

31<sup>st</sup> January 2013**QUARTERLY REPORT FOR THE THREE MONTHS  
ENDED 31<sup>st</sup> DECEMBER 2012****HIGHLIGHTS**

- Indonesian government approves Bumi Barito Mineral (BBM) exploration forestry permit (IPPKH)
- Cokal mobilises larger machinery and increases exploration drilling activity
- Ongoing drilling uncovers over 10 kilometres (km) of J Seam outcrop
- BBM Pre-Feasibility Study released
- BBM EIS submitted
- BBM Production IUP (Mining Licence) Application submitted
- BBM land acquired for initial landing zone and camp construction commenced
- Sale of 100% interest in Queensland Tenements

**EXPLORATION****INDONESIA*****BBM Project***

BBM covers an area of 19,920 hectares (ha), immediately adjacent to BHP Billiton's Juloi tenement, straddling the Barito River and has numerous outcrops of bright coal. The Eastern Block of BBM contains an Exploration Target<sup>1</sup> of 200 to 350 Million tonnes (Mt) and ongoing drilling samples indicate the eventual conversion to premium coking coal with Crucible Swell Numbers (CSN) values generally 9 or more. This exploration result is in addition to the 77Mt total (7Mt Indicated and 70Mt Inferred) Resources.

**Highlights**

- Indonesian government approves exploration forestry permit (IPPKH) for BBM Coal Project
- Cokal mobilises large drill rigs for stratigraphic drilling to increase Coal Resources
- Drilling continues to further delineate 'J' Seam shallow outcrop coal for initial stage of mining direct-to-ship coking coal.

In October 2012, Cokal Limited (Cokal) received Ministry approval for an exploration forestry permit Pinjam Pakai (IPPKH), covering its premier BBM metallurgical Coal Project. The IPPKH is critical for the use of larger capacity exploration equipment which will allow for high impact drilling activity of its Indonesian coal targets.

Cokal's 60% owned BBM project has foreign ownership approval from the Badan Koordinasi Penanaman Modal (BKPM) the Indonesian equivalent of the Foreign Investment Review Board. The BBM exploration licence has been listed on the Central Governments "Clean and Clear List", and is now also approved by the Forestry Department for Cokal to conduct high impact exploration activities.

Immediately following the approval, Cokal mobilised three large drill rigs into BBM and commenced drilling boreholes to depths reaching 400 metres (m). These boreholes will allow Cokal's geologists to develop a clearer understanding of the full stratigraphic sequence of the 13 coal seams identified in the Haloq Formation.

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Unfortunately, the rainy season arrived early and the BBM project area has experienced extraordinary flooding such that the dozers working on pushing the drill access roads for the big drill rigs have been hampered. Consequently, the large drill rigs have been delayed in completing the stratigraphic boreholes to date.

The five smaller man-portable drill rigs have continued to delineate the shallow 'J' Seam across BBM. Cores are undergoing analyses and confirm the 'J' Seam to be a premium coking coal with CSN 9 consistently. To date, Cokal has defined 'J' Seam outcropping over 10km in length. The 'J' Seam has been found to thicken to 2m in places.

Further detail mapping of the far-east portion of BBM's Eastern Block has uncovered more encouraging information of the group of seams which appear to be gathered closely to one another. These seams, K, L and M Seams, vary in thickness from 0.2 to 1.4m, and analyses of the outcrop samples, although weathered, indicate the coal to have coking properties. In general the weathered samples indicate a low volatile coking coal with up to 17.5% Volatile Matter and swells (CSN) from 1 to 9. Drill rigs are scheduled to test the seams with fresh core being subject to testing to determine the coking coal properties. The lower geomorphology in the far-east is interpreted to provide lower strip ratio coking coal.

The K, L and M seams are part of the Exploration Target<sup>1</sup> of 200Mt to 350Mt down to a depth of 200m, announced on June 27, 2012.

### ***BBP Project***

The Forestry Permit for Exploration is expected to be granted for Borneo Bara Prima (BBP) project shortly.

