

31 July 2012

**QUARTERLY REPORT FOR THE THREE MONTHS  
ENDED 30<sup>TH</sup> JUNE, 2012****HIGHLIGHTS**

- **Identification of an Additional Seam of Premium quality coking coal at Bumi Barito Mineral (BBM) in the 'J' seam.**
- **Completion of the acquisition of Exploration Tenements in West Kalimantan.**
- **BBM and Borneo Bara Prima (BBP) tenements accepted by the Indonesian Government on the 'Clean & Clear' list.**
- **BBM Eastern Block (40% of tenement area) identified as having an Exploration Target<sup>1</sup> of 200Mt – 350Mt, in addition to the 60Mt Inferred Resource already identified.**
- **BBM development moves into Prefeasibility Phase - July 2012.**
- **Preliminary work for Mining Production / Operation licence (IUP Eksploitasi) on schedule for application lodgement in Q4 2012.**

**EXPLORATION*****(a) Indonesia******BBM Project***

BBM covers an area of 19,920 ha, immediately adjacent to BHPBilliton's Juloi tenement, straddling the Barito River and has numerous outcrops of bright coal. Another Cokal tenement, BBP, covering an area of 13,050 ha, is located adjacent to BHPBilliton's Maruwai tenement.

***Highlights***

- ***200Mt to 350Mt Exploration Target<sup>1</sup> defined on BBM eastern block***
- ***Detailed surface mapping continues to uncover shallow coal throughout the tenement***
- ***Drilling continues to define further coal in areas of low strip ratio and with higher percentages of coking coal***

Cokal has previously confirmed a maiden Inferred Resource of 60Mt, in accordance with JORC, for the BBM Project. In June, Cokal added to this an Exploration Target<sup>1</sup> of 200Mt to 350Mt in accordance with the JORC Code for the area covered by the Eastern Block of BBM (8,000 ha).

Although somewhat hampered by consistent rainfall throughout a prolonged wet season (January to June) drilling has continued to delineate further premium quality coking coal in the 'J' Seam at BBM. At the same time, Cokal's exploration crews continuing to map the surface geology uncovering coal outcrops throughout the BBM tenement.

The 'J' Seam is one of now thirteen seams which have been mapped on surface outcrops at the BBM project. The discovery of the 'J' Seam is of particular significance, all samples have returned Crucible Swell Numbers

(CSN) of 9 or greater which is the maximum possible on the scale which is considered an important indicator of hard coking coal properties. Additionally the 'J' Seam also exhibits the same low in-situ ash properties as were defined in the 'B', 'C' and 'D' Seams. This low in-situ ash means the coal is likely to be mined and direct shipped without the need for processing through a coal washery. This will save considerable capital and operating cost.

The focus of exploration efforts at BBM continues to be on the 'J' Seam. The company is expecting to announce the effect of the continued work, on the existing BBM resource statement, in the medium term future. The pre-feasibility study mentioned elsewhere in this report incorporates the mining of the 'J' Seam as an integral part of the early stage direct ship production option for the project.

