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31 October 2016

QUARTERLY REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

HIGHLIGHTS

- **Completion of Scoping Study for Proposed Underground Mining of BBM Coal Project announced**
- **Borneo Orangutan Survival Foundation On Going Assistance**
- **Debt Restructure and Capital Raising**

EXPLORATION

INDONESIA

BBM Project

BBM's Production IUP covers an area of 14,980 hectares (ha), immediately adjacent to Indomet's Juloi tenement, straddling the Barito River and has multiple seams of high quality metallurgical coal.

GEOLOGICAL and MINING ACTIVITY

HIGHLIGHTS

- **Cokal has compiled 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 favourable geological conditions, the Scoping Study has identified the potential for four (4) large underground mining blocks utilising the longwall method.**

As part of coal resources evaluation, on 30th of September Cokal announce the completion of a Scoping Study ("Study") for a proposed underground mining operation of its 60% owned Bumi Barito Mineral Coal Project ("BBM" or "the Project"), located in Central Kalimantan, Indonesia. This study is a part of 2016 updated coal resources report of the BBM Coal Project.

In April 2016, Cokal had reported a total Coal Resource of **266.6Mt** of B, C, D and J Seams of which **19.5Mt** was deemed **Measured** Resources and **23.1Mt** was **Indicated** Resources in the PT BBM Coal Prospect. The Coal Resources of these seams can be economically extracted using open-pit

mining and have been classified as both Measured and Indicated categories within four proposed open-pits designed in the BBM East Block.

As the remainder Inferred Coal Resources for Seams D and J are considered amenable to modern underground mining extraction methods, Cokal has compiled a Scoping Study report which outlines the concept and rationalization of a proposed underground mine plan for the East Block of BBM.

This Scoping Study report outlines the concept and rationalization of a proposed underground mine plan for the East Block of BBM.

The Scoping Study has identified the potential for four (4) large underground mining blocks utilising the longwall method of extraction of both the 'D' and 'J' seams.

The seam height of the D Seam averages 1.5 to 1.4m while the J Seam varies from 1.25m to 1.3m and the roof predominantly consists of very hard sandstone (up to 95Megapascals (MPa)) while the immediate 1m to 2m of roof consists generally of a competent siltstone. This combination is ideal for extraction of the deeper Coal Resources using underground methods such as thin-seam longwall mining.

The overall underground mining height variation is generally from 1.25m to 1.5m. These seam heights are similar to those extracted at the two highest performing Longwall plow operations in the world being, Bogdanka Mine in Poland and Pinnacle in the USA.

The Inferred Coal Resources in the underground mine area have been confirmed as primarily coking coal from analyses conducted in an Australian laboratory. These two seams are currently delineated by Inferred Resources totaling **67 million tonnes** (mt) within the underground mining area in the eastern portion of the BBM project tenement.

In this study, the mine is proposed to use three continuous miner development units prior and a built-for-purpose longwall plow. Similar (but deeper) mining conditions using longwall plows include Bogdanka Mine (more than 5 million tonnes per annum (mtpa)) in Poland and Pinnacle (more than 2.5 mtpa) in the USA. The highwall punch mine configuration and shallow nature or the Inferred Resources means longwall output is not constrained by outbye coal clearance systems as is experienced in similar plow operations installed in existing older mines.

Sensitivity analysis indicates the underground extraction of premium quality coking coal at BBM could be highly competitive in the marketplace. The Scoping Study was conducted in accordance with the JORC Code (2012).

However, due to the restrictions imposed by the ASX on "forward statements" including production targets, OPEX and CAPEX estimates and NPV valuations for Scoping Studies, Cokal is not able to provide any of these estimates in a public statement.

