(16,885)	-	(82,657)
Finance costs	(3,429)	(33,021)	-	(36,450)
Share based payments	(1,003,561)	-	-	(1,003,561)
Write-off Capital WIP	-	(1,162,169)	-	(1,162,169)
Other expenses	(1,250,568)	(3,411,469)	(10,695)	(4,672,732)
<b>Total segment expenses</b>	<b>(2,323,330)</b>	<b>(4,623,544)</b>	<b>(10,695)</b>	<b>(6,957,569)</b>
<b>Segment net profit /(loss) before tax</b>	<b>2,307,437</b>	<b>(4,152,459)</b>	<b>(10,695)</b>	<b>(1,855,717)</b>
<b>Segment assets and liabilities as at 30 June 2019</b>				
Property, plant and equipment	106,134	80,697	-	186,831
Exploration and evaluation assets	-	25,067,202	-	25,067,202
Other segment assets	(2,788)	326,785	-	323,997
<b>Total segment assets</b>	<b>103,346</b>	<b>25,474,684</b>	<b>-</b>	<b>25,578,030</b>
<b>Total segment liabilities</b>	<b>10,624,966</b>	<b>6,846,567</b>	<b>159,777</b>	<b>17,631,310</b>
<b>Capital expenditure for the year ended 30 June 2019</b>				
Property, plant and equipment	-	2,843	-	2,843
Exploration and evaluation assets	-	-	-	-
*Inter segment expense relating to the income is eliminated in Indonesia's exploration and evaluation assets.				
	Australia US\$	Indonesia US\$	Singapore US\$	Total US\$
<b>Segment performance for year ended 30 June 2018</b>				
Sale of coal	-	652,074	-	652,074
Interest revenue	-	98	-	98
Intersegment income*	-	-	-	-
<b>Total segment income</b>	<b>-</b>	<b>652,172</b>	<b>-</b>	<b>652,172</b>
Depreciation expenses	(7,626)	(17,613)	-	(25,239)
Finance costs	(434,268)	(205,343)	-	(639,611)
Other expenses	(2,238,920)	(5,385,917)	(158,627)	(7,783,465)
<b>Total segment expenses</b>	<b>(2,680,814)</b>	<b>(5,608,873)</b>	<b>(158,627)</b>	<b>(8,448,315)</b>
<b>Segment net loss before tax</b>	<b>(2,680,814)</b>	<b>(4,956,702)</b>	<b>(158,627)</b>	<b>(7,796,143)</b>

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 22: Operating Segments (cont'd)

	Australia US\$	Indonesia US\$	Singapore US\$	Total US\$
<b>Segment assets and liabilities as at 30 June 2018</b>				
Property, plant and equipment	168,078	1,260,733	-	1,428,811
Exploration and evaluation assets	-	25,067,202	-	25,067,202
Other segment assets	8,983	207,990	2,790	219,763
<b>Total segment assets</b>	<b>177,061</b>	<b>26,535,925</b>	<b>2,790</b>	<b>26,715,776</b>
<b>Total segment liabilities</b>				
	15,405,643	4,367,483	215,763	19,988,890
<b>Capital expenditure for the year ended 30 June 2018</b>				
Property, plant and equipment	-	3,155	-	-
Exploration and evaluation assets	-	1,606,585	-	-

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

## Note 23: Cashflow Information

Note	2019 US\$	2018 US\$
<b>(a) Reconciliation of loss after income tax to net cash flow used in operating activities</b>		
Loss for the year	(1,855,717)	(7,796,143)
Non-cash items:		
- Depreciation	10	82,657
- Property, plant and equipment write-off	10	1,162,166
- Share options expensed **	24	1,116,544
- Share issues in payment of expenses **	16	185,048
- Gain on loan forgiveness	2 & 15	(4,630,767)
Change in operating assets and liabilities:		
- Decrease in accounts receivables	21,032	-
- Increase in other assets	(13,407)	-
- Increase in revenue in advance	(307,189)	307,189
- (Decrease) / Increase in convertible notes	(12,887)	364,108
- Increase in accounts payables	1,275,251	3,155,135
<b>Net cash flow used in operating activities</b>	<b>(2,977,269)</b>	<b>(3,791,435)</b>

\*\* The Company issued shares and options in payment of the following (refer notes 16 and 24):

Share options expensed:

- Options issued on discharge and release of Platinum entity loans: US\$ 1,003,561 (2018: US\$ nil);
- Options issued as a bonus to the CEO US\$ 100,078 (2018 issued to Executive Director: US\$ 81,604); and
- Options issued to creditors: US\$12,905 (2018: US\$ 11,126).