**BBP Project**

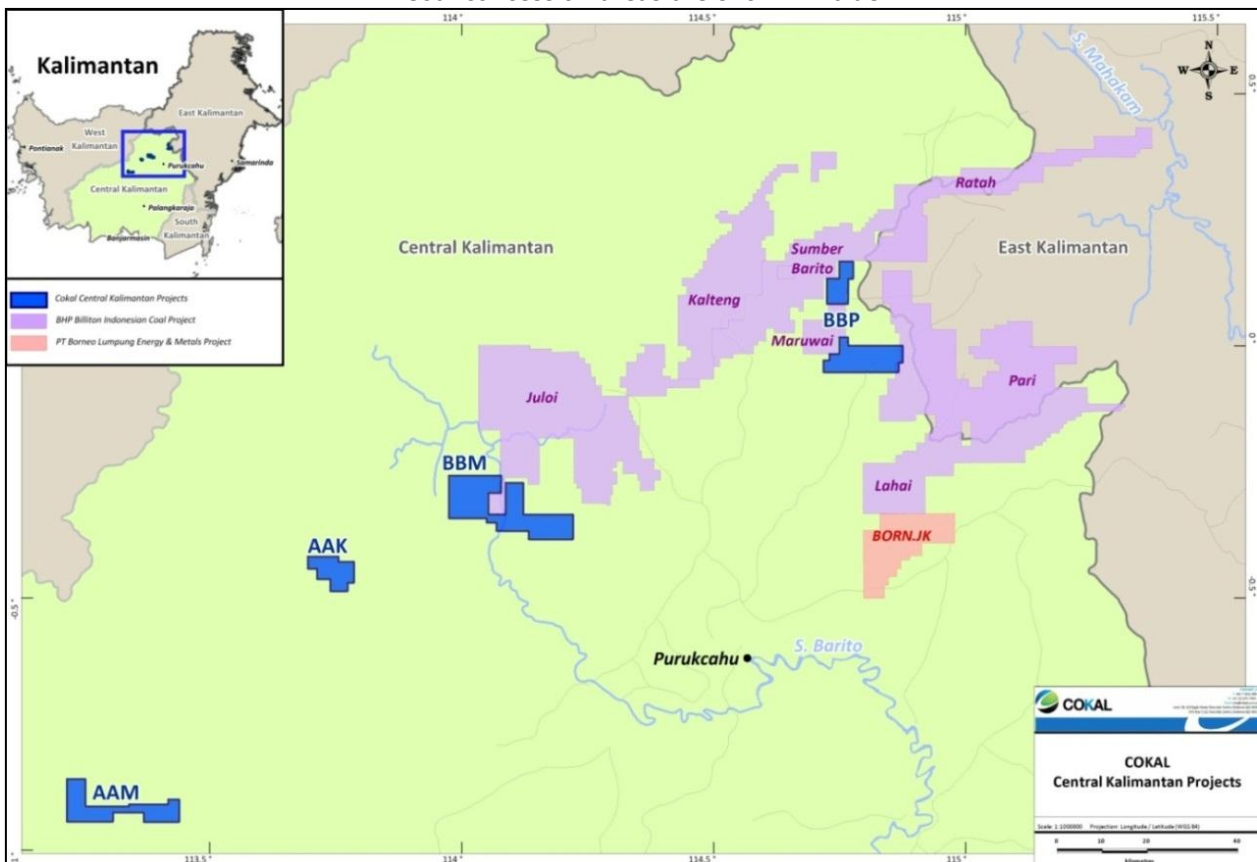
Affected by the same consistent wet season rainfall, the two drilling rigs secured for BBP commenced drilling and core samples were sent to Australia for laboratory analysis.

Initial results indicate some of the coal is suitable for the PCI and Anthracite markets. The drilling to date has tested only the outcrops in the southern part of the BBP project, another two locations of mapped outcrops are yet to be tested for coal quality attributes.

**AAM and AAK Projects**

Cokal has a 75% share of Anugerah Alam Katingan (AAK) and Anugerah Alam Manuhing (AAM) projects also located in Central Province, Kalimantan, Indonesia. The AAK project area comprises 5,000 ha and the AAM project comprises 10,000 ha. Mapping and preliminary exploration work continued in AAM during the quarter to identify the coal potential within the tenement.

**Figure 1:** Locality plan of the Central Kalimantan Coal Projects on the island of Kalimantan - Coal concession areas are shown in blue



## SNR Project

After completion of a technical Due Diligence, which involved a Cokal geological team conducting a preliminary surface mapping exercise, Cokal has completed the acquisition of 75.2% of PT Silangkop Nusa Raya (SNR), which holds three exploration licences in West Kalimantan near the Malaysian border (**SNR Licences**). The SNR Licences cover an area of approximately 13,000 ha (Figure 2).