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Figure 1:

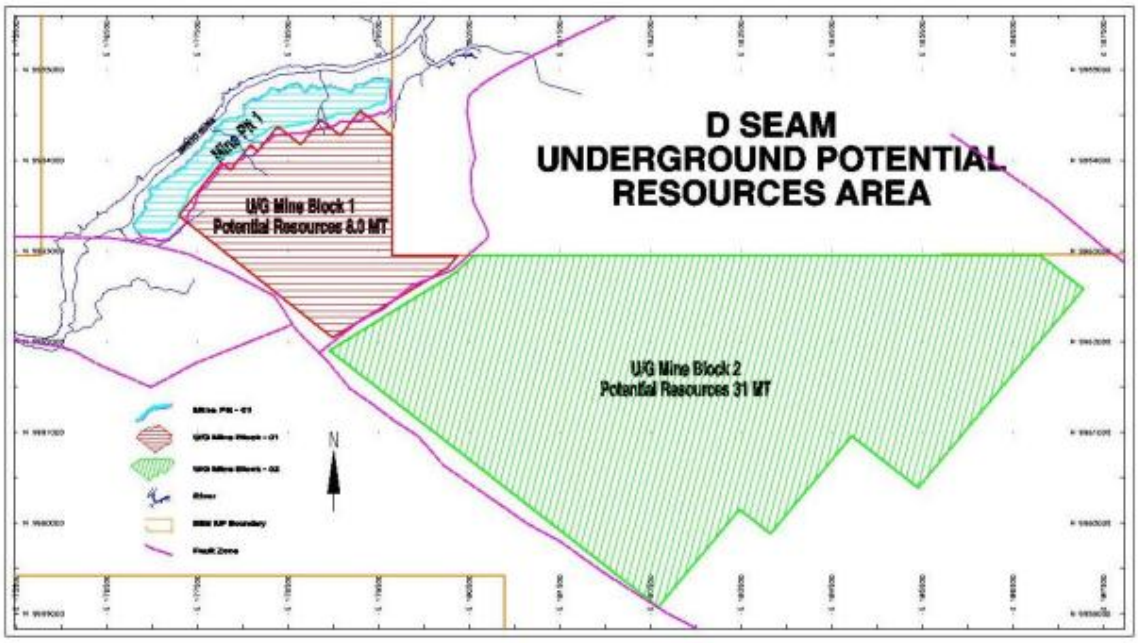
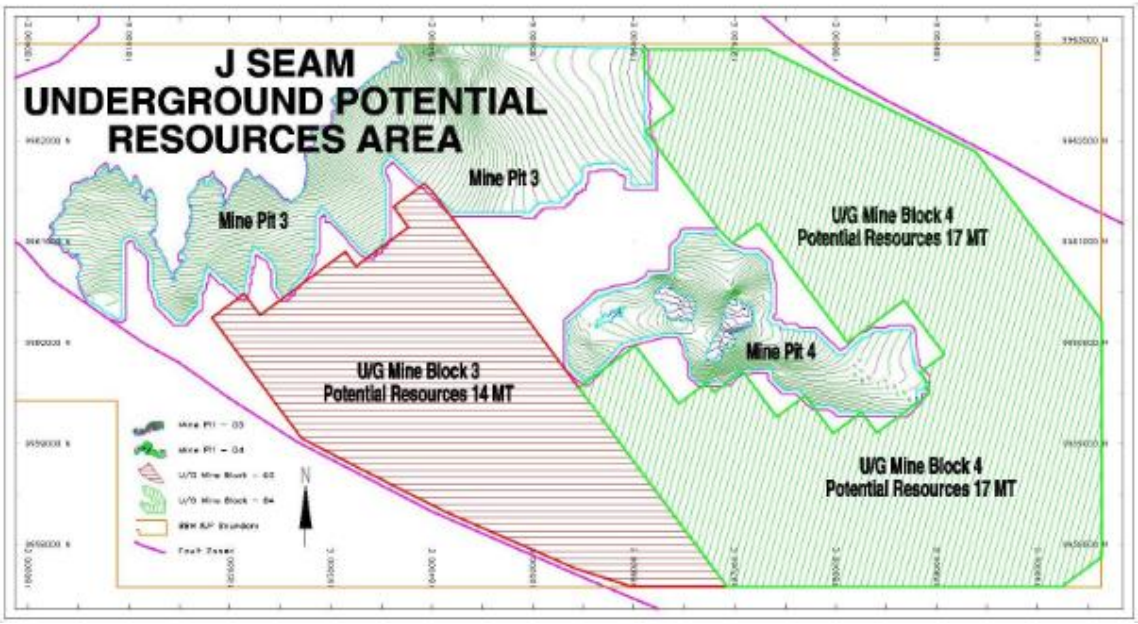


Figure 2:



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.

