



Half Yearly 31 December 2016 Report

Cokal Limited ACN 082 254 1437
Half Yearly Report for the period ended 31 December 2016

Contents

Corporate Information	1
Directors' Report	2
Interim Consolidated Statement of Comprehensive Income	8
Interim Consolidated Statement of Financial Position	9
Interim Consolidated Statement of Changes in Equity	10
Interim Consolidated Statement of Cash Flows	11
Notes to the Condensed Interim Consolidated Financial Statements	12
Declaration by Directors	22
Auditor's Independence Declaration	23
Independent Auditor's Review Report	24

Competent Person Statement:

The Total Coal Resources estimate was announced on 29 April 2016, titled "Updated JORC Resource Statement for BBM". The information in the report relating to Mineral Resources is based on information compiled by Yoga Suryanegara who is a Member of the Australian 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 "Australian 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 materially affects the information included in the announcement made on 29 April 2016 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 29 April 2016 continue to apply and have not materially changed.

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

Corporate Information

DIRECTORS

Pat Hanna
Domenic Martino
Gerhardus (Garry) Kielenstyn

COMPANY SECRETARIES

Duncan Cornish
Teuku Juliansyah (CFO)

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AUSTRALIAN BUSINESS NUMBER

ABN 55 082 541 437

Directors' Report

The directors hereby present the following half-year report for the period ended 31 December 2016.

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 – Non-Executive Chairman (appointed 24 June 2016, deceased 26 January 2017), Chief Executive Officer (appointed 5 May 2013, resigned 24 June 2016) and Executive Chairman (appointed 24 December 2010, resigned 24 June 2016)

Domenic Martino – Non-Executive Director (appointed 24 December 2010) and Non-Executive Chairman (appointed 31 January 2017)

Pat Hanna – Non-Executive Director (appointed 24 December 2010)

Gerhardus (Garry) Kielenstyn – Executive Director (appointed 27 January 2017) and Chief Operating Officer (appointed 24 June 2016)

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 2016, the loss for the consolidated entity after providing for income tax was US\$10,138,455 (31 December 2015: US\$ 3,381,177).

DIVIDENDS PAID OR RECOMMENDED

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

CHANGE IN CAPITAL

There have been an increase in share capital in the current financial period as discussed below.

Options Exercised and Shares Issued

During the half-year ended 31 December 2016, no ordinary shares were issued on exercise of options. During the half-year ended 31 December 2016, there were 93,750,000 shares issued as part of the capital raising strategy.

At 31 December 2016, there were 593,092,704 shares on issue, and 59,800,000 unexpired options.

CORPORATE

Notice of Annual General Meeting

The Annual General Meeting of Shareholders of Cokal Limited was held on 29 November 2016.

Directors' Report (Continued)

APPROVALS AND EXTERNAL RELATIONS

BBM PRODUCTION APPROVAL ADVANCES – UPDATE

Following the issue of the “Ijin Pinjam Pakai Kawasan Hutan – Operasi Produksi” (IPPKH_OP) or “Borrow To Use Forestry Permit – Operation Production” which allows BBM to start construction and mining BBM has commenced activities associated with the compulsory rehabilitation of an area of damaged forest near the BBM minesite. These activities include community review and discussion with regard to rehabilitation and formulation of a rehabilitation budget and programme. This activity is a pre-requirement for the issue of the “Borrow to Use Permit”. The other main obligation for BBM IPPKH – OP is the assessment of the non taxable payment for actual use of forest area.

Following government instruction, a progress report on BBM’s IPPKH-OP obligations has been submitted to Ministry of Environment & Forestry Jakarta in week 4 of August 2016. The matter is still under discussion.

BBM WEST BLOCK EXPLORATION IPPKH EXTENSION

Since the issue of the Borrow to Use Permit – Exploitation (IPPKH-OP) for the Eastern Block, Cokal has proceeded with the application for a Borrow to Use Permit – Exploration for the Western Block of BBM and this application is currently with Planology Dept. at the Ministry of Environment and Forestry. Further follow up on status will be made during second half year of 2017.

BBP PRODUCTION APPROVAL ADVANCES – UPDATE

Cokal has submitted its application for the Clean and Clear Certificate Exploration from the Director General of the National Mines & Energy Department formalising the previous award of Clean and Clear status.

TBAR EXPLORATION FORESTRY PERMIT

Cokal continues to progress the upgrade of the IUP Exploration to IUP Produksi (mining license) for TBAR with the Central Kalimantan Provincial Government.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Cokal has continued with the implementation of its Community Development programs. Cokal has undertaken the following programs, which covered health, education, environmental awareness, and community empowerment aspects.