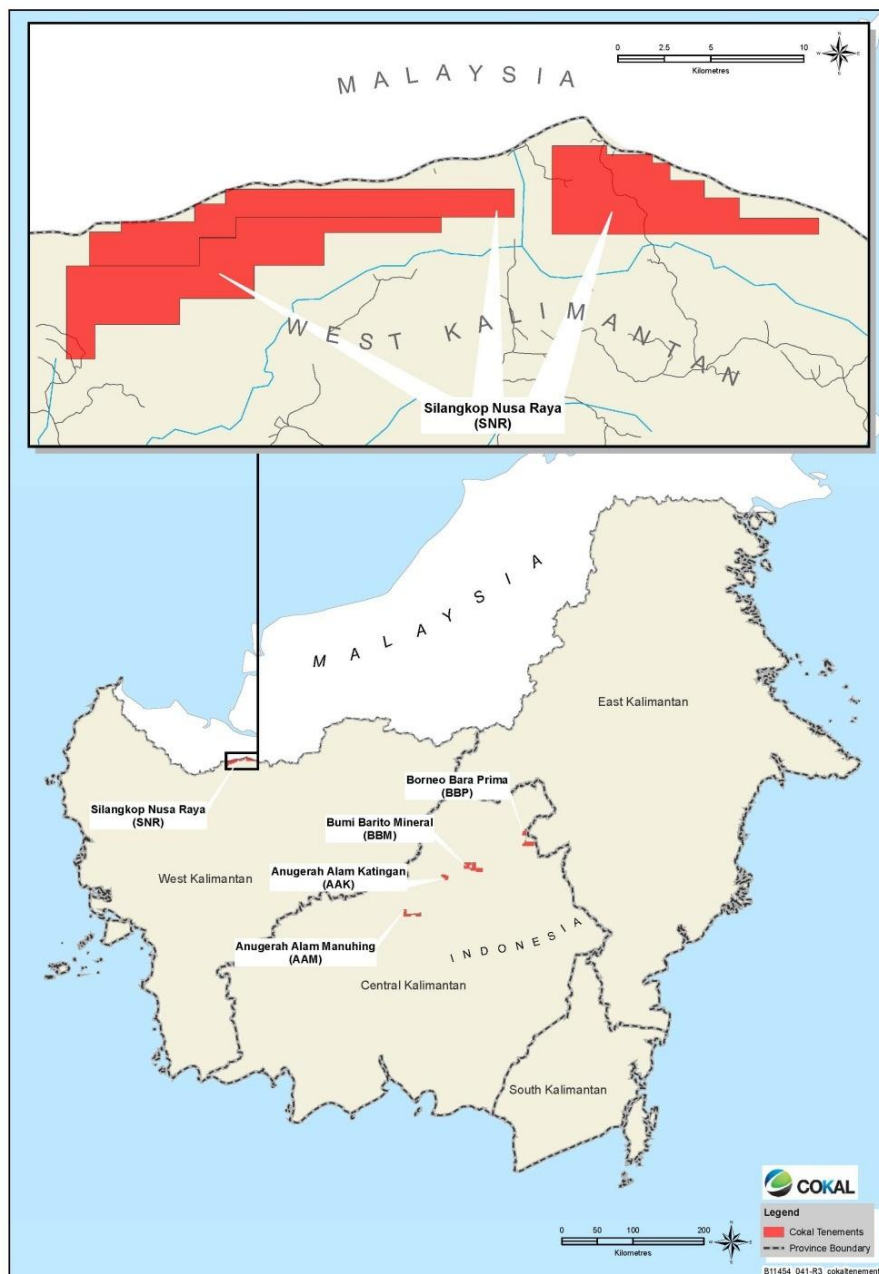
Local Indonesian partners will hold the balance of the equity in PT Silangkop Nusa Raya.

Cokal's Executive Chairman, Mr Peter Lynch said "While recent exploratory work for metallurgical coal in the area was limited, surface samples of coal from surrounding areas had shown good coking coal properties and I am excited by the possibility of opening up a new area".

The proposed acquisition has received Indonesian regulatory approval and SNR has been converted to a PMA Company. Under Indonesian law a PMA Company is able to have up to 100% foreign ownership.

In addition to the above projects, Cokal remains active in evaluating other opportunities in Kalimantan.

**Figure 2:** Locality plan of the West Kalimantan Coal Projects  
- Coal concession areas are shown in red



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## **(b) Africa**

### **Tanzania**

Cokal and its joint venture partner, Tanzoz Resource Company Ltd (Tanzoz), completed an airborne geophysical survey of the Manda Project which included magnetic and radiometric survey together with a topographic survey. The data has been processed and the results are currently under study by structural geology specialists to determine the potential to delineate both Coal and Uranium in the Karoo sediments.

Cokal continues to work in conjunction with Tanzoz to gain access into other parts of Tanzania for the purpose of conducting a coal exploration program. The focus remains to identify the potential existence in Tanzania of the specific stratigraphic sequence which hosts the coking coals found in Mozambique's Moatize Basin.

### **Mozambique**

The "Co-operation Agreement" with EMEM (a state owned Company) to explore tenements in Mozambique for coal mining potential has yet to acquire suitable ground for an exploration program to be conducted. Cokal continues to pursue opportunities in Mozambique with the intent to build, own and operate a coking coal mine.

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## **PROJECT DEVELOPMENT – PRE-FEASIBILITY STUDY UNDERWAY**

### **Formal Pre-feasibility Study has Commenced**

Since exploration activity begun on the project in March 2011 the company has employed efforts on the future development of the project. These efforts have primarily focused on the areas considered to represent the biggest hurdles or risk to that goal being achieved. The location of the project means that its timely development will depend on the obtaining the necessary approvals and defining a suitably efficient and cost effective logistics chain.

