



Half

Yearly                      31 December 2014

Report

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Cokal Limited ACN 082 254 1437  
Half Yearly Report for the period ended 31 December 2014

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### Competent Person Statement:

The Total Coal Resource estimate was announced on 29 January 2015, titled "Cokal announces updated JORC Resource Statement for Bumi Barito Mineral (BBM) Project". The information in the report relating to Mineral Resources is based on information compiled by Yoga Suryanegara who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of Cokal Limited. Mr Suryanegara is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 29 January 2015 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 29 January 2015 continue to apply and have not materially changed.

The information in this report relating to exploration results is based on information compiled by Patrick Hanna who is a fellow of the Australasian Institute of Mining and Metallurgy and is a consultant (through Hanna Consulting Services) to Cokal Limited. Mr Hanna is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking, to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

## Corporate Information

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### DIRECTORS

Peter Lynch  
Pat Hanna  
Domenic Martino  
Agus Widjojo

### COMPANY SECRETARIES

Duncan Cornish  
Victor Kuss

### REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE

Level 34, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000  
Phone: + 61 7 3001 4100  
Fax: +61 7 3001 4195

### COUNTRY OF INCORPORATION

Australia

### SOLICITORS

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Level 16, Waterfront Place  
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### SHARE REGISTRY

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

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

### STOCK EXCHANGE LISTING

Australian Securities Exchange Ltd  
ASX Code: CKA

### INTERNET ADDRESS

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

### AUSTRALIAN BUSINESS NUMBER

ABN 55 082 541 437

## Directors' Report

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The directors hereby present the following half-year report for the period ended 31 December 2014.

The following persons were directors of the company during the whole of the half-year end and up to the date of this report, unless otherwise stated:

Peter Lynch - Executive Chairman (appointed 24 December 2010) Chief Executive Officer (appointed 5 May 2013)

Pat Hanna - Executive Director (appointed 24 December 2010)

Domenic Martino – Non Executive Director (appointed 24 December 2010)

Lt General (Ret.) Agus Widjojo - Non-Executive Director (Appointed on 14 August 2013)

### PRINCIPAL ACTIVITIES

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

### OPERATING RESULTS

For the half-year ended 31 December 2014, the loss for the consolidated entity after providing for income tax was US\$6,231,490 (31 December 2013: US\$ 2,824,290).

During the period ended 31 December 2014, the consolidated entity conducted a review of its exploration assets in Indonesia. As a result of this review, US\$ 2 million of unsuccessful exploration expenditure was derecognised.

The functional currency of Cokal Limited, and all controlled entities, changed to United States (US) dollars from Australia dollars effective from 1 July 2014. Consistent with the change, the presentation currency of the Group also changed to US dollars.

### DIVIDENDS PAID OR RECOMMENDED

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

### CHANGE IN CAPITAL

On 9 October 2014, Cokal announced it will issue 384,000 shares at US\$0.22 to Crook Media for marketing services over two years. The share issue was completed during the period. This has been ratified by the shareholders at the AGM on 17 November 2014.

On 27 August 2014, 15,000,000 options were issued to Platinum Partners at US\$0.186 expiring on 27 August 2019 under extension agreement. This has been ratified by the shareholders at the AGM on 17 November 2014.

During the period, Cokal has drawn down a further US\$0.4 million during the period from the Blumont Group loan facility, with no further drawdown from this facility expected.

On 6 August 2014, Cokal entered into an additional short term loan agreement for US\$5.65 million with Platinum Partners for working capital.

### *Options Exercised*

During the half-year ended 31 December 2014, no ordinary shares were issued on exercise of options.

At 31 December 2014, there were 471,487,926 shares on issue, and 34,775,000 unexpired options.

### CORPORATE

#### *Notice of Annual General Meeting*

The Annual General Meeting of Shareholders of Cokal Limited was held on 17 November 2014.

## Directors' Report (Continued)

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### PROJECT UPDATE

#### INDONESIA

##### **BBM Project**

BBM covers an area of 14,980 hectares (ha), immediately adjacent to BHP Billiton's Juloi tenement, straddling the Barito River and has numerous outcrops of bright coal. Ongoing exploration in the Eastern Block of BBM indicates premium coking coal with low ash, low sulphur and ultra-low Phosphorus, as well as Crucible Swell Numbers ("CSN") values generally 9.

During the period further detailed geological survey mapping in and around proposed BBM open pits Pit 1 and Pit 2 was conducted by Cokal. Analytical result of the outcrop samples have confirmed sufficient quantities of low ash (<7%) coking coal for the initial 2 years of mining as scheduled in BBMS Definitive Feasibility Study (February 2014).

As a result of the additional geological data from the surface mapping, and other geological data an updated JORC Resource Statement for BBM was released on 29 January 2015 showing –

- Total Coal Resource estimate of 266.6Mt
- Comprising, 19.5Mt is deemed Measured Resources and 23.1Mt is Indicated Resources.

The upgrade of Resource to higher JORC categories is primarily due to the additional outcrop mapping and subsequent channel sampling of the coal for Seams B, C and D in the areas covering Pits 1 and 2 in BBM East.

##### **BBM Approvals**

The In-Principal Forest Area approval confirming the development of BBM mine, haul road and port as per the Definitive Feasibility Study was received during the period. The In-Principal Forest Area approval states that subject to

- survey and pegging the approved boundary and operational area,
- providing various undertaking regarding rehabilitation, and
- payment of applicable taxes,

the Borrow and Use of Forest Area Permit will be issued. The Borrow and Use of Forest Area Permit is the final approval to allow site works to commence

Cokal has fulfilled all of the administrative obligations necessary to obtain the full IPPKH, however with process changes the Investment Coordinating Board (BKPM) approval is now required. The BKPM process started subsequent to the end of the period. This is the final phase of the approval process.

On the 26th of January, 2015 the Indonesian Government announced the commencement of BKPM as the new one-stop integrated service (PTSP) to simplify investment licensing procedures. This move is expected to facilitate the granting of the Borrow and Use of Forest Area Permits.

##### **BBM Development programme**

Work has been completed to detailed design and is in quotation stage on a number of critical path construction items. By completing these items the project construction can commence as soon as the full funding package is available.