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MINING ACTIVITY

A review of the Definitive Feasibility Study (DFS) was continued with regard to current fuel and steel prices in order to maintain relevance. The results of the review of the DFS is expected in the early part of the 4th Quarter 2016,

An analysis for small scale mining operation was continued as metallurgical coal pricing continues to increase.

ENVIRONMENTAL ACTIVITY

The wet season appears to have commenced early which has led to minimal burning off and haze in this region. This early, consistent rain has meant that our revegetationn is progressing very well with both cover crops and trees and is requiring minimal maintenance and replanting of any infertile or failed areas. BBM revegetation of areas affected by exploration activity is now 100% complete. Over 15,000 seedlings have been planted along access roads and on drill sites, comprising of some 5,000 trees and some 10,000 ground cover. Storage of waste material including waste oil, oil filters, mechanical parts and other industrial waste on site is at a very low level and complies with the maximum statutory holding period of waste on site at all times.

BBP Project

No exploration activity was conducted on BBP during this period.

AAM and AAK Projects

AAM Project

Cokal completed the sale of its 75% interest in of PT Anugerah Alam Manuhing ("AMM") for US$150,000 to PT. Prime Star Indonesia, an Indonesian company which owns the tenements adjacent to AMM. Cokal considered AMM a non-core tenement located a considerable distance west of BBM and in different geological formation. The Purchaser asked for a different corporate entity to be used to from that previously reported (PT Jinantra Karya Raya).

AAK Project

Cokal has a 75% share of Anugerah Alam Katingan (AAK) projects also located in Central, Kalimantan, Indonesia. The AAK project area comprises of 5,000ha.

Applications for the Exploration Forestry Permit (IPPKH) and Clean and Clear Certificates continue to be processed.

Following official handover letter (dated 12 January 2016), AAK IUP is currently on 'on-hold' status by Provincial Police Department (Polda Kalteng). It is being decided by police following their investigations re 'AAK ownership dispute' issues. Cokal is an aggrieved party and will await the outcome of the Police investigation into a period predating Cokal's interest in the Project.

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SNR and KNR Project

Applications for the Exploration Forestry Permit (IPPKH) and Clean and Clear Certificate continue to be processed. In September 2016, Cokal sold 75% of ownership in both PT Silangkop Nusa Raya ("SNR") and PT Ketungau Nusa Raya ("KNR") for US$120,000 to PT Prime Star Indonesia, an Indonesian company which previously acquired AAM. Cokal considered SNR and KNR as non-core tenements as they are located a considerable distance in West Kalimantan. The sale process is in progress.