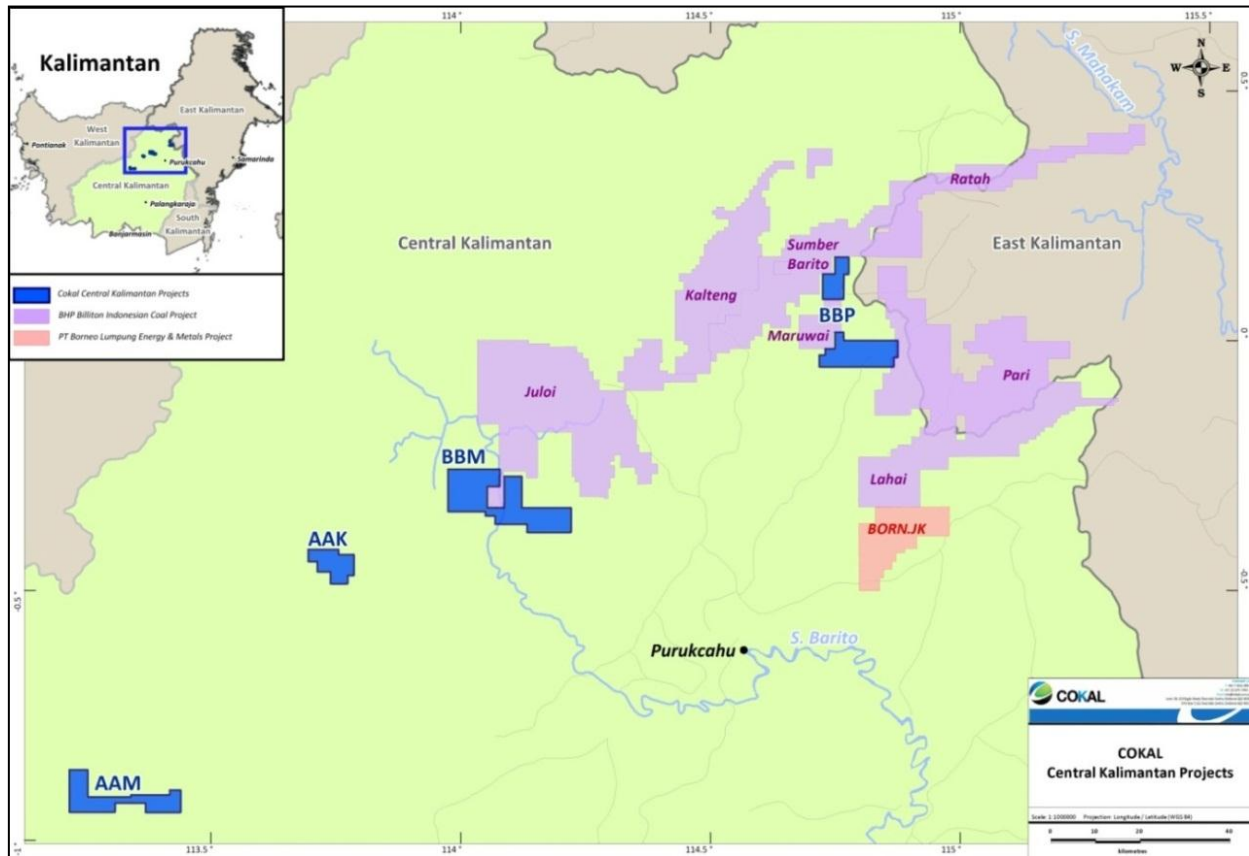
Man-portable drilling in the south portion of BBP is coming to an end with the results confirming the coal quality of the multiple outcrops to be suitable for the PCI and Anthracite markets. When granted the exploration forestry permit will enable the utilization of high impact drilling to determine the full stratigraphic sequence and the number of discrete seams that are present. The area covered by the drilling to date is less than one quarter of the BBP tenement.

Mapping of the northern portion of BBP has commenced and outcrop samples will be tested in the near future.

### ***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 5,000ha and the AAM project comprises 10,000ha. Drilling is planned to commence once the Forestry permit for exploration activity is issued.