These items include;

- Plotting and survey of road corridor from the Barito River to BBM being carried out, 100% complete. The centreline of the road corridor has been established, and control survey marks established for earthworks cut and fill control.
- Additional geotechnical investigation for port, stockpile and bridge locations.
- Purnama Port land mapping completed.
- Engineering design optimised and re-quoted.
- Detailed river bottom and channel survey work completed for the load out port at Purnama and surrounding areas.

## Directors' Report (Continued)

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### **BBM Development programme (Continued)**

Further costing, delivery confirmation and price enquiries were being carried out during the period in order to confirm both the BBM Definitive Feasibility Study and consequent changes associated with the Detailed Engineering works carried out during the period

A number of site visits by reputable mining contractors were made to the Bumi Barito Mineral (BBM) project during the period reflecting the strong interest in the project by mining contractors and the current over capacity of mining equipment and services in Indonesia from the downturn in the thermal coal sector

Since obtaining the Port location approval, work has continued on obtaining design and construction approval of the facilities. The full design and construction approval application was submitted to the Department of Transport in Q4 2014, with approval being received in February 2015.

### ***Tambang Benua Alam Raya (TBAR) Project***

Cokal is acquiring 75% of the TBAR Exploration Licence which covers an area of 18,850ha which is subject to the normal administrative approvals. Due to Cokal's focus on BMM only minor maintenance work was conducted on TBAR during the period.

### ***BBP Project***

BBP (Borneo Bara Prima) project north east of BBM cover 13,050ha and is adjacent to BHP Billiton's Maruwai tenement. No exploration activity was conducted on BBP during this period as all exploration resources have been deployed to BBM to assist in the delineation of the coal seam in the KLM Area.

### ***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 5,100 hectares and the AAM project comprises 10,000 hectares. Applications for the Forestry permit, (IPPKH) continue to be processed.

### ***SNR***

Cokal has a 75.2% of Silangkop Nusa Raya (SNR), which holds the exploration licences in West Kalimantan near the Malaysia border covering an area of approximately 13,000 ha.

Applications for the Forestry permit (IPPKH) continue to be processed.

## **AFRICA**

### ***Tanzania & Mozambique***

No further work was conducted in Africa this half as Cokal resources were focused on bringing the BBM coking coal project to production at the earliest time.

## **ENVIRONMENTAL ISSUES**

The consolidated entity is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

## Directors' Report (Continued)

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### EVENTS SUBSEQUENT TO 31 DECEMBER 2014

#### ***Bridge Loan Extended and issue of options to Platinum Partners***

On the 30<sup>th</sup> of January 2015 Cokal announced the fund managed by Platinum Partners (Platinum) has extended the term of its bridging loan facility to 6 August 2015. Upon extension the total loan for the project development to date is now US\$10,065,000. The present intention is that the loan will be refinanced by the BBM project financing facility once it is in place.

Under the extension agreement Cokal will grant Platinum 25 million options with an exercise price of US\$0.101 and an exercise period of 4 years from the date of grant. The options will be exercisable at any time before expiry. Payment of the exercise price may be satisfied by the holder paying the exercise price in cash or causing the provider of the bridge loan or project finance to reduce the principal owing by the amount of the exercise price. Shares issued on exercise of an option rank equally with all other ordinary shares then on issue.

#### ***Cedrus International Ltd joins Platinum Partners to provide non-binding term sheet for BBM financing***

On 9 February 2015, Cokal announced Cedrus International Ltd (Cedrus) has joined with Platinum to provide a non-binding term sheet to Cokal in relation to a US\$110 million project finance facility for the BBM project.

#### ***Issue of PT BBM Port Construction & Operations Approval***

On 24 February 2015, Cokal announced the BBM project port facilities have received both construction and operational approval from the Department of Transport. The port facilities are located in, and on land adjacent to the Barito River, Murung Regency, Central Kalimantan. The approval is for an initial 15 year period, and Cokal expects that the 2 million tonnes per annum operation will require a 12 month construction period, leaving a 14 year operational period. The approval also provides for BBM to obtain further extensions to the operational period to support activities beyond the initial 15 year period.

#### ***Issue of incentive options to employees and senior management***

On 24 February 2015, Cokal announced the issue of 10,000,000 unlisted options exercisable at US\$0.10 each on or before 24 February 2019. These options have been issued as incentives to employees and senior management.

#### ***Receives unsolicited takeover proposal***

On 3 March 2015, Cokal announced it has received an unsolicited non-binding and incomplete proposal in relation to a conditional off market takeover bid by PT Cakra Mineral Tbk (CKRA) for all of the ordinary shares of Cokal. CKRA is an Indonesian company listed on the Indonesia Stock Exchange (IDX:CKRA)

Cokal had not formed any opinion on the proposal. Its intention is to engage with CKRA to evaluate the proposal.

The outcome of the proposal is speculative. Shareholders should be aware that there is no certainty that any agreement will be reached or that any transaction will eventuate from the current or any future discussions.

Shareholders should take no action at this stage until the Directors have evaluated the proposal

#### **Proposed Transaction**

CKRA propose to acquire all of the issued securities of COKAL pursuant to a conditional off market takeover bid on the following terms:

- (a) CKRA propose to offer cash or CKRA shares for each Cokal share on issue
  - i. Cash Settlement: Based on Cokal equity value of AU\$70 million. Assuming approximately 471.5 million Cokal shares on issue, proposed cash offer price is AU\$0.15 per share.
  - ii. Share Settlement: Shares in CKRA equivalent to the value of Cokal shares. The value of CKRA shares to be agreed. Cokal equity value is to be AU\$70 million plus 25% premium. Assuming approximately 471.5 million Cokal shares on issue, proposed scrip consideration implies offer price of AUD \$0.19 per share.
- (b) the bid will be subject to :
  - i. Minimum acceptance by holders of 90% of Cokal's issued shares;
  - ii. Other terms: certain conditions which are customary for an off market bid for an ASX listed company

## Directors' Report (Continued)

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### EVENTS SUBSEQUENT TO 31 DECEMBER 2014 (CONTINUED)

#### Pre-conditions

- Due diligence
- Finalising funding of cash component. CKRA has engaged (subject to conditions, including due diligence and satisfactory book build) PT Sinarmas Sekuritas to act as a non-exclusive standby buyer (i.e. underwriter) for a USD\$100 million rights issue to be undertaken by CKRA.