Regarding the health aspect, Cokal has continued to provide medical support to local villages around BBM through providing access to onsite medical staff.

Cokal has also continued its scholarship program with the selection of the new cohort of scholarship holders; Cokal has awarded scholarships to 13 local students from Murung Raya Regency to continue their next level of education at University of Palangkaraya at various faculties.

As well, in association with the Mining Faculty of the University of Palangkaraya, Cokal has continued its support and contribution that covered regular lecture programs, donation of mining magazines, and other support needed to improve the quality and enthusiasm of mining students. General Lecture on “Exploration Technology” held on 5 December 2016 has been attended and well received by approx. 200 participants. During the next Quarter we will be providing a series of safety refresher lectures for not only mining students but also students involved in construction, architecture and related course.

Coordination is also being continued with BOS Foundation following their requests on other possible support needed, including supervision and training of HSE procedures. Safety Awareness and First Aid Training – Phase 1 was provided and completed for 80 participants on 23rd – 26th November 2016. All of those participants are orang-utans baby-sitters and BOSF technicians. The next batch of training is still being prepared. Coordination are also being continued with BOSF related to Cokal support plans for OU Translocation Project which possibly scheduled by BOSF on Q1-2017. As previously, BOSF will use Krajan Site (PT BBM) and its facilities as their ‘transit venue’ for orang-utans recovery process. Other Cokal support which is also being discussed are supporting the costs of First Aid kits (mainly for the BOSF monitoring station at Betikap and Katingan Protection Forests) and also support on setting up BOSF Safety Management System as required.

Directors' Report (Continued)

CORPORATE SOCIAL RESPONSIBILITY (Continued)

Following obligations of BBM Forestry Permit (IPPKH-OP) obtained in August 2015; replanting programs were continued by Cokal, in relation with 'critical land rehabilitation project' at an appointed area in Barito Riverbanks Area, nearest to the BBM project. These programs will be conducted with community involvement, planting 'productive trees' suggested by locals, and will be supervised and monitored by the relevant Forestry Offices from regency, provincial, and central government levels. Cokal has committed to fulfil both of IPPKH obligations and also sharing benefits from these programs with its local neighbours.

MANNING

Further reductions in staff and employee numbers have been made to limit expenditure. All redundancy and reduction requirements have been conducted in accordance with Indonesian labour regulations and Cokal has been assisted in this process with substantial help from both local and provincial labour departments in order to ensure total compliance.

The Directors of Cokal have continued not to be paid fees for their services and extensive time spent on the administration of the company. Directors' Fees have not been paid since March 2016.

ENVIRONMENTAL REHABILITATION

Cokal continued last quarter to undertake environmental monitoring on site as part of ongoing baseline studies. Rehabilitation activities have been substantially completed throughout the previously disturbed exploration areas.

Effort is now being expended into increasing nursery stocks both for the school planting programme and mine infrastructure replanting in the future.

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.

COMPLETION OF SCOPING STUDY FOR PROPOSED UNDERGROUND MINING OF BBM COAL PROJECT

Cokal completed a Scoping Study report which outlines the concept and rationalization of a proposed underground mine plan for Seams D and J in the East Block of BBM Project. The Scoping Study was conducted in accordance with the JORC Code (2012).

The seam height of the D Seam averages 1.5 to 1.4m while the J Seam varies from 1.25m to 1.3m. These two seams are currently delineated by Inferred Resources totaling 67 million tonnes (mt) within the underground mining area.

Based on the favorable geological conditions, the Scoping Study has identified the potential for four (4) large underground mining blocks utilising the long wall method. The outcome of this Scoping Study is the recommendation that the project be advanced through to a Pre-feasibility Study.

Cokal is preparing a submission regarding the BBM underground mining project to the Indonesian Government for its consideration in granting the maximum foreign ownership (70%) of BBM for the life of mine. The reduced divestment requirements were introduced by the Indonesian Government as an incentive to encourage the future development of underground coal development under GR 77 / 2014, enacted on the 14th of October 2014.