Share issues in payment of expenses:

- Shares issued in payment of three month's CEO's salary US\$28,686 (2018: US\$ nil)
- Shares issued in payment of creditors: US\$ 156,362 (2018: US\$ 60,217);
- Shares issued on conversion of convertible notes: US\$164,970 (2018: US\$1,563,622);
- Shares issued on conversion of loan: US\$ 13,167 (2018: US\$ nil); and
- Shares issued in respect of TBAR settlement: US\$ nil (2018: US\$ 1,606,585).

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 24: Share-based Payments

The following share-based payment arrangements existed at 30 June 2019.

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

During the period ended 30 June 2019, Nil options were issued to directors and 1,245,031 shares and 14,000,000 options were issued to executives and employees of the Group.

Options on issue to suppliers as at 30 June 2019 are as follows:

- On 20 February 2018, 75,000,000 options were issued to Northrock and Platinum Partners at US\$0.01 expiring on 20 February 2023, vesting on conversion of debt to royalty
- On 19 September 2018, 1,000,000 options were issued to Helbraun Holdings Pty Ltd at US\$0.07, expiring on 19 September 2020
- On 20 December 2018, 1,000,000 options were issued to Lightglow Enterprises Pty Ltd at US\$0.03, expiring on 20 December 2021
- On 10 January 2019, 37,500,000 options were issued to Platinum entities at US\$0.01, expiring 10 January 2023. These were exercised during the year.

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 2019 was US\$0.01 to US\$0.10 (2018: US\$0.01 to US\$0.23) and weighted average remaining contractual life of 3.29 years (30 June 2018: 2.75 years).

	30 June 2019		30 June 2018	
	No. of options	Weighted average exercise price US\$	No. of options	Weighted average exercise price US\$
Outstanding at beginning of period	140,800,000	0.07	19,800,000	0.16
Granted	52,500,000	0.02	81,000,000	0.02
Forfeited/Cancelled	-	-	-	-
Exercised	37,500,000	0.01	-	-
Expired	59,800,000	0.14	(9,800,000)	0.09
Outstanding at period-end	96,000,000	0.02	140,800,000	0.07
Exercisable at period-end	2,000,000	0.05	60,800,000	0.02

Shares issued on exercise of an option rank equally with all other ordinary shares then on issue.

### (b) Recognised share based payment expenses

	2019 US\$		2018 US\$	
	Effect on Option Reserve	Effect on Statement of Comprehensive Income	Effect on Option Reserve	Effect on Statement of Comprehensive Income
Expense arising from options issued on amendment of debt to royalty conversion agreement	1,003,561	1,003,561	-	-
Expense arising from shares issued as salary expense	-	28,686	-	-
Expense arising from shares issued in payment of creditors	-	156,362	-	60,217
Expense recognised for options issued as bonus	100,078	100,078	81,604	81,604
Expense arising from options issued in payment of creditors	12,905	12,905	11,126	11,126
	<b>1,116,544</b>	<b>1,301,592</b>	<b>92,730</b>	<b>152,947</b>

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## 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 9.

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

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

	2019 US\$	2018 US\$
Short-term employee benefits*	624,018	788,865
Post-employment benefits	18,023	-
Termination benefits	45,683	-
Share-based payments	100,078	51,005
	<b>787,802</b>	<b>839,870</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 13.