PT Sinarmas Sekuritas is a subsidiary of PT Sinar Mas Multiartha, the investment holding company for Sinar Mas Group and one of the largest conglomerates in Indonesia. The company is a leader in financial services that includes fund management, investment research, stock brokering, bonds, and other derivative products to retail, corporate, and institutional customers.

- Bid implementation agreement containing customary terms and conditions including timetable, exclusivity, break fee and Cokal Board recommendation

#### Timing

CKRA has advised Cokal of CKRA's its intention to proceed without delay and to work towards entering into an implementation agreement by [date being 30 days from date of letter].

#### Status of proposal

The release of this proposal cannot be taken as a public proposal to make a takeover bid for securities in Cokal.

### AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 22.

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



Peter Lynch  
Chairman

Brisbane  
11 March 2015

## Cokal Limited

### Interim Consolidated Statement of Comprehensive Income

#### For the half-year ended 31 December 2014

|  | Note | 31 December<br>2014<br>US\$ | 31 December<br>2013<br>US\$ |
|--|------|-----------------------------|-----------------------------|
| <b>Revenue</b>   |      |                             |                             |
| Revenue and other income   | 2    | 41,473                      | 43,051                      |
| <b>Total Revenue</b>   |      | <b>41,473</b>               | <b>43,051</b>               |
| <b>Expenses</b>  |      |                             |                             |
| Employee benefits expenses   |      | (916,475)                   | (1,585,216)                 |
| Depreciation   |      | (106,540)                   | (121,708)                   |
| Finance costs  | 3    | (1,708,796)                 | (17,677)                    |
| Legal expenses   |      | (199,809)                   | (68,556)                    |
| Unsuccessful exploration expenses<br>derecognised                                      | 8    | (2,000,000)                 | -                           |
| Administration and consulting expenses   |      | (1,341,343)                 | (1,074,184)                 |
| <b>Loss before income tax expense</b>  |      | <b>(6,231,490)</b>          | <b>(2,824,290)</b>          |
| Income tax expense   |      | -                           | -                           |
| <b>Loss for the period</b>   | 3    | <b>(6,231,490)</b>          | <b>(2,824,290)</b>          |
| <i>Other comprehensive income</i>  |      |                             |                             |
| <i>Items may be reclassified to profit or loss in subsequent periods (net of tax):</i> |      |                             |                             |
| Exchange translation differences   |      | -                           | (1,728,606)                 |
| <b>Total comprehensive loss for the period</b>   |      | <b>(6,231,490)</b>          | <b>(4,552,896)</b>          |
| <b>Loss per share for loss attributable to owners of Cokal Ltd</b>                     |      |                             |                             |
|  | Note | Cents                       | Cents                       |
| Basic Loss per Share   | 4    | (1.32)                      | (0.66)                      |
| Diluted Loss per Share   | 4    | (1.32)                      | (0.66)                      |

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



## Cokal Limited

### Interim Consolidated Statement of Financial Position as at 31 December 2014

|                                      | Note | 31 December<br>2014<br>US\$ | 30 June<br>2014<br>US\$ |
|--------------------------------------|------|-----------------------------|-------------------------|
| <b>Current Assets</b>                |      |                             |                         |
| Cash and bank balances               |      | 3,590,596                   | 2,593,011               |
| Short Term Deposits                  |      | 1,616,662                   | 1,841,658               |
| Accounts receivable                  |      | 170,406                     | 192,016                 |
| Other current assets                 |      | 285,998                     | 57,177                  |
| <b>Total Current Assets</b>          |      | <b>5,663,662</b>            | <b>4,683,862</b>        |
| <b>Non-Current Assets</b>            |      |                             |                         |
| Plant and equipment                  | 7    | 1,643,408                   | 893,393                 |
| Exploration and evaluation assets    | 8    | 61,618,275                  | 61,519,643              |
| Other non-current assets             |      | 194,711                     | 218,542                 |
| <b>Total Non-Current Assets</b>      |      | <b>63,456,394</b>           | <b>62,631,578</b>       |
| <b>TOTAL ASSETS</b>                  |      | <b>69,120,056</b>           | <b>67,315,440</b>       |
| <b>Current Liabilities</b>           |      |                             |                         |
| Accounts payable                     |      | 1,521,679                   | 800,636                 |
| Interest bearing loan                | 9    | 9,150,000                   | 3,500,000               |
| <b>Total Current Liabilities</b>     |      | <b>10,671,679</b>           | <b>4,300,636</b>        |
| <b>Non-Current Liabilities</b>       |      |                             |                         |
| Deferred liability                   |      | 101,372                     | 130,335                 |
| Interest bearing loan                | 9    | 3,572,534                   | 3,087,877               |
| <b>Total Non-Current Liabilities</b> |      | <b>3,673,906</b>            | <b>3,218,122</b>        |
| <b>TOTAL LIABILITIES</b>             |      | <b>14,345,585</b>           | <b>7,518,848</b>        |
| <b>NET ASSETS</b>                    |      | <b>54,774,471</b>           | <b>59,796,592</b>       |
| <b>Equity</b>                        |      |                             |                         |
| Issued capital                       | 10   | 81,795,236                  | 81,710,873              |
| Reserves                             | 11   | 4,187,384                   | 3,062,378               |
| Accumulated losses                   |      | (31,208,149)                | (24,976,659)            |
| <b>TOTAL EQUITY</b>                  |      | <b>54,774,471</b>           | <b>59,796,592</b>       |