Directors' Report (Continued)

DEBT RESTRUCTURING – CONVERSION OF LOAN TO PLATINUM PARTNERS TO A ROYALTY ARRANGEMENT

Cokal Limited has previously announced that it had reached agreement with Platinum Partners' funds ("Platinum") on 22nd July 2016, to convert approximately USD15million of loans owing by Cokal to various funds managed by Platinum or its affiliates (the "Platinum Group"). Those loans include the Blumont loan, which was acquired by the Platinum Group. Since then the Platinum Partners Value Arbitrage fund (PPVA) has been placed into liquidation and the Platinum Partners Credit Opportunities Fund (PPCO) has been placed in receivership. Both the Liquidator of PPVA and the Receiver of PPCO have advised the company they wish to proceed with finalising a formal agreement for this debt conversion. The term sheet agreed between Platinum and Cokal has the following terms and conditions:

- In consideration for the restructuring of the debt, Platinum will be entitled to a royalty on coal sold from Cokal's share of production from the Bumi Barito Mineral (BBM) project and Tambang Benua Alam Raya (TBAR) project;
- The royalty will be 1% of the realised selling price (FOB) (i.e. selling price per tonne x tonnes sold x 1%) up to maximum royalty amount of USD 40 million;
- Cokal or its related parties will have the right to buy out the royalty at any time for the amount of USD 40 million less the amount paid on the royalty at that time;
- Cokal will do what is legally possible to attach the royalty directly to the tenement asset (the IUP licenses, not the IUP holding company) or other legal instrument, so that Platinum is protected against any forced sale;
- The existing security will remain in place to secure the royalty until replaced by a specific royalty security. Platinum and Cokal will work together to replace the existing security with a direct royalty security over the IUP licenses to specifically secure the royalty subject to appropriate legal advice;
- All shares controlled by Platinum will be escrowed for 24 months from the date of conversion unless Cokal finds an alternative buyer or Platinum finds a buyer acceptable to Cokal;
- All Platinum's existing Cokal options will not be exercised or otherwise will be cancelled;
- Cokal will issue 75 million new options to Platinum with a 5 year term and strike price of AUD 1.6 cents (A\$0.016);
- The transaction is subject to any necessary regulatory approvals or shareholders approvals required under the Listing Rules including the granting of the options.

Cokal is currently proceeding to finalise the formal agreement for this debt-to-royalty conversion including negotiating suitable security for the royalty and financing conditions. Although Platinum's Cokal shares are escrowed under this agreement as previously announced Cokal is aware that a security holder (Prime broker) to some of Platinum's own debt is liquidating a parcel of these shares.

Once the formal agreement with PPVA and PPCO is executed the company will proceed to call a shareholders meeting to approve the transaction and associated matters.

On completion of the above, the loan owing to Platinum Group will be fully discharged and Cokal will be loan free.

CAPITAL RISING

During July and August Cokal completed a private placement of 93,750,000 at a price of AUD0.016 per share, raising AUD 1.5 million (US\$ 1.13 million).

GROUP RE-ORGANISATION TO JAKARTA CONTINUES

Cokal announced during the period that as part of the refocusing of the group on the core Indonesian assets, the transfer of the management and administration functions to Indonesia was complete.

Directors' Report (Continued)

DFS UPDATE

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

Forex between USD and IDR is based on www.tradingeconomics.com analysts forecast predicted on 17 October 2016. This source's Forex estimate in Q3 of 2017 is US\$1 to IDR13,497. This forecast is considered to be a best case position. However, a conservative approach has been adopted by Resindo, downgrading this Forex prediction rate to US\$1 to IDR13,000 for this DFS update. No variance or escalation has been applied over the project period.

HIGHLIGHTS OF DFS UPDATE

- The DFS Update has continued to show that the BBM coal mine and associated transport system can be developed as a low capital cost operation with moderate to medium range operating cost.
- The DFS Update maintained the development as a 2 Million tonnes per annum ("Mtpa") open cut mining operation over 10 years. BBM's relatively low ash, low volatile, low sulphur, ultra-low phosphorus coking coal would command a high value as a blending feed in the premium coking coal market.
- Capital cost have fallen by 10.3% to US\$68M (Base DFS was US\$75M)
- The already low cash operating costs (excluding royalties of 7%) unit rates have fallen 15.5% to:
 - Year 1 average US\$58/tonne (Base DFS was US\$65/tonne)
 - First 5 years average US\$70/tonne (Base DFS was US\$82/tonne)
 - Life of mine average US\$82/tonne (Base DFS was US\$97/tonne)
- The production and investment profiles are phased for:
 - Initial start-up capital US\$47M (Base DFS was US\$50M)
 - After start up: Enhancement capital US\$21M (Base DFS was US\$25M) for:
 - Expand blending operations at the Intermediate port of Kelanis
 - Increase coal handling capability for the higher ash pits.
- Initial construction is expected to take approximately 12 month, with first production from BBM scheduled for the first quarter after construction is completed.