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



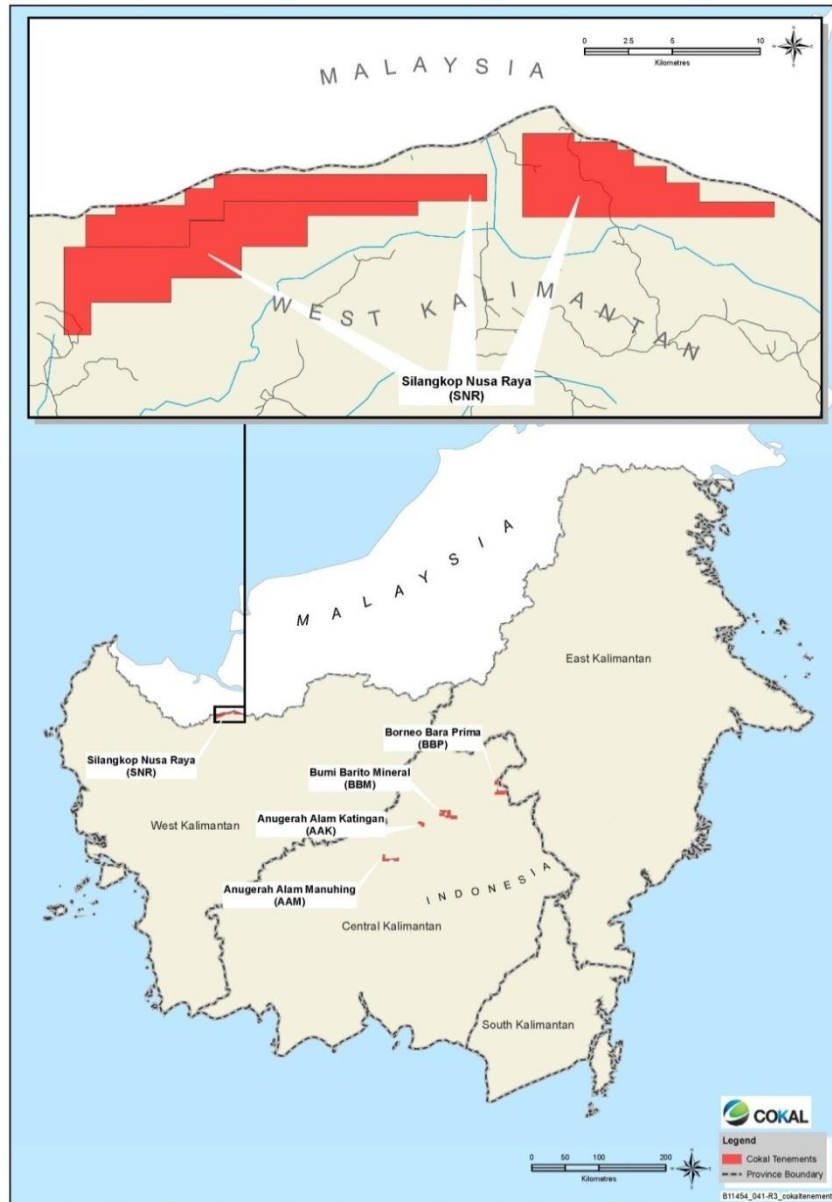
### **SNR Project**

Cokal's geological team continues to conduct preliminary surface mapping of the Silangkop Nusa Raya (SNR) Project area to help plan an exploration drilling program. Drilling is planned to commence once the Forestry permit for exploration activity is issued.

In addition to the above projects, Cokal's geological team 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



## AFRICA

### Tanzania

Following the results of the first phase of drilling involving five of the most interesting targets, there was no significant coal intersections found in any of the boreholes. Consequently, both Cokal and Tanzoz Resources Company Limited (Tanzoz) have decided to relinquish the two Manda projects.

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

Although no opportunities have arisen in Mozambique, Cokal continues to pursue other opportunities in Mozambique with the intent to acquire coal tenements for exploration and development, and to produce export quality coking coal products in the future.

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## AUSTRALIA

### ***EPCA's 1648 & 1662***

In October 2012, Cokal entered into an agreement with XMC Australia Pty Ltd, a wholly owned subsidiary of Xuzhou Coal Mining Group Corporation (XMC) for the sale of its 100% interest in its Queensland tenements.

The sale, valued at \$1.7M (\$1.53M net of costs), is conditional upon both Australia Foreign Investment Review Board approval, Chinese Government regulatory approval and Queensland Government approval of the permit transfer, expected to be finalised by March 2013.