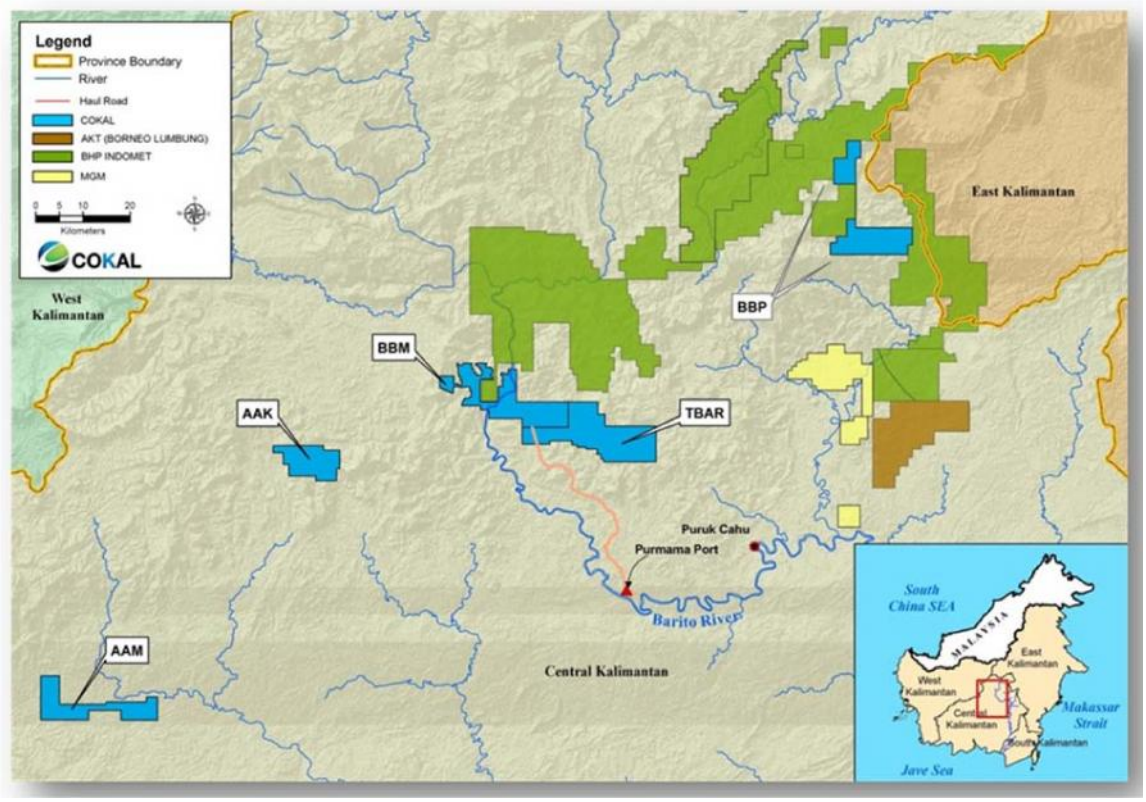

Figure 1: Locality Plan of the Central Kalimantan Coal Projects on the Island of Kalimantan - Cokal's Coal concession areas are shown in blue

DISCLOSURES REQUIRED UNDER ASX LISTING RULE 5.3.3

Mining tenements held at the end of the quarter and their location

Tenement Name	Location	% Ownership
PT Anugerah Alam Katingan (AAK)	Central Kalimantan, Indonesia	75%
PT Anugerah Alam Manuhing (AAM)	Central Kalimantan, Indonesia	75%#
PT Bumi Barito Mineral (BBM)	Central Kalimantan, Indonesia	60%
PT Borneo Bara Prima (BBP)	Central Kalimantan, Indonesia	60%
PT Silangkop Nusa Raya (SNR)	West Kalimantan, Indonesia	75.2%^
PT Ketungau Nusa Raya (KNR)	West Kalimantan, Indonesia	75.2%^
PT Tambang Benua Alam Raya*	Central Kalimantan, Indonesia	75%

#Divestment Sale was completed in April 2016

**In the process of acquiring*

^Divestment Sale was completed during Quarter 3

PROJECT DEVELOPMENT

MANNING

Further reduction 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.

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.

No breathing protection / dust masks were distributed during this period due to the limited “burn-off” - and smoke hazard in our area of BBM.

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

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APPROVAL AND EXTERNAL RELATION

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.

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 Q4.

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 continued during the last quarter to progress the Exploration Forestry Permit for TBAR with the Central Kalimantan Provincial Government.

CORPORATE SOCIAL RESPONSIBILITY

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.

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Cokal has also continued its scholarship program with the selection of the new cohort of scholarship holders; Cokal has awarded scholarships to 12 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.During the next Quarter we will be providing a series of safety refreser 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. Approximately 40 participants (BOSF field personnel) will be targeted for the1st session, now scheduled for early 4th Quarter 2016. The training will be focussed on Emergency Response and First Aid, including plans for supporting First Aid kits, mainly for the BOSF monitoring station at Betikap. COKAL also committed to support BOSF on setting up their Safety Management System as required. A formal response letter from Cokal regarding COKAL commitments to this HSE support was sent to BOSF on 16 May 2016.