PROJECT FINANCING

Cokal is engaged with several parties on financing options to take its BBM project to production. These involve separately, both, Contractor parties as well as trading and financing houses. The process involves due diligence by these parties on the project and ongoing negotiations and discussions on the structure of possible financing and operating structures. No definitive proposal has been finalised as yet and all proposals will require a finalisation of the Platinum Group debt to royalty conversion.

SUBSEQUENT EVENTS TO 31 DECEMBER 2016

It is with sad regret that Cokal announced the death of two of its staff in a tragic accident on 26 January 2017.

Peter Lynch, Chairman and CEO of Cokal passed away in a plane crash in Perth. Peter was a founding Director of Cokal and dedicated the past 6 years of his life to creating a successful coking coal project in BBM, which is the primary basis of Cokal's future success.

Endah Cakrawati, Cokal's Corporate Marketing Manager, was a passenger in the aircraft and also passed away in the tragedy.

The Company, its directors, and the staff, wish to offer their condolences to the families of our colleagues in this time of grief.

On 27 January 2017, Gerhardus (Garry) Kielenstyn was appointed Executive Director to the Cokal Board. On 31 January 2017, Domenic Martino was appointed Non-Executive Chairman to the Cokal Board.

Directors' Report (Continued)

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 23.

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



Domenic Martino
Director

Brisbane
13 March 2017

Cokal Limited

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2016

	Note	31 December 2016 US\$	31 December 2015 US\$
Other income	2	58,076	21,838
Employee benefits expenses		(532,924)	(614,876)
Depreciation and write off		(39,648)	(60,772)
Finance costs	3	-	(297,349)
Legal expenses		(101,442)	(117,705)
Exploration expenditures derecognised		(9,177,568)	(1,734,359)
Administration and consulting expenses		(344,949)	(577,954)
Loss before income tax expense		(10,138,455)	(3,381,177)
Income tax expense		-	-
Loss for the period attributable to equity holders of parent	3	(10,138,455)	(3,381,177)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to equity holders of parent		(10,138,455)	(3,381,177)
Loss per share attributable to equity holders of parent		Cents	Cents
Basic Loss per Share	4	(1.75)	(0.68)
Diluted Loss per Share	4	(1.75)	(0.68)

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 2016

	Note	31 December 2016 US\$	30 June 2016 US\$
Current Assets			
Cash and cash equivalents		379,175	462,770
Short term deposits		163,616	167,655
Accounts receivable		165,291	129,230
Total Current Assets		708,082	759,655
Non-Current Assets			
Property, plant and equipment	7	1,462,371	1,502,019
Exploration and evaluation assets	8	23,460,617	32,740,312
Other non-current assets		35,361	186,150
Total Non-Current Assets		24,958,349	34,428,481
TOTAL ASSETS		25,666,431	35,188,136
Current Liabilities			
Accounts payable and others		616,180	1,157,841
Interest bearing loans	9	13,892,302	13,892,302
Total Current Liabilities		14,508,482	15,050,143
Non-Current Liabilities			
Deferred liability		-	14,482
Total Non-Current Liabilities		-	14,482
TOTAL LIABILITIES		14,508,482	15,064,625
NET ASSETS		11,157,949	20,123,511
Equity			
Issued capital	10	84,752,154	83,622,140
Reserves	11	4,894,673	4,851,794
Accumulated losses		(78,488,878)	(68,350,423)
TOTAL EQUITY		11,157,949	20,123,511

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 2016

	Issued capital	Reserves	Accumulated losses	Total
	US\$	US\$	US\$	US\$
At 1 July 2016	83,622,140	4,851,794	(68,350,423)	20,123,511
Total comprehensive loss for the period				
Loss for the period	-	-	(10,138,455)	(10,138,455)
Other comprehensive income	-	-	-	-
	-	-	(10,138,455)	(10,138,455)
Transactions with owners in their capacity as owners				
Issue of share capital	1,130,014	-	-	1,130,014
Share based payments	-	42,879	-	42,879
	1,130,014	42,879	-	1,172,893
At 31 December 2016	84,752,154	4,894,673	(78,488,878)	11,157,949
At 1 July 2015	83,622,140	4,571,178	(38,020,706)	50,172,612
Total comprehensive loss for the period				
Loss for the period	-	-	(3,381,177)	(3,381,177)
Other comprehensive income	-	-	-	-
	-	-	(3,381,177)	(3,381,177)
Transactions with owners in their capacity as owners				
Share based payments	-	122,163	-	122,163
	-	122,163	-	122,163
At 31 December 2015	83,622,140	4,693,341	(41,401,883)	46,913,598