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

## Cokal Limited

### Interim Consolidated Statement of Changes in Equity

#### For the half-year ended 31 December 2014

|   | Issued Capital    | Reserves           | Accumulated Losses  | Total             |
|---|-------------------|--------------------|---------------------|-------------------|
|   | US\$              | US\$               | US\$                | US\$              |
| <b>At 1 July 2014</b>                                       | <b>81,710,873</b> | <b>3,062,378</b>   | <b>(24,976,659)</b> | <b>59,796,592</b> |
| <b>Total comprehensive loss for the period</b>              |                   |                    |                     |                   |
| Loss for the period   | -                 | -                  | (6,231,490)         | (6,231,490)       |
| Other comprehensive income                                  | -                 | -                  | -                   | -                 |
|   | -                 | -                  | (6,231,490)         | (6,231,490)       |
| <b>Transactions with owners in their capacity as owners</b> |                   |                    |                     |                   |
| Issue of share capital                                      | 84,363            | -                  | -                   | 84,363            |
| Costs associated with issue of share capital                | -                 | -                  | -                   | -                 |
| Share based payments  | -                 | 1,125,006          | -                   | 1,125,006         |
|   | 84,363            | 1,125,006          | -                   | 1,209,369         |
| <b>At 31 December 2014</b>                                  | <b>81,795,236</b> | <b>4,187,384</b>   | <b>(31,208,149)</b> | <b>54,774,471</b> |
| <b>At 1 July 2013</b>                                       | <b>73,453,465</b> | <b>(1,678,776)</b> | <b>(19,166,051)</b> | <b>52,608,638</b> |
| <b>Total comprehensive loss for the period</b>              |                   |                    |                     |                   |
| Loss for the period   | -                 | -                  | (2,824,290)         | (2,824,290)       |
| Other comprehensive income                                  | -                 | (1,728,606)        | -                   | (1,728,606)       |
|   | -                 | (1,728,606)        | (2,824,290)         | (4,552,896)       |
| <b>Transactions with owners in their capacity as owners</b> |                   |                    |                     |                   |
| Issue of share capital                                      | 8,875,993         | -                  | -                   | 8,875,993         |
| Costs associated with issue of share capital                | (618,585)         | -                  | -                   | (618,585)         |
| Share based payments  | -                 | 407,621            | -                   | 407,621           |
|   | 8,257,408         | 407,621            | -                   | 8,665,029         |
| <b>At 31 December 2013</b>                                  | <b>81,710,873</b> | <b>(2,999,761)</b> | <b>(21,990,341)</b> | <b>56,720,771</b> |

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

## Cokal Limited

### Interim Consolidated Statement of Cash Flows

#### For the half-year ended 31 December 2014

| Note   | 31 December<br>2014<br>US\$ | 31 December<br>2013<br>US\$ |
|--|-----------------------------|-----------------------------|
| <b>Cash Flows from Operating Activities</b>                |                             |                             |
| Payments to suppliers and employees                        | (1,238,701)                 | (3,661,562)                 |
| Interest received  | 41,473                      | 43,051                      |
| Finance costs paid   | (900,000)                   | (17,676)                    |
| <b>Net cash outflow from operating activities</b>          | <b>(2,097,228)</b>          | <b>(3,636,187)</b>          |
| <b>Cash Flows from Investing Activities</b>                |                             |                             |
| Deposits maturing after three months                       | -                           | (60,452)                    |
| Payments for plant and equipment                           | (856,555)                   | (5,707)                     |
| Payments for exploration and evaluation assets             | (2,098,632)                 | (3,901,674)                 |
| Net payments for other non-current assets                  | -                           | 31,433                      |
| <b>Net cash (outflow)/inflow from investing activities</b> | <b>(2,955,187)</b>          | <b>(3,936,400)</b>          |
| <b>Cash Flows from Financing Activities</b>                |                             |                             |
| Proceeds from issue of shares and options                  | -                           | 8,875,993                   |
| Transaction costs on share issue                           | -                           | (618,585)                   |
| Proceeds from borrowings                                   | 6,050,000                   | 2,500,000                   |
| <b>Net cash inflow from financing activities</b>           | <b>6,050,000</b>            | <b>10,757,408</b>           |
| Net (decrease)/increase in cash and cash equivalents       | 997,585                     | 3,184,821                   |
| Cash and cash equivalents at beginning of period           | 2,593,011                   | 837,048                     |
| Net foreign exchange differences                           | -                           | (224,392)                   |
| <b>Cash and cash equivalents at end of period</b>          | <b>3,590,596</b>            | <b>3,797,477</b>            |

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

# Cokal Limited

## Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2014

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### NOTE 1 GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### General Information

The consolidated financial statements of Cokal Limited for the half-year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 11 March 2015 and covers the consolidated entity (the "Group") consisting of Cokal Limited and its subsidiaries.

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

The nature of the operations and principal activities of the Group are described in the director's report.

#### Basis of preparation

This general purpose interim financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 30 June 2014 together with any public announcements made by the Group during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules. In addition, results for the half-year ended 31 December 2014 are not necessarily indicative of the results that may be expected for the financial year ending 30 June 2015.

The financial statements are presented in the US Dollars.

Apart from the changes in accounting policies noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

#### Going concern

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

- a) Receipt of final regulatory permits to commence development of the BBM project;
- b) The successful raising in the future of necessary funding, through debt, equity or farm-out to complete the BBM project to operational status;
- c) Management of short term interest bearing liabilities through BBM project financing, additional debt or equity raising or modified repayment terms with lenders; and
- d) The successful exploration and subsequent exploitation of the Group's tenements.

Should these avenues be delayed or fail to materialize, the Group has the ability to scale back its activities to help the Group to manage to meet its debts as and when they fall due in the short term, however this may require the Group to renegotiate or satisfy current borrowings of \$9.15 million, through loan extensions (which require lender consent) and funding from other sources. In the event that sufficient funds are not available or loans are not re-negotiated when the amounts become due on 6 August 2015 the Group may enter default on this facility which would allow the lender to call the amount immediately.

The Directors are confident given the current permitting and financing processes undertaken and announced to the market that the Group will be successful in its endeavours.

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 on managing its existing funds to enable it to realise its assets in the ordinary course of business.

## Cokal Limited

### Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2014 (Continued)

#### NOTE 1 GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Changes in Accounting Policies

There are a number of new and amended Accounting Standards issued by the Australian Accounting Standards Board, which are applicable for reporting periods beginning on or before 1 July 2014 as detailed in the annual financial report as of 30 June 2014. 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 half-year financial report as a result of the mandatory new and amended Accounting Standards adopted.