The company's efforts on the key focus areas of logistics and approvals is well advanced, with positive results allowing the commencement of a formal pre-feasibility study. The pre-feasibility study will pull together all the work to date and include additional studies to provide a succinct holistic approach to the project development options, costings and schedule. The pre-feasibility study is being undertaken by internationally recognised consultants and Indonesian providers with experience in the development of similar Indonesian coal export projects.

The target date for completion is during the December quarter. Specific work underway includes:

#### **a) Logistics Studies**

The key results from a Barge Scoping Study announced in February, 2012 are:

- Barging has high potential from the Upper Barito River to shiploading
- Barging able to provide internationally competitive logistics solution
- Initial channel survey of Upper Barito River completed
- Options identified to improve efficiency and operating days compared with current methodologies
- Further detailed studies have been initiated

As a direct result of this Scoping Study, a Bathymetric Survey of the Barito River was commissioned and identification of ideal barge loading positions has commenced. The bathymetric survey has been completed and analysis of the data has commenced. This will define the river bottom profile, to allow for detailed analysis of the design of equipment, river capacity at various points and the effect of seasonal variations on the logistics chain.

The Pre-Feasibility Study on the barging has been initiated, as well as preliminary discussions with relevant barging companies.

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Additionally, initial study work on potential road routes to connect the BBM Project to identified Barge Loading Sites has commenced. The initial information will be used to narrow down options and allow more detailed study work to be undertaken.

### ***b) Mining Studies***

Having completed a number of studies design to gather key data on the mining and logistics environment for BBM over the last few months such as:

- Bathymetric Survey as discussed above
- Initial work on potential road routes and barge loading sites
- Extensive Aerial topographical survey (LIDAR) work which when combined with field mapping, drilling and other exploration work will enable preliminary work to begin on potential pit and site design options
- Preliminary information has been gathered from similar mining operations, consultants and mining contractors in order to progress capital and operating cost estimates for mine planning
- The Company has commenced the prefeasibility work on BBM.

The company's concept plan and objectives for BBM have been discussed with a number of relevant independent consultants as a basis for a Pre-Feasibility Studies. To this extent the company has already engaged several consultants and appointed lead consultants for the Pre-feasibility. The study work commenced in late July 2012 and expected to be finalised in the December quarter 2012.

The new information available on the 'J' seam has enabled assessment of the potential to direct ship some of this coal, and use relatively simple beneficiation processes to remove any extraneous material. This will be investigated further as part of the prefeasibility study.

### ***Ports***

Cokal is in the final stages of identifying the initial port laydown and accommodation area for the BBM Project.

Detailed land mapping has been completed and a survey of land ownership is currently being finalised for the area. This area is adjacent to the BBM IUP area and as such development of the site can commence without needing a Forest Rent Use Permit. Cokal expects to complete engineering works in the September quarter and construction of the laydown and accommodation area should start in the December quarter.

Cokal has completed initial land mapping for two barge loading facilities, a river port near BBM and another area which could be utilised by the BBP project and other projects in that area. Detailed land mapping is in progress at the river port near BBM is expected to be completed in Q3 2012. Government and community consultation in the area has indicated that the local community is highly supportive of the establishment of the facilities at Cokal's preferred location.

Cokal is on track to commence detailed land mapping and community consultation for the BBP local barge loading river port in Q4 2012.

## **APPROVALS & EXTERNAL RELATIONS**

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### ***BBM Production Approval Advances - Update***

Cokal is on track to obtain the mining approval for BBM with the AMDAL (Environmental Impact Statement), set to be submitted to the Indonesian Government for approval early in Q4 2012. To assist with the preparation of the AMDAL, Cokal has engaged global Engineering and Environmental Company CDM Smith, together with local Indonesian companies PT Karsa Buana Lestari and PT Ciriajasa Rancangbangun Mandiri to provide engineering and environmental impact assessment support. Cokal has also continued to utilise the services of the University of Palangkaraya to provide local support to CDM Smith.

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Cokal has completed the community consultation aspects of the AMDAL, having held public meetings that were well represented by local and provincial Government Departments, cultural leaders and the general public. The project is receiving widespread support from within the Government and community. The fieldwork started in 2011 as part of the AMDAL submission has progressed without delay and is on track to be completed in early in Q4 2012.

Cokal expects to submit its application in Q4 2012 to have the *Izin Usaha Pertambangan Eksplorasi* (Exploration IUP) upgraded to *Izin Usaha Pertambangan Operasi / Produksi* (Operation / Production IUP).