### (d) Option holdings of KMP for the year ended

KMP option holdings for the year ended are set out below:

	Balance 1 July 2018	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2019	Total vested at 30 June 2019	Total vested and exercisable at 30 June 2019	Total vested and unexercisable at 30 June 2019
Directors	9,000,000	-	-	(4,000,000)	5,000,000	-	-	-
Senior Management	500,000	14,000,000	-	(500,000)	14,000,000	-	-	-
<b>Total</b>	<b>9,500,000</b>	<b>14,000,000</b>	<b>-</b>	<b>(500,000)</b>	<b>19,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Balance 1 July 2017	Granted as Remuneration	Exercise of Options	Net Change Other *	Balance 30 June 2018	Total vested at 30 June 2018	Total vested and exercisable at 30 June 2018	Total vested and unexercisable at 30 June 2018
Directors	8,000,000	-	-	(4,000,000)	9,000,000	4,000,000	4,000,000	-
Senior Management	500,000	-	-	-	500,000	500,000	500,000	-
<b>Total</b>	<b>8,500,000</b>	<b>-</b>	<b>-</b>	<b>(4,000,000)</b>	<b>9,500,000</b>	<b>4,500,000</b>	<b>4,500,000</b>	<b>-</b>

\* Gerhardus Kielensyn was appointed a Director on 27 January 2017. He held 8 million options at the time of appointment.

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

2019 Number of options outstanding	2018 Number of options outstanding	Exercise price US\$	Issued date	Vesting date	Expiry date
-	4,500,000	0.10	24-Feb-15	24-Feb-16	24-Feb-19
-	Note 3	0.10	24-Feb-15	24-Feb-17	24-Feb-19
1,000,000	1,000,000	0.09	22-Dec-17	Note 1	22-Dec-20
4,000,000	4,000,000	0.12	22-Dec-17	Note 2	22-Dec-20
3,000,000	-	0.03	20-Dec-19	Note 4	20-Dec-21
3,000,000	-	0.04	20-Dec-19	Note 5	20-Dec-21
3,000,000	-	0.05	20-Dec-19	Note 6	20-Dec-21
5,000,000	-	0.07	20-Dec-19	Note 7	20-Dec-21
<b>19,000,000</b>	<b>9,500,000</b>				

Note 1: vesting on production of 100,000 tonnes of coal

Note 2: vesting on achieving a consistent production rate for three months of 45,000 tonnes of coal per month

Note 3: held by previous years' KMP

Note 4: vesting on production of 20,000 tonnes per month of coal (including PCI) for three consecutive months

Note 5: vesting on production of 40,000 tonnes per month of coal (including PCI) for three consecutive months

Note 6: vesting upon commencement of shallow river barging

Note 7: vesting upon first shipment of coking coal from BBM

For personal use only

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 25: Related Party Disclosure (Cont'd)

### (e) Share holdings of KMP for the year ended

KMP share holdings for the year ended are set out below.

	Balance 1 July 2018	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2019
Directors	62,920,001	-	-	148,125,000	211,045,001
Senior Management	2,401,215	1,245,031	-	(2,401,215)	1,245,031
<b>Total</b>	<b>65,321,216</b>	<b>1,245,031</b>	<b>-</b>	<b>145,723,785</b>	<b>212,290,032</b>

	Balance 1 July 2017	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2018
Directors	62,920,001	-	-	-	62,920,001
Senior Management	2,401,215	-	-	-	2,401,215
<b>Total</b>	<b>65,321,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,321,216</b>

### (f) KMP Transactions

KMP transactions for the year ended are set out below.

#### *Mr Domenic Martino*

- As at 30 June 2019 director fees totaling US\$182,724 (2018: US\$148,615 remain outstanding to Mr Martino).
- As at 30 June 2019 a loan of US\$nil (2018: US\$44,346) was owing to Mr Martino by the Company. This loan was provided for working capital purposes, is repayable on demand and does not accrue interest.
- As at 30 June 2019, Mr Martino was owed US\$2,242 (2018: US\$67,128) for expenses paid on the Company's behalf. This amount is repayable on demand and does not accrue interest.
- On 9 August 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. As at 30 June 2019, company secretarial fees of US\$nil (2018: US\$16,000) remain outstanding. In addition, during the 2019 financial year, Indian Ocean Corporate Pty Ltd has provided corporate advisory services totaling US\$69,731 (2018: US\$218,483) and assistance with the preparation of reports, totaling US\$46,550 (2018: US\$26,422).

#### *Mr Patrick Hanna*

- As at 30 June 2019 director fees totaling US\$156,622 (2018: US\$148,615) remain outstanding to Mr Hanna.
- As at 30 June 2019 a loan of AUD108,500 (US\$76,981) (2018: US\$80,192) was owing to Mr Hanna by the Company. This loan was for working capital purposes, is repayable on demand and does not accrue interest.