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

Effective July 1, 2014, Cokal Limited, and its subsidiaries, changed their functional and presentation currencies to the US dollar. The change in reporting currency is to most faithfully represent the economic effects of the underlying transactions, events and conditions that are relevant to the Group. Prior to July 1, 2014, the Group reported its annual and half yearly consolidated statement of financial position and the related consolidated statements of operations and cash flows in the Australian dollar. In making this change in functional and reporting currency, the Group followed the recommendations of AASB 121 "The effects of changes in foreign exchange rates". In accordance with AASB 121, the financial statements for all years and periods presented have been translated into the new reporting . Under this method , the statements of comprehensive income and cash flows statements items for each year and period have been translated into the reporting currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the reporting dates. Shareholders' equity transactions have been translated using the rates of exchange in effect as of the dates of the various capital transactions.

All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income. All comparative financial information has been restated to reflect the Group's results as if they had been historically reported in US dollars.

From 1 July 2014 forward there will be no amounts taken to the FCTR, given that from this point the functional currency equals the presentation currency.

#### NOTE 2 REVENUE AND OTHER INCOME

|   | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
|   | US\$             | US\$             |
| Revenue   |                  |                  |
| Interest income   |                  |                  |
| - other persons   | 41,473           | 43,051           |
| Total interest income                                     | 41,473           | 43,051           |
| Total revenue   | 41,473           | 43,051           |
| Total revenue and other income from continuing operations | <b>41,473</b>    | <b>43,051</b>    |

## Cokal Limited

### Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2014 (Continued)

#### NOTE 3 LOSS FOR THE PERIOD

|  | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
|  | US\$             | US\$             |
| Loss before income tax includes the following specific expenses:   |                  |                  |
| Depreciation on plant and equipment                                | 106,540          | 121,708          |
| Salaries and wages   | 360,195          | 581,237          |
| Superannuation   | 15,961           | 23,877           |
| Share-based payments (options) – to employees                      | 188,225          | 407,621          |
| Operating lease expense – minimum lease payment                    | 204,679          | 167,594          |
| Finance costs  |                  |                  |
| Interest on borrowings   | 84,658           | 88,381           |
| Facility fees and other borrowing costs                            | 900,000          | -                |
| Expense relating to options issued for extension of loan repayment | 724,138          | -                |

#### NOTE 4 LOSS PER SHARE

|  | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Loss attributable to owners of Cokal Limited used to calculate basic and diluted loss per share (US\$)                                 | (6,231,490)      | (2,824,290)      |
| Weighted average number of ordinary shares used as the denominator in calculating basic loss per share (US\$)                          | 471,280,188      | 430,744,536      |
| 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 | 471,280,188      | 430,744,536      |
| Basic loss per share (cents per share) (US\$)  | <b>(1.32)</b>    | <b>(0.66)</b>    |
| Diluted loss per share (cents per share) (US\$)  | <b>(1.32)</b>    | <b>(0.66)</b>    |

\* Options are considered anti-dilutive as the Group is loss making. Options could potentially dilute earnings per share in the future. As at 31 December 2014, there were 34,775,000 (30 June 2014: 22,125,000) unlisted options on issue.

#### NOTE 5 DIVIDENDS AND FRANKING CREDITS

There were no dividends paid or recommended during the half-year period ended 31 December 2014 (30 June 2014: Nil). There were no franking credits available to the shareholders of the Group.

## Cokal Limited

### Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2014 (Continued)

#### NOTE 6 RELATED PARTY DISCLOSURE

##### Key Management Personnel

|                              | 31 December<br>2014 | 31 December<br>2013 |
|------------------------------|---------------------|---------------------|
| Employment benefits          | US\$                | US\$                |
| Short term employee benefits | 671,511             | 993,097             |
| Post-employment benefits     | 11,205              | 11,518              |
| Share based payments         | 134,471             | 287,370             |
|                              | <b>817,186</b>      | <b>1,291,985</b>    |

|   | 31 December<br>2014 | 30 June<br>2014 |
|---|---------------------|-----------------|
| Related party balances                      | US\$                | US\$            |
| Payables to senior executives and directors | <b>9,287</b>        | <b>54,406</b>   |

#### NOTE 7 PLANT AND EQUIPMENT

| 31 December 2014                         | Land          | Computer<br>equipment | Furniture<br>and office<br>equipment | Motor<br>vehicles | Capital<br>WIP   | Total            |
|--|---------------|-----------------------|--------------------------------------|-------------------|------------------|------------------|
|  | US\$          | US\$                  | US\$                                 | US\$              | US\$             | US\$             |
| Balance at the beginning of the period   | <b>31,526</b> | <b>208,212</b>        | <b>417,562</b>                       | <b>5,486</b>      | <b>230,607</b>   | <b>893,393</b>   |
| Additions                                | -             | -                     | -                                    | -                 | 856,555          | 856,555          |
| Disposals/write-off                      | -             | -                     | -                                    | -                 | -                | -                |
| Depreciation expense                     | -             | (74,032)              | (31,512)                             | (996)             | -                | (106,540)        |
| Carrying amount at the end of the period | <b>31,526</b> | <b>134,180</b>        | <b>368,050</b>                       | <b>4,490</b>      | <b>1,087,162</b> | <b>1,643,408</b> |

#### NOTE 8 EXPLORATION AND EVALUATION ASSETS

|  | 31 December 2014<br>US\$ |
|--|--------------------------|
| <b>Non-Current</b>                                 |                          |
| Exploration and evaluation expenditure capitalised |                          |
| - exploration and evaluation phases                | 61,618,275               |
| <b>Movements in carrying amounts</b>               |                          |
| Balance at the beginning of the year               | 61,519,643               |
| Additions  | 2,098,632                |
| Disposals  | -                        |
| Unsuccessful exploration expenses derecognised *   | (2,000,000)              |
| Movement due to change in presentation currency    |                          |
| Carrying amount at the end of the year             | 61,618,275               |

\* Based on the assessment under AASB6, Cokal has derecognised the carrying amount of the exploration and evaluation asset, which is unlikely to be recovered in full from successful development or by sale.