### ***Corporate Social Responsibility***

Cokal has commenced the implementation of its Corporate Social Responsibility program. To date Cokal has undertaken the following programmes:

- Assisted the Tumbang Tuan primary school with the provision of materials and labour to make repairs to the local school;
- Provided medical support to the community through arranging an ophthalmologist to run a free clinic for the local community. The clinic was well attended with an estimated 140 local visiting to have their eyes screened.
- Helped organise a village Co-operative business (the first of its kind in this area) which is employing local people to assist Cokal with logistics for food, general supplies and field work.
- Provided an emergency generator as part of a project to ensure reliable electricity for the local school.

Cokal has now commenced assessment of further community projects.

### ***BBM and BBP Accepted on Indonesia's Central Government 'Clean & Clear' List***

During May, 2012, both BBM and BBP Projects were accepted on the Ministry of Energy & Mineral Resources 'Clean & Clear' List.

The designation as 'Clean & Clear' is the Central Government confirmation that the Projects are valid, there are no overlapping or conflicting concessions, and that all obligations have so far been met.

CEO & MD, Jim Middleton commented, "This is another timely step in our progress to taking our projects into the next stage of development. Central government recognition of the status of the Projects also lowers the risk of potential problems with the mining concessions".

### ***Infrastructure Development Agreements to Facilitate production***

Two Legal Memorandums of Agreement (MoAs) have been signed to further detail the arrangements initially outlined in the two MoUs signed in March 2012 for:

- (a) Development of River Ports for Coal Transport on the Barito River. This MoU allows for a Joint Venture with the local regency to develop coal barge loading facilities to service the BBM project and other future Cokal projects in Murung Raya.
- (b) Study and Development of coal fired Power Stations in Murung Raya regency. This MoU is for the potential development of two small scale coal-fired power stations (5 -10MW) in the regency. This could service the needs of proposed Cokal mines in the area, as well as providing benefits to the local community.

Cokal Executive Chairman, Mr Peter Lynch, commented that the MoUs and the corresponding planned Agreements, are part of expediting planned metallurgical coal production in this high quality coal basin, while providing significant benefits to the local community.

The Regency Government's Development Corporation would be a joint venture partner with Cokal, and is committed to provide assistance for this infrastructure development.



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CEO & MD, Mr Jim Middleton said "This co-operation and assistance will help us to quickly move into the production phase. The Regency Government is enthusiastic about the mine development as it brings jobs, education and prosperity to the region. Cokal has committed to a high level of community engagement through an effective community social responsibility program focused on education and training, employment and local infrastructure development."

## **CORPORATE**

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### ***Jakarta Office***

Cokal has opened an office in Jakarta to house critical Indonesian management and technically skilled staff.

CEO & MD, Jim Middleton commented, "The office provides an ideal location to co-ordinate our Indonesian activities, and house our key Financial, Administrative and External Relations management and technical staff for the Indonesian projects."

The establishment of the office will greatly facilitate the engineering, central government approvals and corporate work that is required in Jakarta to support our projects and field operations.

Recently Cokal employed a General Manager, External Relations and 3 support staff together with a Financial Manager and 2 support staff. The company is also currently in discussion with several applicants for a number of engineering positions. It is planned that the office will continue to grow over the coming months as we build the capabilities critical to get BBM and other projects into production.

## **ENDS**

### **Further enquiries:**

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### **About Cokal Limited**

Cokal (ASX:CKA) is an Australian listed company with the objective of becoming a metallurgical coal producer with a global presence. Cokal has interests in four projects in Central Kalimantan, Indonesia considered prospective for metallurgical coal. Cokal has also signed a joint venture to explore for coal in Tanzania with Tanzoz Resources.

### **Forward Looking Statements**

Statements regarding plans with respect to the Company's exploration properties are forward-looking statements. There can be no assurance that the Company's plans for development of its properties will proceed as currently expected. There can also be no assurance that the Company will be able to confirm the presence of additional deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of the Company's exploration properties.

### **Competent Person Statement**

The information in this report relating to exploration results and coal resources is based on information compiled by Patrick Hanna who is a Fellow of the Australasian Institute of Mining and Metallurgy and is a consultant (through Hanna Consulting Services) to Cokal Limited.

Mr Hanna is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr Hanna consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

### **Note 1: Exploration Target:**

All statements as to Exploration Targets of Cokal Limited and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement contained in this document as to exploration results or Exploration Targets has been made consistent with the requirements of the Australasian code for reporting of exploration results, mineral resources and ore reserves ("JORC Code").