#### *Mr Gerhardus Kielenstyn*

- As at 30 June 2019 remuneration fees totaling US\$nil (2018: US\$51,200) remain outstanding to Mr Kielenstyn.
- As at 30 June 2019 a loan of US\$83,041 (2018: US\$33,000 and US\$90,000) were owing to Mr Kielenstyn by the Company. These loans are repayable on demand and do not accrue interest.

#### *Mr James Coleman*

- As at 30 June 2019 remuneration totaling US\$165,675 (2018: US\$nil) remain outstanding to Mr Coleman.

#### *Mr Teuku Juliansyah*

- As at 30 June 2019 remuneration fees totaling US\$nil (2018: US\$37,837) remain outstanding to Mr Juliansyah.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 25: Related Party Disclosure (cont'd)

- As at 30 June 2019 and 30 June 2018 the following loans were outstanding to Mr Juliansyah. Interest on all loans is accrued until repayment.

2019 financial year Principal	Interest rate per month	Interest accrued at beginning of year	Total interest charged (incl any penalty) for the Year	Amount repaid during year	Amount Outstanding as at 30 June 2019
IDR1,850,000,000	6.5%	IDR 601,250,000	IDR 584,914,500	(IDR 3,036,164,500)	-
IDR541,895,604	7.5%	IDR 312,347,864	IDR 39,838,670	(IDR 894,082,138)	-
IDR340,000,000	6.5%	IDR 265,200,000	IDR 37,925,000	(IDR 643,125,000)	-
IDR245,000,000	Nil	-	-	(IDR 245,000,000)	-
<b>IDR2,976,895,604 (US\$ 209,640)</b>		<b>IDR 1,178,797,864 (US\$ 83,014)</b>	<b>IDR 662,678,170 (US\$ 46,667)</b>	<b>(IDR 4,818,371,638) ((US\$ 339,321))</b>	-

2018 financial year Principal	Interest rate per month	Total interest charged for the Year	Amount repaid during year	Amount Outstanding as at 30 June 2018
IDR1,850,000,000	6.5%	IDR 1,443,000,000	(IDR 841,750,000)	IDR 2,451,250,000
IDR541,895,604	7.5%	IDR 487,706,044	(IDR 175,358,108)	IDR 772,959,199
IDR340,000,000	6.5%	IDR 265,200,000	-	IDR 420,600,000
IDR245,000,000	Nil	-	-	IDR 245,000,000
<b>IDR2,976,895,604 (US\$ 207,335)</b>		<b>IDR 2,195,906,044 (US\$ 134,421)</b>	<b>(IDR 1,017,108,108) ((US\$ 70,840))</b>	<b>IDR 3,889,809,199 (US\$ 270,916)</b>

Given the Company's financial position during the year, the directors considered the above interest rates arms' length for an immediate short-term loan, with no security over the Company's assets.

## 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.

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:

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 26: Financial Risk Management (cont'd)

	Note	2019 US\$	2018 US\$
Cash and bank balances	7	127,361	15,502
Receivables	8	2,102	23,134
Security deposits	7	138,916	138,916
Total		268,379	177,552

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.

	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 2019</b>						
<b>Financial Liabilities</b>						
Accounts payable	8,369,775	8,369,775	6,369,775	2,000,000	-	-
Interest bearing loans	9,261,535	9,261,535	9,261,535	-	-	-
Total	17,631,310	17,631,310	15,631,310	2,000,000	-	-

	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 2018</b>						
<b>Financial Liabilities</b>						
Accounts payable	5,461,564	5,461,564	5,461,564	-	-	-
Convertible notes	364,109	-	-	-	-	-
Interest bearing loans	14,163,218	14,163,218	14,163,218	-	-	-
Total	19,988,891	19,624,782	19,624,782	-	-	-

Further information regarding commitments is included in Note 20.