## Cokal Limited

### Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2014 (Continued)

#### NOTE 9 INTEREST BEARING LOAN

|                                     | 31 December<br>2014<br>US\$ | 30 June<br>2014<br>US\$ |
|-------------------------------------|-----------------------------|-------------------------|
| <b>Current</b>                      |                             |                         |
| Platinum Partners facility          | 9,150,000                   | 3,500,000               |
| <b>Non-Current</b>                  |                             |                         |
| Blumont Group facility              | 3,572,534                   | 3,087,877               |
| <b>Total Interest bearing loans</b> | <b>12,722,534</b>           | <b>6,587,877</b>        |

#### Blumont Group Facility

On 5 November 2013 the Group entered into a loan facility agreement with Blumont Group Limited, a shareholder. Under this facility the Group has drawn down US\$3.4 million (30 June 2014: US\$3 million) and no further drawdown is expected under this facility.

The loan is repayable within 3 years, interest is 5% per annum, payable quarterly in arrears and can be capitalised and repaid at maturity. The facility is secured by up to 5% of Cokal's shares in Cokal Holdings Pte Ltd. If a future placement is made to Blumont and should the subscription agreement require, the placement funds received from Blumont will be used to repay the loan. The loan is otherwise on customary terms and conditions for a loan of this nature, size and type.

The loan does contain terms that require that in the event of a capital subscription by Blumont, any subscription monies would be required to be immediately applied to the repayment of any loan monies and interest outstanding, but only to the extent of principal and interest outstanding.

#### Platinum Partners Facility

On 29 March 2014, the Group entered into a short term loan agreement for USD\$3.5 million with Platinum Partners for working capital.

On 6 August 2014, the Group entered into an additional short term loan agreement for USD\$5.65 million with Platinum Partners for working capital. Borrowing costs of US\$650,000 were paid in relation to this facility.

Both loans are repayable on 6 August 2015 (refer to note 16). An additional US\$250,000 was paid as a non-refundable work fee to the lender in respect of the extension of first drawdown. The loans are secured by 950 ordinary shares and 46,608,900 preference shares of Cokal Holdings Pte. Ltd. and for all shares of Cokal-BBM Pte. Ltd. Interest bearing loans are classified in level 2 of the fair value hierarchy.

#### NOTE 10 ISSUED CAPITAL

|   | 31 December<br>2014<br>US\$ | 30 June<br>2014<br>US\$ |
|---|-----------------------------|-------------------------|
| 471,487,926 authorised and fully paid ordinary shares (30 June 2014: 471,103,926) | <b>81,795,236</b>           | <b>81,710,873</b>       |

|  | 31 December 2014   |                   | 30 June 2014       |                   |
|--|--------------------|-------------------|--------------------|-------------------|
|  | Number             | US\$              | Number             | US\$              |
| At the beginning of the period/year          | 471,103,926        | 81,710,873        | 411,046,892        | 73,453,465        |
| Share issue                                  | 384,000 *          | 84,363            | 60,057,034         | 8,875,993         |
| Conversion of options to shares              | -                  | -                 | -                  | -                 |
| Costs associated with issue of share capital | -                  | -                 | -                  | (618,585)         |
| At the end of the period/year                | <b>471,487,926</b> | <b>81,795,236</b> | <b>471,103,926</b> | <b>81,710,873</b> |

\* Relates to shares issued to a consultant at US\$0.22 for marketing services.



## Cokal Limited

### Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2014 (Continued)

#### NOTE 11 RESERVES

|                                     | 31 December<br>2014<br>US\$ | 30 June<br>2014<br>US\$ |
|-------------------------------------|-----------------------------|-------------------------|
| Share based payments Option Reserve | 5,737,968                   | 4,612,962               |
| Translation Reserve                 | (1,550,584)                 | (1,550,584)             |
|                                     | <b>4,187,384</b>            | <b>3,062,378</b>        |

#### Option Reserve

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

On 27 August 2014, 15,000,000 options were issued to Platinum Partners at US\$ 0.186 expiring on 27 August 2019, under the extension agreement. The fair value of the options granted is estimated at the date of grant using a Black Scholes options pricing model, taking into consideration the terms and conditions upon which the options are granted. The grant date fair value of the options granted during the six month period was US\$0.062 (year ended 30 June 2014: US\$0.024).

The following inputs were used in determining the fair value at grant date:

|                                      | 15,000,000 Options |
|--------------------------------------|--------------------|
| Weighted average exercise price      | US\$0.186          |
| Weighted average life of the options | 4                  |
| Underlying share price               | US\$0.149          |
| Expected share price volatility      | 59.636%            |
| Risk free interest rate              | 2.89%              |

#### Translation Reserve

Translation reserve represents net exchange differences arising from the translation as a result of change in presentation currency to US Dollars from AUD effective 1 July 2014.

#### NOTE 12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The contingent liabilities are in relation to the acquisition of tenements. At 31 December 2014, the Group has further obligations to make contingent payments of up to US\$24.70 million (30 June 2014: US\$24.86 million) on the achievement of certain milestones, including the establishment of certain JORC Inferred Coal Resources and the issuance of production operation IUPs (licences) and production forestry permit.

The Group executed a JV agreement with MDM, an Indonesian Group, to engage in the ownership of push tugs and barges for shallow river operations. The parties wish to establish a mutually owned company for this operation and the registration of this is in progress. The JV company will manage the barging operation for the BBM project should production commence and other conditions precedent take place. Once the JV company is incorporated, Cokal will hold 49% interest by contributing an estimated US\$11 million (49% ordinary share capital of JV company, Indonesian Rupiah 200 billion).

The directors are not aware of any other significant contingent liabilities or contingent assets at the date of this report.

#### NOTE 13 COMMITMENTS

|   | 31 December<br>2014<br>US\$ | 30 June<br>2014<br>US\$ |
|---|-----------------------------|-------------------------|
| <b>(a) Operating lease commitments</b>  |                             |                         |
| Future minimum rentals payable under non-cancellable operating leases are as follows: |                             |                         |
| Payable   |                             |                         |
| - not later than 12 months  | 323,175                     | 421,266                 |
| - between 12 months and 5 years   | 254,864                     | 802,937                 |
| - greater than 5 years  | -                           | -                       |
|   | <b>578,039</b>              | <b>1,224,203</b>        |

## Cokal Limited

### Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2014 (Continued)

#### NOTE 14 OPERATING SEGMENTS

AASB 8 requires operating segments to be identified on the basis of internal reports that are used by the chief operating decision makers (CODM) in order to allocate resources to the segment and to assess its performance. The CODM of the Group are the Board of Directors.