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 2016

	Note	31 December 2016 US\$	31 December 2015 US\$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,236,423)	(1,373,651)
Interest income received		203	14,290
Other income received		-	7,548
Net cash outflow from operating activities		(1,236,220)	(1,351,813)
Cash Flows from Investing Activities			
Withdrawal of deposits maturing after three months		4,039	1,328,761
Payments for property, plant and equipment		-	(5,000)
Payments for exploration and evaluation assets		-	(560,150)
Net payments for security deposits		-	(35,493)
Net cash inflow from investing activities		4,039	728,118
Cash Flows from Financing Activities			
Proceeds from issue of shares		1,130,014	-
Net cash inflow from financing activities		1,130,014	-
Net decrease in cash and cash equivalents		(102,167)	(623,695)
Cash and cash equivalents at beginning of period		462,770	1,753,213
Net foreign exchange differences		18,572	(69,188)
Cash and cash equivalents at end of period		379,175	1,060,330

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 2016

NOTE 1 GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) General Information

The consolidated financial statements of Cokal Limited for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 13 March 2017 and cover the consolidated entity (the "Group", "consolidated entity", "Cokal" or "Company") 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 ("ASX").

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

b) Basis of preparation

This interim financial report for the half-year ended 31 December 2016 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 2016 together with any public announcements made by the Group during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules. In addition, results for the half-year ended 31 December 2016 are not necessarily indicative of the results that may be expected for the financial year ending 30 June 2017.

The financial statements are presented in US Dollars ("US\$").

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.

c) Going concern

At 31 December 2016, the current liabilities exceed the current assets by US\$13,800,400 (30 June 2016: US\$ 14,290,488). 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 depend upon a number of matters including:

- a) The formalisation of the Group's 22 July 2016 Agreement with Platinum Partners Value Arbitrage Fund, LP (Platinum) to convert the loans owing by Group to various funds managed by Platinum or its affiliates (including the Blumont Group Limited's loan amount) to a royalty on coal sold from the Group's share of production from the Bumi Barito Mineral Project (BBM) and PT Tambang Benua Alam Raya (TBAR) projects. The proposed royalty is equivalent to 1% of the realized selling price (FOB) (i.e. selling price per tonne x tonnes sold x 1%) up to a maximum royalty amount of USD40 million;
- b) The successful raising of equity in the short term to meet the Group's existing corporate and project requirements, until finance for the development of the BBM project can be secured; and
- c) The successful raising of sufficient funding, through debt, equity, farm-out or other arrangements (or a combination of transactions) to progress the development of BBM project, including meeting capital expenditure and working capital requirements and commitments, until such time as the BBM project is in production and its revenues from coal sales are sufficient to meet its cash outflows.

Should these avenues be delayed or fail to materialize, the Group has some ability to scale back its activities to help the Group to manage to meet its debts as and when they fall due in the short term but the Group would need to renegotiate or satisfy the Platinum loans and seek alternate ways to fund its operations, including but not limited to the sale of assets.

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 and discharge its liabilities in the ordinary course of business.

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2016 (Continued)

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

d) 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 2016 as detailed in the annual financial report as of 30 June 2016. 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.

NOTE 2 OTHER INCOME

	31 December 2016 US\$	31 December 2015 US\$
Interest income	203	14,290
Gain on disposal of non-current assets	57,873	-
Sundry income	-	7,548
Total other income	58,076	21,838

NOTE 3 LOSS FOR THE PERIOD

	31 December 2016 US\$	31 December 2015 US\$
Loss before income tax includes the following specific expenses:		
Depreciation and write off of plant and equipment	39,648	60,772
Salaries and wages	307,721	220,478
Superannuation	-	11,716
Share-based payments (options) – to employees	42,879	122,163
Operating lease expense – minimum lease payment	116,859	204,679
Exploration expenditure de-recognised	9,177,568	1,734,359
Finance costs		
Interest on borrowings	-	85,698
Expense relating to options issued for extension of loan repayment amortised	-	211,651

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2016 (Continued)

NOTE 4 LOSS PER SHARE

	31 December 2016	31 December 2015
Loss attributable to owners of Cokal Limited used to calculate basic and diluted loss per share (US\$)	(10,138,455)	(3,381,177)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share (Numbers)	580,592,704	499,342,704
Adjustments for calculation of diluted earnings per share:		
- Options *	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	580,592,704	499,342,704
Basic loss per share (cents per share) (US\$)	(1.75)	(0.68)
Diluted loss per share (cents per share) (US\$)	(1.75)	(0.68)

* 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 2016, there were 59,800,000 (30 June 2016: 60,150,000) 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 2016 (30 June 2016: Nil). There were no franking credits available to the shareholders of the Group.