### (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.

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

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 26: Financial Risk Management (cont'd)

### (i) Interest rate risk (cont'd)

2019	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	127,361	-	-	127,361	-
Receivables	-	-	2,102	2,102	-
Security deposits	-	-	138,916	138,916	-
Total financial assets	127,361	-	141,018	268,379	-
<i>Financial liabilities</i>					
Accounts payable	-	-	8,369,775	8,369,775	-
Interest bearing loans	-	9,261,535	-	9,261,535	-
Total financial liabilities	-	9,261,535	8,369,775	17,631,310	-

2018	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	15,502	-	-	15,502	-
Receivables	-	-	23,134	39,868	-
Security deposits	-	-	138,916	138,916	-
Total financial assets	15,502	-	162,050	194,286	-
<i>Financial liabilities</i>					
Accounts payable	-	-	5,461,564	5,461,564	-
Interest bearing loans	-	14,163,218	-	14,163,218	-
Total financial liabilities	-	14,163,218	5,461,564	19,624,782	-

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.

At 30 June 2019 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:

	Carrying Amount (interest bearing) US\$	Increase in interest rate by 0.5% US\$	Decrease in interest rate by 0.5% US\$
<b>2019</b>			
Cash and cash equivalents	266,277	1,331	(1,331)
Total effect on post tax profit	266,277	1,331	(1,331)
<b>2018</b>			
Cash and cash equivalents	154,418	772	(772)
Total effect on post tax profit	154,418	772	(772)

### (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.



# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

## Note 26: Financial Risk Management (cont'd)

### (ii) Currency risk (cont'd)

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\$	SGD US\$	Indonesian Rupiah US\$	Total US\$
<b>2019</b>				
Cash and cash equivalents	(790)	-	128,151	127,361
Accounts payable	1,323,000	319,339	6,727,436	8,369,775
Net exposure	1,322,210	319,339	6,855,587	8,497,136
Effect on post profit:				
Increase by 10%	132,221	31,934	685,559	849,714
Decrease by 10%	(132,221)	(31,934)	(685,559)	(849,714)
<b>2018</b>				
Cash and cash equivalents	1,013	6,108	4,802	11,923
Accounts payable	1,137,955	225,650	3,135,875	4,499,480
Net exposure	1,138,968	231,758	3,140,677	4,511,403
Effect on post tax profit:				
Increase by 10%	113,897	23,176	314,068	451,141
Decrease by 10%	(113,897)	(23,176)	(314,068)	(451,141)

# Notes to the Consolidated Financial Statements for the year ended 30 June 2019

---

## Note 27: Significant Events after the Reporting Date

There have been no significant events after reporting date except for the completion of an Entitlement Offer by the Company, raising AU\$5.1 million and the resignation of Mr Gerhardus (Garry) Kielenstyn as a director of the Company.

For personal use only

## 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 2019 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 13 to 19 of the directors' report (as part of audited Remuneration Report) for the year ended 30 June 2019, 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.

**Cokal Limited**



**Domenic Martino**  
Chairman

Sydney  
1 October 2019



**Building a better  
working world**

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

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

### Report on the Audit of the Financial Report

#### Qualified 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 2019, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report 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 2019 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 Qualified Opinion

##### Comparative Information

During the financial year ended 30 June 2018, our audit procedures identified accounting irregularities and fraudulent activity in respect of Group's contracting with its supplier of barging services in Indonesia. The Group's own investigation subsequently confirmed fraudulent activity by the Group's Indonesian based Chief Financial Officer and other Indonesian based employees (collectively "the implicated employees"). During the half-year ended 31 December 2018, the Group finalised its investigation of the fraudulent activity resulting in the termination of the implicated employees.

For the year ended 30 June 2018, the Group's consolidated statement of comprehensive income reports production expenses of \$3,808,113, including barging expenses of \$1,285,698. In performing our audit procedures for the year ended 30 June 2018, we were unable to obtain sufficient appropriate audit evidence as to whether the Group's barging expenses had been validly incurred by the Group and whether the amount paid for barging services represented an arm's length price for those services. We were also unable to obtain sufficient appropriate audit evidence as to the amount of the payments made and expenses accrued for the barging services that should be accounted for as other expenses on the basis they had been misappropriated by the implicated employees. Consequently, we were unable to determine whether any adjustments to production expense and administration expenses for the year ended 30 June 2018 and accounts payable as at 30 June 2018 were necessary. Our opinion on the financial report for the year ended 30 June 2018 was modified accordingly. Our audit opinion on the current year financial report is also modified because of the possible effects of this matter on the prior period amounts which are presented as comparative information.