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 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 fulfill both of IPPKH obligations and also sharing benefits from these programs with its local neighbors.

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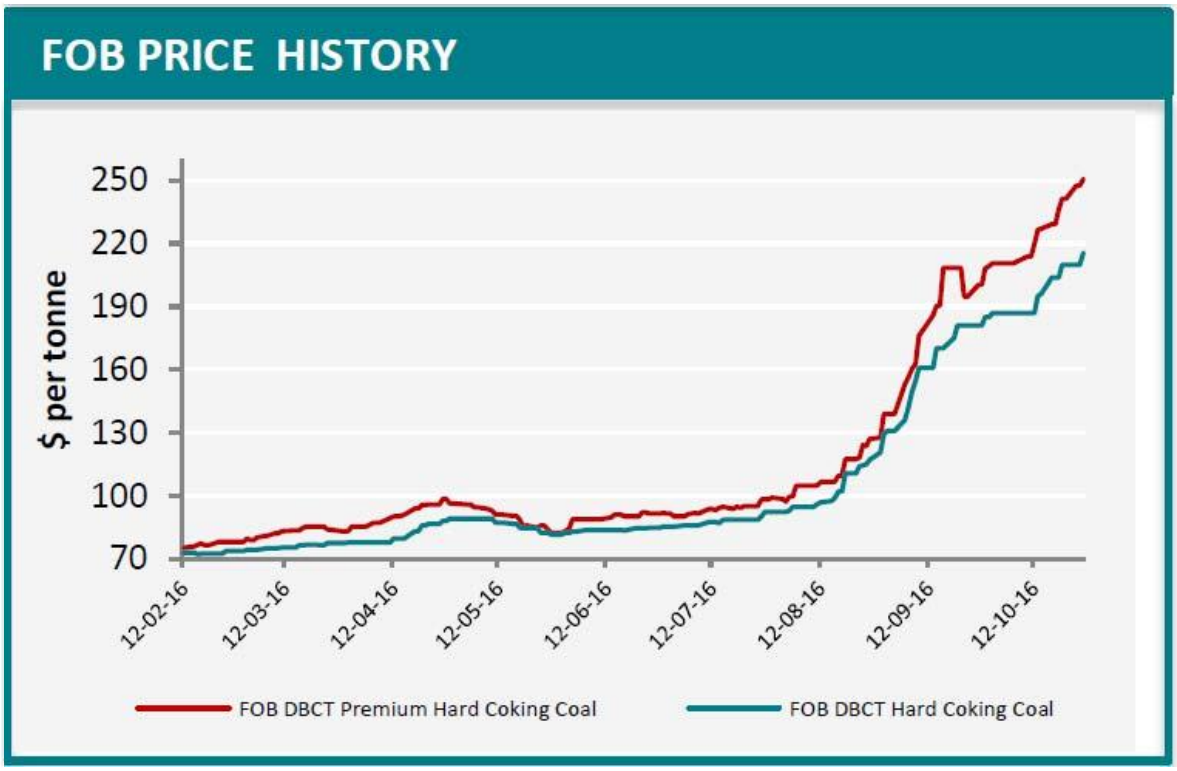
CORPORATE RELATED MATTERS

COKING COAL PRICES KEEPS MOVING UP

With spot price of coking coal continuing to rise (reaching US$250/tonne in recent days), and the quarterly contract benchmark pricing for premium coking coal recently settled at US$200/t, it is expected that the long-term pricing of coking coal will be adjusted upwards in response to this pricing fluctuations.

The spot price of PCI coal has also risen significantly from US$70/tonne last year to the current spot price of US$120/tonne.



Daily Coking Coal Prices US$/t FOB Dalrymple Bay Coal Terminal (DBCT) Central Queensland. 26th October 2016
Source : Steel First Coking Coal Index – Daily Market Report, see www.steelfirst.com

Prices have continued to rise due the restriction of supply in Australia caused by two coking coal mines which have temporarily ceased production due to unforeseen circumstances.