For management purposes, the Group is organised into three main operating segments, which involves the exploration of coal in Indonesia, Tanzania and Australia. The Singapore operation was considered separately for corporate services. Discrete financial information is reported to the CODM as three segments since acquisition of Jack Doolan Capital Pty Ltd.

|   | Australia<br>US\$  | Indonesia<br>US\$  | Singapore<br>US\$ | Tanzania<br>US\$ | Total<br>US\$      |
|---|--------------------|--------------------|-------------------|------------------|--------------------|
| <b>Segment performance for the half-year ended 31 December 2014</b> |                    |                    |                   |                  |                    |
| <b>Revenue</b>  |                    |                    |                   |                  |                    |
| Other revenue   | -                  | -                  | -                 | -                | -                  |
| Interest revenue  | 25,769             | 15,704             | 574,024           | -                | 615,497            |
| Intersegment income   | -                  | -                  | (574,024)         | -                | (574,024)          |
| <b>Total segment income</b>   | <b>25,769</b>      | <b>15,704</b>      | <b>-</b>          | <b>-</b>         | <b>41,473</b>      |
| Depreciation  | (73,248)           | (33,292)           | -                 | -                | (106,540)          |
| Unsuccessful exploration expenses derecognised                      | -                  | (2,000,000)        | -                 | -                | (2,000,000)        |
| Other expenses  | (3,505,098)        | (632,295)          | (29,030)          | -                | (4,166,423)        |
| <b>Total segment expenses</b>                                       | <b>(3,578,346)</b> | <b>(2,665,587)</b> | <b>(29,030)</b>   | <b>-</b>         | <b>(6,272,963)</b> |
| <b>Segment net loss before tax</b>                                  | <b>(4,052,577)</b> | <b>(2,649,883)</b> | <b>(29,030)</b>   | <b>-</b>         | <b>(6,231,490)</b> |
| <b>Segment assets and liabilities as at 31 December 2014</b>        |                    |                    |                   |                  |                    |
| Plant and equipment   | 359,066            | 1,284,342          | -                 | -                | 1,643,408          |
| Exploration and evaluation assets                                   | -                  | 61,618,275         | -                 | -                | 61,618,275         |
| Other segment assets  | 4,815,737          | 1,042,636          | -                 | -                | 5,858,373          |
| <b>Total segment assets</b>   | <b>5,174,803</b>   | <b>63,945,253</b>  | <b>-</b>          | <b>-</b>         | <b>69,120,056</b>  |
| <b>Total segment liabilities</b>                                    | <b>13,467,641</b>  | <b>877,944</b>     | <b>-</b>          | <b>-</b>         | <b>14,345,585</b>  |
| <b>Capital expenditure for the half-year ended 31 December 2014</b> |                    |                    |                   |                  |                    |
| Plant and equipment   | -                  | 856,555            | -                 | -                | 856,555            |
| Exploration and evaluation assets                                   | -                  | 2,098,632          | -                 | -                | 2,098,632          |

## Cokal Limited

### Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2014 (Continued)

#### NOTE 14 OPERATING SEGMENTS (CONTINUED)

|   | Australia<br>US\$  | Indonesia<br>US\$ | Singapore<br>US\$ | Tanzania<br>US\$ | Total<br>US\$      |
|---|--------------------|-------------------|-------------------|------------------|--------------------|
| <b>Segment performance for the half-year ended 31 December 2013</b> |                    |                   |                   |                  |                    |
| Revenue   |                    |                   |                   |                  |                    |
| Other revenue   | -                  | -                 | -                 | -                | -                  |
| Interest revenue  | 42,898             | 153               | 413,586           | -                | 456,637            |
| Intersegment income   | -                  | -                 | (413,586)         | -                | (413,586)          |
| <b>Total segment income</b>   | <b>42,898</b>      | <b>153</b>        | <b>-</b>          | <b>-</b>         | <b>43,051</b>      |
| Depreciation  | (88,124)           | (33,584)          | -                 | -                | (121,708)          |
| Unsuccessful exploration expenses derecognised                      | -                  | -                 | -                 | -                | -                  |
| Other expenses  | (1,915,000)        | (754,125)         | (76,508)          | -                | (2,745,633)        |
| <b>Total segment expenses</b>                                       | <b>(2,003,124)</b> | <b>(787,709)</b>  | <b>(76,508)</b>   | <b>-</b>         | <b>(2,867,341)</b> |
| <b>Segment net loss before tax</b>                                  | <b>(1,960,226)</b> | <b>(787,556)</b>  | <b>(76,508)</b>   | <b>-</b>         | <b>(2,824,290)</b> |
| <b>Segment assets and liabilities as at 30 June 2014</b>            |                    |                   |                   |                  |                    |
| Plant and equipment   | 432,313            | 461,077           | -                 | -                | 896,390            |
| Exploration and evaluation assets                                   | -                  | 61,519,643        | -                 | -                | 61,519,643         |
| Other segment assets  | 4,842,568          | 59,839            | -                 | -                | 4,902,407          |
| <b>Total segment assets</b>   | <b>5,274,881</b>   | <b>62,040,559</b> | <b>-</b>          | <b>-</b>         | <b>67,315,440</b>  |
| <b>Total segment liabilities</b>                                    | <b>7,093,892</b>   | <b>392,931</b>    | <b>32,025</b>     | <b>-</b>         | <b>7,518,848</b>   |
| <b>Capital expenditure for the year ended 30 June 2014</b>          |                    |                   |                   |                  |                    |
| Plant and equipment   | 3,224              | 232,900           | -                 | -                | 236,124            |
| Exploration and evaluation assets                                   | -                  | 6,671,071         | -                 | -                | 6,671,071          |

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

## Cokal Limited

# Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2014 (Continued)

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### NOTE 15 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

At 31 December 2014, the financial assets and liabilities include bank balances, accounts receivables, accounts payable and interest bearing loan, whose fair values approximate their carrying value.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value instruments by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 31 December 2014 there are no financial instruments, other than interest bearing loans, whose fair value was determined using the above valuation technique. The interest bearing loans are determined using level 2 valuation techniques.