The sale enables Cokal to focus on developments of its Indonesian assets, in particular its BBM project.

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## PROJECT DEVELOPMENT – PRE-FEASIBILITY STUDY COMPLETED

### **Pre-feasibility Study Completed on BBM Project**

Since exploration activity begun on the Company's BBM 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 are well advanced, with positive results allowing the commencement of a formal pre-feasibility study. This pre-feasibility study was completed in the December 2012 Quarter, and has pulled 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 was undertaken by internationally recognised consultants and Indonesian providers with experience in the development of similar Indonesian coal export projects.

### ***Highlights of Pre-feasibility Study***

The Study has confirmed that the BBM Project has sound technical and economic basis for a potential open pit, premium quality, coking coal mine.

- The Study approached the development in two stages:
  - a. **Stage 1** is an Initial Prefeasibility Case and is based on 2 Million tonnes per annum (Mtpa) direct ship mining operation (does not require washing)
  - b. **Stage 2** is an Expansion Concept Case and involves the Construction of a Coal Handling and Preparation Plant (CHPP) and expanding the mining, port and logistics operations.
- The Financial Model (Real), developed by Cokal using the independent Study costs, gives an indicative valuation for **Stage 1** based on a long term hard coking coal price of less than US\$170/tonne. The model is a stand-alone option based on mining 18.2Mt of Cokal's 77Mt Resource (7 Mt Indicated and 70Mt Inferred) with a life of mine strip ratio of ~18:1 bank cubic metres/tonne (bcm/t), of:
  - a. US\$497Million (M) Net present value (NPV), after tax @ 10% discount rate (100% basis)
  - b. Payback Period < 12 months.
- Very low capital cost requirements (including contract mining and barging) in **Stage 1** of US\$100M for up to 2Mtpa direct ship product.
- Low operating costs (excluding royalties of 7%) in **Stage 1** of US\$67.90/product tonne (average first 5 years).
- Study based on primarily premium quality coking coal with low ash, low moisture, high CSN, low volatile, low sulphur, ultra-low phosphorous, high fixed carbon and very high vitrinite levels.

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- The production and investment profiles are recommended to be staged for:
    - a. An initial low capital, direct ship operation, at up to 2Mtpa
    - b. Expansion phase.
  - The start of production from BBM Project is expected to be in the first half of 2014.
  - Recommendation to proceed to feasibility stage.

Specific areas of Study include:

**a) Logistics Studies**

**Barge Studies** continue to support:

- River specific Barging has high potential from the Upper Barito River to shiploading
- Barging able to provide internationally competitive logistics solution
- System identified to improve tonnages, reliability and safety of barging from Upper Barito

As a direct result of the Barging 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 been finalised with a detailed Navigability Study completed. This Study has:

- Defined the river bottom profile in detail, for over 400km
- Analysed river flows and heights to detail river system capacity at average, high and low flow years based on daily data over a decade of readings
- Provide a basis for a full analysis of the Upper Barito River system and potential systems to maximise capacity, safety and reliability as well as minimising capital and operating expense
- 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 Barging Studies continued, as well as preliminary discussions with relevant barging companies. Work was completed in early January 2013 and includes:

- Analysis of design of equipment including barges and tugs boats
- Review of the Upper Barito Navigation channel to optimise equipment design and identify further options to improve system capacity, reliability and cost
- Preliminary shipyard costing on designs undertaken to match Upper Barito river channel
- Operational matrix to match barging system to mine options and other systems in the logistics chain
- Recommendations for Detailed Study, ready for investment.

**Road Haulage Study**

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

Specialist consultants have been used to review the path using satellite data and site visits both on the ground and via helicopter. The objective of the 2<sup>nd</sup> stage of study work is to pursue route/s that have acceptable design parameters for efficient truck haulage, reasonable capital and operating costs as well as all weather characteristics. Primarily, the specific issues to be addressed are:

- Grade to allow flexibility for truck tonnages and speed
- Surface to maintain all weather capability

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- Bend radius for safety and efficiency
  - Watercourse crossings to maintain appropriate costs and all weather capability.

