

ASX ANNOUNCEMENT / MEDIA RELEASE

19 March 2021

Cokal Finalises a Further Two Contracts for Mining Related Services at BBM**Key Highlights**

- **Coal transportation and equipment rental contracts finalised with HPU**
- **Cokal has now finalised three contracts to provide contract mining services for the development of mining operations at BBM**
- **Many of the upfront capital costs in mine development are incorporated in the operating costs negotiated within the contracts**

Cokal Limited (ASX:CKA, “**Cokal**” or the “**Company**”) references its announcement of 9 November 2020 (the “**Announcement**”), which disclosed that the Company had selected PT. Harmoni Panca Utama (“**HPU**”) as the preferred contract mining services provider for the development and mining of Cokal’s Bumi Barito Mineral (“**BBM**”) coal development project. On 2 February 2021 an overburden contract was signed with HPU and now the coal transportation and equipment rental contracts have also been signed.

The total cost of the coal transportation and equipment rental contracts will vary with the coal selling price but are of the order of US\$373 million over five years which will be funded from the proceeds of the sale of coal. Working capital will be funded from the US\$20 million provided under the agreement with China Railway Corporation subsidiary China Railway 21st Bureau Group International Engineering Co Ltd (CR) in joint venture with Beijing Fidick International Trading Co Ltd (CR-BF JV) (refer ASX releases dated 14 October 2020 and 19 December 2020).

Cokal has secured agreement from HPU to incorporate many up front capital development costs within the mining unit rates. Even with this inclusion, the rates remain competitive in the current market.

The fuel supply contract and drill and blast contract are both under final negotiation. In addition, the long haul contract for coal transportation from the mine site to the barge loading at Bumban has essentially been agreed. However costs will only be finalised when the preferred contractor can travel over the road that is currently being developed into the mine. This is expected to be in May this year.

Cokal is endeavouring to commence development of BBM as soon as practicable and is working with HPU on the necessary operational and logistical matters, in particular the details of mine site facilities to be developed. HPU will mobilise as soon as road access is achieved over the final 46km of the road from Bumban.

Key Contractual Terms - Coal Transportation and Equipment Rental Contracts

SERVICES	<ul style="list-style-type: none"> ▪ Coal haulage to near pit ROM stockpiles and associated services, including project management, mine planning, surveying, supervision, site security, materials, equipment, equipment maintenance, labour, transportation, medical services, consumables and site infrastructure. ▪ All work performed by HPU shall be in accordance with Indonesian regulations, including mining; environmental; and occupational, health & safety. ▪ Cokal has the option to increase / decrease monthly haulage/production volumes by up to 25% (greater than 25%), upon providing HPU with six-months (twelve-months) written notice and conditional upon there being at least 24 months remaining on the Agreement. ▪ HPU shall provide Cokal with daily, weekly, and monthly reports on its performance.
START DATE	<ul style="list-style-type: none"> ▪ Within 90 days of Cokal's notification to HPU.
TERM	<ul style="list-style-type: none"> ▪ 5 years from start date.
CKA PAYMENT OBLIGATIONS	<ul style="list-style-type: none"> ▪ Cokal's payment obligations under the contracts will be funded from existing committed debt facilities, anticipated earnings from commencement of coal production, and cash reserves: <ol style="list-style-type: none"> i. Cokal will initiate drawdown of the US\$20m debt finance facility that has been committed to Cokal (please refer to Cokal's announcements of 14 October 2020 and 29 December 2020.) ii. Furthermore, the agreement with HPU facilitates the production of coal, and therefore the generation of revenue, from Cokal's BBM coking coal mine. Cokal will meet its payment obligations under the contract with HPU through the sale of coal produced by way of the contract. ▪ Cokal will effect payment to HPU monthly in arrears. Cokal has a period of 45 days after the receipt of HPU's month-end invoice to finalise payment of HPU's invoice. ▪ At the commencement of the contracts, Cokal is required to issue a Bank Guarantee in favour of HPU, in an amount equivalent to two months of operations.
DEFAULT & TERMINATION	<ul style="list-style-type: none"> ▪ Cokal has the right to terminate these contracts in the event HPU commits a material breach of the agreements. Prior to termination, HPU will be afforded 60-days to rectify a breach. ▪ A material breach will also be deemed to have occurred if HPU fails to achieve monthly production targets by 25% or more for two consecutive months or three months out of any six consecutive months.

	<ul style="list-style-type: none">▪ In the event of termination due to non-performance, HPU shall continue to perform the services until Cokal has appointed replacement service providers.▪ The contracts may be terminated prior to expiry by either Party giving written notice.▪ The contracts contains market standard Force Majeure provisions. <p>Each of the HPU agreements (overburden mining services, coal transportation and equipment rental, together the “Mining Services Agreements”) are contingent upon the continued existence and operation of each agreement. Upon expiry or earlier termination of any of the Mining Services Agreements, each of the Mining Services Agreements shall automatically be terminated at the same time.</p>
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About the BBM Project

BBM is Cokal’s most advanced project – a high quality metallurgical coal project, located in the Central Province, Kalimantan, Indonesia with a mining lease area of 14,980ha.

About HPU

Cokal’s technical team is excited to be working with HPU, one of the largest mining services companies in Indonesia, with a high-quality management team that operates to the highest of international mining standards, including safety, environmental and community benchmarks.

HPU has capabilities across all facets of mine planning & design, mine development, and mining operations and has experience working and operating some of the largest coal mines in Indonesia.

Further details regarding HPU can be found on their company website <https://hpu-mining.com/>.

Cokal Chairman, Mr Domenic Martino said:

“Cokal is pleased to have now finalised three contracts in respect of mining at BBM. This highlights Cokal’s focus on the near-term development of the BBM Project and progresses the Company towards commencement of mining operations.”

ENDS

Further enquiries:

Domenic Martino
Non-Executive Chairman
dmartino@cokal.com

This ASX announcement was authorised for release by the Board of Cokal Limited.

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, 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 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.