It has become apparent in recent weeks that this shift in the Coking Coal market has created stronger interest from not only the parties Cokal is already engaged with, but also from new enquiries. The Board remains open to other proposals and will actively evaluate and assess them as they arise including a combination of the above funding strategies to provide the best result for shareholders.

Cokal Chairman Peter Lynch said "The outcome of the quarterly contract pricing was better than expected and helps to ensure a very positive outcome to BBM's net worth."

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Issue of Options to Platinum Partners

On the 7th of April, Cokal Limited announced that it will grant to a fund managed by Platinum Partners, 50 million options with an exercise price of A$0.05 and an exercise period of 4 years from the date of grant for its past forbearance in not calling a bridging loan extended on 30 January 2015 which was due for repayment on 6 August 2015. The grant of the options is subject to shareholder approval on or before the next annual general meeting.

This arrangement and these options have been superseded by the Debt Restructuring arrangement (see details below) and have therefore not been issued.

Debt Restructuring – Conversion of Loan to Platinum Partners to a Royalty Arrangement

Cokal Limited announced that it had reached agreement with Platinum Partners Value Arbitrage Fund, LP ("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.

The agreed conversion terms and conditions are as follows:

- 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 amount paid on the royalty at that time
- Cokal will do what is legally possible to attach the royalty directly to the tenement asset (IUP 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 advise
- 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 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 grantimg of the options

All formal agreements and documents are currently being prepared to give effect to the above. On completion, the loan owing to Platinum Group will be fully discharged and Cokal will be loan free.

Capital Raising for Working Capital

On 22nd July 2016, in a separate transaction and unrelated to Platinum, Cokal has made a private placement to Ramonie Capital Ltd and its associates. The Company will issue 75 million fully paid ordinary shares in Cokal Ltd at price of AUD 0.016 per share, raising AUD 1,200,000. There is no fees payable by Cokal in relation to the placement. On issue, the placement shares will rank equally with all other ordinary shares then on issue. The funds raised will provide working capital for the Company to continue to develop funding opportunities for its Indonesian projects.

For further details on the subsequent events, please refer to ASX announcement 22 July 2016: Debt Restructure and Capital Raising.

With the outstanding debt to Platinum Partners and associates converted to a royalty, the Company is now well placed to re-engage with parties which were interested in funding transactions to take the BBM project into production. As well as the ability of any new investment to be applied totally to taking BBM into production recent increases in coking coal prices gives the directors greater confidence on achieving an outcome which will allow the generation of cashflow in the medium term future.

Group Re-organisation to Jakarta Continues

Cokal Limited announced that as part of the refocusing of the group on the core Indonesian assets, the transfer of the management and administration functions to Indonesia is substantially complete. This has already led to icreased efficiencies although Cokal is experiencing some expected minor “bedding in“which will be settled in the early part of Q4 However these issues will not affect the groups overall cost structure or effeciencies.

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Board and Management

Since March 2016 all Directors and the CEO, while continuing to work both in full-time and part-time basis, have done so without remuneration.

Mr. Lynch will remain as Non-Executive Chairman focusing more on the strategic direction of the Company and its development, and the ongoing discussions on project financing.

For the time being, the Directors and Chairman will continue to devote whatever time is required for the financing alternatives and to fulfill their roles, without receiving any remuneration. These changes will deliver increased efficiencies to the group while at the same time lowering the group's overall cost structure.

SUBSEQUENT EVENTS

None noted.

ENDS

Further enquiries:

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About Cokal Limited

Cokal Limited (ASX:CKA) is an Australian listed company with the objective of becoming a metallurgical coal producer with a global presence. Cokal has interests in four projects in Central Kalimantan and one project (which holds three exploration licences) in West Kalimantan, Indonesia considered prospective for metallurgical coal.

Forward Looking Statements

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

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

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

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

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

Competent Person Statement

The 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".