NOTE 6 RELATED PARTY DISCLOSURE

Key Management Personnel

	31 December 2016	31 December 2015
	US\$	US\$
Employment benefits		
Short term employee benefits	317,182	607,214
Post-employment benefits	-	10,192
Share based payments	42,879	112,137
	360,061	729,543

	31 December 2016	30 June 2016
	US\$	US\$
Related party balances		
Payables to senior executives and directors	(2,639)	-
Advances to senior executives and directors	-	2,844

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2016 (Continued)

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

31 December 2016	Land	Computer equipment	Furniture and office equipment	Motor vehicles	Capital WIP	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 July 2016	31,526	3,277	297,463	1,499	1,168,254	1,502,019
Additions	-	-	-	-	-	-
Disposals/write-off	-	-	-	-	(9,240)	(9,240)
Depreciation expense	-	(963)	(28,449)	(996)	-	(30,408)
Carrying amount at 31 December 2016	31,526	2,314	269,014	503	1,159,014	1,462,371
30 June 2016						
Balance at 1 July 2015	31,526	75,271	354,536	3,494	1,163,254	1,628,081
Additions	-	-	-	-	5,000	5,000
Disposals	-	(27)	(112)	-	-	(139)
Depreciation expense	-	(71,967)	(56,961)	(1,995)	-	(130,923)
Carrying amount at 30 June 2016	31,526	3,277	297,463	1,499	1,168,254	1,502,019

NOTE 8 EXPLORATION AND EVALUATION ASSETS

	31 December 2016 US\$	30 June 2016 US\$
Non-Current		
Exploration and evaluation expenditure capitalised		
- exploration and evaluation phases	23,460,617	32,740,312
Movements in carrying amounts		
Balance at the beginning of the period	32,740,312	59,424,333
Additions	-	759,171
Disposals [^]	(102,127)	(1,787,970)
Exploration expenditures derecognised*	(9,177,568)	(25,655,222)
Carrying amount at the end of the period	23,460,617	32,740,312

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

*The carrying amount of exploration and evaluation ("E&E") assets at 30 June 2016 represents only PT Bumi Barito Mineral (BBM) project and was determined using the Fair Value Less Cost to Method (FVLCD) considering the entity as one CGU as the project is at exploration stage. The FVLCD is determined using the Enterprise Value (EV). EV is implied by Cokal's Market Capitalisation plus a 30% control premium. The fair value measurement is categorised under Level 1 hierarchy. Consistent with 30 June 2016, based on the assessment under AASB 6 at 31 December 2016, the excess of recoverable value than the carrying value of E&E asset is de-recognised in the income statement. Management remains confident that the Group will raise additional funding for development of BBM and sufficient data exists to indicate the carrying value of BBM is likely 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 2016 (Continued)

NOTE 9 INTEREST BEARING LOANS

	31 December 2016 US\$	30 June 2016 US\$
Current		
Platinum Partners facility	10,065,000	10,065,000
Blumont Group facility	3,827,302	3,827,302
Total Interest bearing loans	13,892,302	13,892,302

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 2016: US\$3.4m) and no further drawdown is expected under this facility in the future periods.

The loan is repayable within 3 years being issued, 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.

Platinum Partners Facility

On 29 March 2014, the Group entered into a short term loan agreement for US\$3.5m with Platinum Partners (Platinum) for working capital. The loan is subject to withhold (prepaid interest) at the date of utilisation the aggregate amount of:

- US\$600,000, as a non-refundable work fee payable to the lender in respect of the facility; and
- US\$150,000, as the borrower's contribution for costs and expenses as stipulated in the agreement, the balance of which amount is refundable on the repayment date to the extent not utilised by the lender.