Fair values of the Group's interest bearing loans are determined by using the DCF method using discount rates that reflect the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2014 was assessed to be insignificant.

### NOTE 16 EVENTS AFTER THE REPORTING PERIOD

#### ***Bridge Loan Extended and issue of options to Platinum Partners***

On the 30<sup>th</sup> of January 2015 Cokal announced the total fund managed by Platinum Partners (Platinum) has extended the term of its bridging loan facility to 6 August 2015. Upon extension the total loan for the project development to date is now US\$10,065,000. The present intention is that the loan will be refinanced by the BBM project financing facility once it is in place.

Under the extension agreement Cokal will grant Platinum 25 million options with an exercise price of US\$0.101 and an exercise period of 4 years from the date of grant. The options will be exercisable at any time before expiry. Payment of the exercise price may be satisfied by the holder paying the exercise price in cash or causing the provider of the bridge loan or project finance to reduce the principal owing by the amount of the exercise price. Shares issued on exercise of an option rank equally with all other ordinary shares then on issue.

#### ***Cedrus International Ltd joins Platinum Partners to provide non-binding term sheet for BBM financing***

On 9 February 2015, Cokal announced Cedrus International Ltd (Cedrus) has joined with Platinum to provide a non-binding term sheet to Cokal in relation to a US\$110 million project finance facility for the BBM project.

#### ***Issue of PT BBM Port Construction & Operations Approval***

On 24 February 2015, Cokal announced the BBM project port facilities have received both construction and operational approval from the Department of Transport. The port facilities are located in, and on land adjacent to the Barito River, Murung Regency, Central Kalimantan. The approval is for an initial 15 year period, and Cokal expects that the 2 million tonnes per annum operation will require a 12 month construction period, leaving a 14 year operational period. The approval also provides for BBM to obtain further extensions to the operational period to support activities beyond the initial 15 year period.

#### ***Issue of incentive options to employees and senior management***

On 24 February 2015, Cokal announced the issue of 10,000,000 unlisted options exercisable at US\$0.10 each on or before 24 February 2019. These options have been issued as incentives to employees and senior management.

## Cokal Limited

# Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2014 (Continued)

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### NOTE 16 EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

#### *Receives unsolicited takeover proposal*

On 3 March 2015, Cokal announced it has received an unsolicited non-binding and incomplete proposal in relation to a conditional off market takeover bid by PT Cakra Mineral Tbk (CKRA) for all of the ordinary shares of Cokal.

CKRA is an Indonesian company listed on the Indonesia Stock Exchange (IDX:CKRA). Cokal had not formed any opinion on the proposal. Its intention is to engage with CKRA to evaluate the proposal.

The outcome of the proposal is speculative. Shareholders should be aware that there is no certainty that any agreement will be reached or that any transaction will eventuate from the current or any future discussions.

Shareholders should take no action at this stage until the Directors have evaluated the proposal

#### **Proposed Transaction**

CKRA propose to acquire all of the issued securities of COKAL pursuant to a conditional off market takeover bid on the following terms:

- (a) CKRA propose to offer cash or CKRA shares for each Cokal share on issue
  - i. Cash Settlement: Based on Cokal equity value of AU\$70 million. Assuming approximately 471.5 million Cokal shares on issue, proposed cash offer price is AU\$0.15 per share.
  - ii. Share Settlement: Shares in CKRA equivalent to the value of Cokal shares. The value of CKRA shares to be agreed. Cokal equity value is to be AU\$70 million plus 25% premium. Assuming approximately 471.5 million Cokal shares on issue, proposed scrip consideration implies offer price of AUD \$0.19 per share.
- (b) the bid will be subject to :
  - i. Minimum acceptance by holders of 90% of Cokal's issued shares;
  - ii. Other terms: certain conditions which are customary for an off market bid for an ASX listed company

#### **Pre-conditions**

- Due diligence
- Finalising funding of cash component. CKRA has engaged (subject to conditions, including due diligence and satisfactory book build) PT Sinarmas Sekuritas to act as a non-exclusive standby buyer (i.e. underwriter) for a USD\$100 million rights issue to be undertaken by CKRA.
 

PT Sinarmas Sekuritas is a subsidiary of PT Sinar Mas Multiartha, the investment holding company for Sinar Mas Group and one of the largest conglomerates in Indonesia. The company is a leader in financial services that includes fund management, investment research, stock brokering, bonds, and other derivative products to retail, corporate, and institutional customers.
- Bid implementation agreement containing customary terms and conditions including timetable, exclusivity, break fee and Cokal Board recommendation

#### **Timing**

CKRA has advised Cokal of CKRA's its intention to proceed without delay and to work towards entering into an implementation agreement by [date being 30 days from date of letter].

#### **Status of proposal**

The release of this proposal cannot be taken as a public proposal to make a takeover bid for securities in Cokal.

## Declaration by Directors

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In accordance with a resolution of the directors of the Cokal Limited, I state that:

In the opinion of the directors:

- a) The financial statements and notes of the Group for the half-year ended 31 December 2014 are in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
  - ii. complying with accounting standards and the Corporations Regulations 2001
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

A handwritten signature in black ink, appearing to be 'Peter Lynch', written in a cursive style.

Peter Lynch  
Chief Executive Officer

Brisbane  
11 March 2015



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

In relation to our review of the interim financial report of Cokal Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Brad Tozer  
Partner  
11 March 2015

To the members of Cokal Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cokal Limited, which comprises the interim statement of financial position as at 31 December 2014, the interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cokal Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

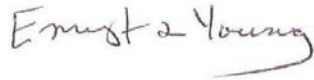
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



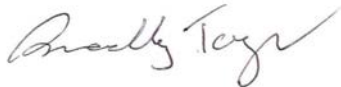
## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cokal Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Brad Tozer  
Partner  
Brisbane  
11 March 2015