**b) Mining Studies**

- The Company is commencing a more detailed study on mining at BBM 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.

**Ports / Access**

Cokal has acquired land at the initial Loading Zone, laydown area and initial accommodation area for the BBM Project.

Road access has been developed into the Exploration Licence area. Construction of the laydown and accommodation area has commenced, as well as diesel and logistical support structures.

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. Discussions with relevant interested land owners has commenced at the river port near BBM. 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.

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## 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), submitted early in January, 2013, along with the Mining Licence (IUP) upgrade application also being submitted in January, 2013.

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.

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 was completed in Q4 2012.

The BBM Mining Licence application Cokal submitted in January 2013, is to have the *Izin Usaha Pertambangan Eksplorasi* (Exploration IUP) upgraded to *Izin Usaha Pertambangan Operasi / Produksi* (Operation / Production IUP).

Subsequent to the end of the December Quarter, Cokal announced on 30 January 2013 it has applied to upgrade the BBM Forest Utilisation Approval permit (exploration stage) (Ijin Pinjam Pakai Kawasan Hutan or IPPKH) to Forest Rent Use Permit (Operation / Production stage) for its BBM Coal Project. The application was prepared in accordance with the relevant forestry regulations and has been submitted to the Forestry Department (Dinas Kehutanan).

Once granted, the upgraded forestry permit will enable construction of the BBM coking coal project to commence. In line with the integrated development of the BBM project, the application to upgrade the forestry permit includes the forestry areas associated with the development of the BBM mine, haul road and river barging terminal.

“Since the start of the New Year, Cokal has achieved three important milestones towards obtaining the necessary approvals for the BBM project.” With the submission of the EIS, together with the applications to upgrade the mining license and the forestry permit, we remain on track towards meeting our target of commencing construction in Q4 2013” said Chairman Peter Lynch

### **Corporate Social Responsibility**

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

- Provided support for Tumbang Tuan village (local village to BBM) to reopen the Junior High School in conjunction with the local Education Department. At first opening over 20 students enrolled that would otherwise have completed education at primary level.
- 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.



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Cokal has now commenced assessment of further community projects in line with a company guidance matrix.

### **BBM Receives Exploration Forestry Permit**

During October, 2012, BBM received its Exploration Forestry Permit (IPPKH). This follows on from the earlier receipt of both BBM and BBP on the Department of Energy & Mineral Resources 'Clean & Clear' List.

This Forestry Permit has allowed BBM team to move heavy equipment and large drills into the area and complete the Resource definition for the project, as well as set up transport and logistic infrastructure for the future.

Executive Director, Pat Hanna commented, "The Forestry Permit not only allows us to increase our rate of Project Development, but also is a step closer to our production licences and demonstrates our ability to continue progress in this Project within the Indonesian mining regime."

## **CORPORATE**

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Cokal continued to build its capabilities and skills during the quarter with;

- The transition to an efficient Finance System that will allow the company to have all the systems ready for Project commencement, increased employment and the envisaged company structure.
- Additional staff have been employed in Exploration and Project Development in order to increase the exploration effort in BBM and civil engineering capability in the area as well. Extra employees have also commenced for Land Acquisition and in Administration to support the development work.

## **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 with Tanzoz Resource Company Limited to explore for coal in Tanzania and a co-operation agreement with Mozambique Government Mining Corporation, EMEM, to explore for coking coal in the emerging coal province of Mozambique.

### **Forward Looking Statements**

This release includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs. Forward looking statements in this release include, but are not limited to, the capital and operating cost estimates and economic analyses from the Study.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of resources or reserves, political and social risks, changes to the regulatory framework within which

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the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company's business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management or beyond the company's control.

Although the company attempts to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be anticipated, estimated or intended, and many events are beyond the reasonable control of the company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

Forward looking statements in this release are given as at the date of issue only. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

### **Competent Person Statement**

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

Mr Hanna is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking, to qualify as Competent Persons as defined in the 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.

The information in this report relating to Mineral Resources is based on information compiled by Tri Yoso who is a member of the Australasian Institute of Mining and Metallurgy and a full time employee of Cokal Limited.

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

Mr Yoso 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, Resources and Ore Reserves (JORC Code).