On 6 August 2014, the Group entered into an additional short term loan agreement for US\$5.65m with Platinum for working capital. The loan is subject to withhold (prepaid interest) at the date of utilisation the aggregate amount of:

- US\$500,000, as a non-refundable work fee payable to the lender in respect of the facility; and
- US\$150,000, as the borrower's contribution for costs and expenses as stipulated in the agreement, the balance of which amount is refundable on the repayment date to the extent not utilised by the lender.

During the 2015 financial year, Cokal announced the total fund managed by 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 totalled US\$10,065,000 including additional non-refundable working fee for the extension of US\$ 915,000.

Under the extension agreement, Cokal granted the following options to Platinum:

- On 27 August 2014, 15,000,000 options at US\$ 0.186 expiring on 27 August 2018; and
- On 6 February 2015, 25,000,000 options at US\$ 0.101 expiring on 6 February 2019.

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.

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.

The present intention is that the loan will be refinanced by the BBM project financing facility or other arrangements.

The full amount of Platinum Group loan (including Blumont) was repayable at reporting date. The extension is still being negotiated and no demand for repayment has been received. On 22 July 2016, Cokal announced had reached an agreement with Blumont Group and Platinum Partners for the conversion of all outstanding loans owing to them to production royalties as more explained in the directors' report. The parties are working to finalise the agreement at this date.

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2016 (Continued)

NOTE 9 INTEREST BEARING LOANS (Continued)

On or about 25 August 2016, Platinum Partners Value Arbitrage fund (PPVA) has been placed into liquidation and the Platinum Partners Credit Opportunities Fund (PPCO) has been placed in receivership. Both the Liquidator of PPVA and the Receiver of PPCO have advised the company they wish to proceed with finalising a formal agreement for this debt conversion.

Cokal is currently proceeding to finalise the formal agreement for this debt-to-royalty conversion including negotiating suitable security for the royalty and financing conditions. Although Platinum's Cokal shares are escrowed under this agreement as previously announced Cokal is aware that a security holder (Primebroker) to some of Platinum's own debt is liquidating a parcel of these shares.

Once the formal agreement with PPVA and PPCO is executed the company will proceed to call a shareholders meeting to approve the transaction and associated matters.

On completion of the above, it's expected the loan owing to Platinum Group will be fully discharged with the royalty arrangement.

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 fair value measurement is categorised under Level 2 hierarchy. The carrying value of loan approximates the fair value at reporting date.

NOTE 10 ISSUED CAPITAL

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

	31 December 2016		30 June 2016	
	Number	US\$	Number	US\$
At the beginning of the period/year	499,342,704	83,622,140	499,342,704	83,622,140
Share issue from capital raising	93,750,000	1,130,014	-	-
At the end of the period/year	593,092,704	84,752,154	499,342,704	83,622,140

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2016 (Continued)

NOTE 11 RESERVES

	31 December 2016 US\$	30 June 2016 US\$
Option Reserve - Share based payments	6,350,128	6,307,249
Translation Reserve	(1,455,455)	(1,455,455)
At the end of the period/year	4,894,673	4,851,794

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.

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 2016, the Group has further obligations to make contingent payments of up to US\$24.70 million (30 June 2016: US\$24.70 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.

Cokal received BBM's forestry permit in August 2015. Per agreement, US\$10m final payment for BBM is required to be paid upon receipt of Forestry Permit (milestone achieved) and other conditions precedent. However, Directors believe obligation for payment of this liability effective 13 August 2015 is not satisfied until the commencement of BBM development activities.

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 2016 US\$	30 June 2016 US\$
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(a) Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

Payable		
- not later than 12 months	359,346	427,287
- between 12 months and 5 years	43,443	189,460
	402,789	616,747

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2016 (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.

	Australia US\$	Indonesia US\$	Singapore US\$	Tanzania US\$	Total US\$
Segment performance for the half-year ended 31 December 2016					
Revenue					
Other income	-	57,873	-	-	57,873
Interest income	11	192	773,503	-	773,706
Intersegment income	-	-	(773,503)	-	(773,503)
Total segment income	11	58,065	-	-	58,076
Depreciation and write off	(18,764)	(20,884)	-	-	(39,648)
Exploration expenditures derecognised	-	(9,177,568)	-	-	(9,177,568)
Other expenses	(434,182)	(502,997)	(42,136)	-	(979,315)
Total segment expenses	(452,946)	(9,701,449)	(42,136)	-	(10,196,531)
Segment net loss before tax	(452,935)	(9,643,384)	(42,136)	-	(10,138,455)
Segment assets and liabilities as at 31 December 2016					
Property, plant and equipment	176,652	1,285,719	-	-	1,462,371
Exploration and evaluation assets	-	23,460,617	-	-	23,460,617
Other segment assets	470,250	273,193	-	-	743,443
Total segment assets	646,902	25,019,529	-	-	25,666,431
Total segment liabilities	13,958,731	461,687	88,064	-	14,508,482