For personal use only



**Building a better  
working world**

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 qualified 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 matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections above, 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.

For personal use only

## 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 and as a result this was a key audit matter for us.

Refer to Note 11 – Exploration and Evaluation Assets to the financial report for the amounts in the consolidated statement of financial position as at 30 June 2019 and related disclosure.

At 30 June 2019, the Group determined impairment indicators were present and performed an impairment assessment with reference to an independent valuation and consideration of the Group's market capitalisation.

As a result of the impairment assessment, the Group 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.
- 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 based on the Group's independent valuation.
- Performed sensitivity testing on the independent valuation, adjusted as required to align with the requirements of AASB 136 Impairment.
- Considered the Group's assessment of the existence of indicators of impairment reversal at 30 June 2019.
- Assessed the adequacy of the Group's disclosure of the Exploration and Evaluation Assets in the financial report.

## 2. Recognition and classification on interest bearing liabilities

### Why significant

Note 15 – Interest Bearing Loans to the financial report discloses that the Group has significant loans payable to Northrock Financial LLC and Wintercrest Advisors LLC (collectively the “Lenders”), being subsidiaries of Platinum Partners. The terms of both loans have expired and the loans are repayable on demand at 30 June 2019. As such, the interest-bearing loans of \$9,261,535 (2018: \$13,892,302) are presented as current liabilities at 30 June 2019.

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 into a production royalty.

With effect from 10 January 2019, the Group executed an addendum to the Royalty Deed with the Lenders. Pursuant to the addendum, the Lenders agreed to release and discharge the Group’s liability in respect of one-third of the loan amounts payable being \$4,630,767 and the Group agreed to issue of 37.5 million immediately exercisable options to the Lenders.

The release and discharge of one-third of the liability resulted in a gain in the Statement of Comprehensive Income for the year of \$4,630,767, partially offset by the recognition of the share-based payment expense of \$1,003,561.

Due to the significance of the release transaction and the impact of the status of the conversion of the unreleased portion of the loan to a production royalty on the Group’s financial position and liquidity, this was considered 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 2019 and the recognition of the gain on release of one-third of the loan amount.

In performing our procedures, we:

- Read the Royalty Deed (as amended) 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 remaining conditions precedent to the Royalty Deed (as amended) at 30 June 2019 and subsequent to year end.
- Obtained confirmation from the Lenders of amounts owing at 30 June 2019 and the continuing operation of the Royalty Deed (as amended) at 30 June 2019.
- Evaluated the Group’s recognition of a gain on the release and discharge of one-third of the Group’s liability and the measurement and recognition of the share-based payment expense for the issue of 37.5 million immediately exercisable options for consistency with Australian Accounting Standards.
- Assessed the adequacy of the Group’s classification of the unreleased portion of the interest-bearing loans as current liabilities at 30 June 2019.
- Assessed the adequacy of the Group’s disclosure of the royalty arrangement in the financial report.

For personal use only

## 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 2018 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:

For personal use only





**Building a better  
working world**

- ▶ 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.

For personal use only

## Report on the Audit of the Remuneration Report

### Qualified Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 19 of the directors' report for the year ended 30 June 2019.

During the financial year ended 30 June 2018, our audit procedures identified accounting irregularities and fraudulent activity in respect of Group's contracting with its supplier of barging services in Indonesia. The Group's own investigation subsequently confirmed fraudulent activity by the Group's Indonesian based Chief Financial Officer, resulting in the termination of the Chief Financial Officer. Consequently, we were unable to determine whether any adjustments to the remuneration report for the year ended 30 June 2018 were necessary. Our audit opinion on the current year remuneration report is also modified because of the possible effects of this matter on the prior period amounts which are presented as comparative information.

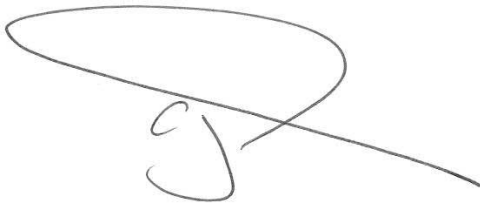
In our opinion, except for the effects of the matter described above the Remuneration Report of Cokal Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

### 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  
1 October 2019

For personal use only