Cokal Limited

Notes to the Condensed Interim Consolidated Financial Statements for the half-year ended 31 December 2016 (Continued)

NOTE 14 OPERATING SEGMENTS (CONTINUED)

	Australia US\$	Indonesia US\$	Singapore US\$	Tanzania US\$	Total US\$
Capital expenditure for the half-year ended 31 December 2016					
Property, plant and equipment	-	-	-	-	-
Exploration and evaluation assets	-	-	-	-	-
Segment performance for the half-year ended 31 December 2015					
Revenue					
Other income	7,548	-	-	-	7,548
Interest income	14,172	118	781,675	-	795,965
Intersegment income	-	-	(781,675)	-	(781,675)
Total segment income	21,720	118	-	-	21,838
Depreciation and write off	(44,153)	(16,619)	-	-	(60,722)
Exploration expenditures derecognised	-	(1,734,359)	-	-	(1,734,359)
Other expenses	(1,085,935)	(453,874)	(68,193)	-	(1,607,884)
Total segment expenses	(1,130,088)	(2,204,734)	(68,193)	-	(3,403,015)
Segment net loss before tax	(1,108,368)	(2,204,616)	(68,193)	-	(3,381,177)
Segment assets and liabilities as at 30 June 2016					
Property, plant and equipment	195,416	1,306,603	-	-	1,502,019
Exploration and evaluation assets	-	32,740,312	-	-	32,740,312
Other segment assets	705,079	240,726	-	-	945,805
Total segment assets	900,495	34,287,641	-	-	35,188,136
Total segment liabilities	14,067,770	701,882	-	-	15,064,625
Capital expenditure for the year ended 30 June 2016					
Property, plant and equipment	-	5,000	-	-	5,000
Exploration and evaluation assets	-	759,171	-	-	759,171

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 2016 (Continued)

NOTE 15 EVENTS AFTER THE REPORTING PERIOD

It is with sad regret that Cokal announced the death of two of its staff in a tragic accident on 26 January 2017.

Peter Lynch, Chairman and CEO of Cokal passed away in a plane crash in Perth. Peter was a founding Director of Cokal and dedicated the past 6 years of his life to creating a successful coking coal project in BBM, which is the primary basis of Cokal's future success.

Endah Cakrawati, Cokal's Corporate Marketing Manager, was a passenger in the aircraft and also passed away in the tragedy.

The Company, its directors, and the staff, wish to offer their condolences to the families of our colleagues in this time of grief.

On 27 January 2017, Gerhardus (Garry) Kielenstyn was appointed Executive Director to the Cokal Board. On 31 January 2017, Domenic Martino was appointed Non-Executive Chairman to the Cokal Board.

Declaration by Directors

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 2016 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 2016 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



Domenic Martino
Director

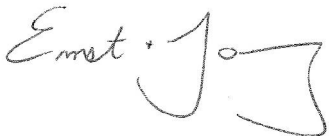
Brisbane
13 March 2017

Auditor's Independence Declaration to the Directors of Cokal Limited

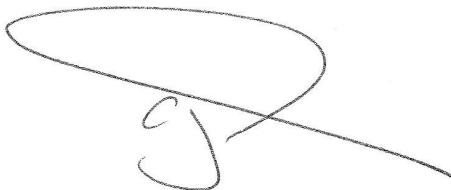
As lead auditor for the review of Cokal Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Andrew Carrick
Partner
13 March 2017

Independent auditor's report 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 consolidated statement of financial position as at 31 December 2016, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated 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 2016 and its performance for the half-year ended on that date; and complying with 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.

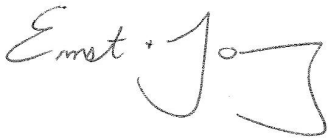
Conclusion

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:

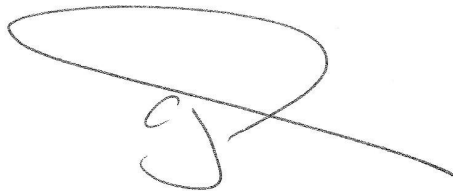
- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to Note 1 (c) in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



Andrew Carrick
Partner
Brisbane
13 March 2017