

**ASX ANNOUNCEMENT / MEDIA RELEASE**  
**11 October 2017**

**Robust Production Achieved From Cokal's BBM Anak Coking Coal Mine, with Maiden Coal Sales Imminent**

**Material Near-Term Production Growth From Development of the BBM PCI Mining Area, With Additional Project Funding Secured**

**Key Points:**

- **BBM Anak (the first phase of the BBM Asset) is achieving anticipated production volumes, marking a material milestone for the Company as Cokal progresses from an exploration company to a coal producer**
- **Near-term development of the BBM PCI Project, (the second phase of the BBM Asset), increasing production of low-cost premium PCI coal by ~500Ktpa**
- **Agreement to raise up to AU\$4m in funding via a private placement convertible note, minimising equity dilution for existing shareholders, whilst Cokal undertakes development of the BBM Asset and realises the financial and operational benefits of ramping-up near-term coal production**

**Robust Production from BBM ANAK**

Cokal Limited (ASX:CKA) is pleased to advise that BBM Anak (the first phase of the BBM Asset) is achieving anticipated operational performance. Coal produced from BBM Anak is being transported to a stockpile at nearby Muara Teweh Port. The Company continues to improve the facilities at the mine site such as drainage, sediment pits, haul road, stockpile areas and loading facilities. On-going improvement of the infrastructure is one of the Company's key priorities to ensure operational efficiencies and sustainability of mining activities.

Cokal is also focussed on improving capacity at BBM Anak with the addition of four dump trucks which will be available on site by the third week of October 2017. The Company has added more barges and increased barge loading capacity (from 300 tonnes to 380 tonnes, and 500 tonnes to 580 tonnes) as Cokal gains experience and knowledge of the transport logistics and river operations. This has resulted in significant savings in operational costs given the reduction in barging costs.

Cokal is in the process of establishing a local market for the Company's premium PCI coal product and is in advanced negotiations with several local parties for the sale of the first stockpile of approximately 7,000 tonnes. The Company has taken appropriate steps to

---

properly showcase the properties of the premium PCI coal product and has been careful to ensure its sale price will reflect its quality and uses.

“Initially we would expect realised coal prices for the first few sales to receive a modest discount to international seaborne prices, due to local market conditions and as buyers become familiar with Cokal’s premium PCI coal properties, and test the coal’s applications.” Mr Martino said.

Cokal expects the coal price realised on future sales to increase significantly, particularly as the Company is in the process of obtaining an export licence enabling coal to be sold into international markets including Japan and China, where discussions with key customers continue.

Cokal Chairman Domenic Martino described the successful transition from an exploration company to a coal producer as a watershed moment for Cokal.

“With the successful operations and production from BBM, Cokal is very pleased that our strategic objectives have been validated, realising the dream of company founder, the late Peter Lynch, who is greatly missed,” Mr Martino said.

“Cokal is building a strong export metallurgical coal business and we are able to do this with minimal capital to kick start the business at a time when the global outlook for coal is indicating strong demand, particularly in the Asian region,” Mr Martino said.

### **BBM PCI Development**

Cokal is focussed on its next phase of growth and continues to advance the development of the BBM PCI mining area.

Site activities at BBM Anak have significantly contributed to the development works of Cokal’s BBM PCI project which remains a strong focus for the Company.

“Once we get the BBM PCI project on line, production is expected to increase by 500Ktpa and will be sold to overseas buyers,” Mr Martino said. This is in accordance with the forecasts provided in Cokal’s announcement of 1 August 2017.

---

## Additional Funding Secured

Whilst cash flows from BBM Anak coal sales are anticipated to be sufficient for Cokal to fund BBM PCI development costs, the Cokal Board of Directors have made a prudent and conservative decision to raise additional capital. Cokal has entered into an agreement to raise up to AU\$4m in funding for protection against contingencies and to ensure the development of BBM PCI is able to be completed on time by December 2017 / January 2018, thereby securing near-term cash flow for Cokal.

Cokal has entered into a Convertible Note Agreement with New York based MEF I, L.P. (“**Magna**”), whereby Cokal will raise up to AU\$4m through the issue of Convertible Notes (the “**Notes**”) in three tranches.

Funds raised will be available for development of BBM PCI, general working capital and corporate purposes.

The Directors of Cokal believe that the Notes represent an attractive funding solution for Cokal, minimising equity dilution for existing shareholders, whilst Cokal undertakes development of the BBM Asset and realises the financial and operational benefits of ramping-up near-term coal production.

The issue of the Convertible Notes will be made using the Company’s current capacity available under Listing Rule 7.1<sup>1</sup>.

Please refer to Appendix 1 for additional details of the Key Terms of the Convertible Notes.

## Financial Advisor

Indian Ocean Capital is the financial advisor to Cokal and sole placement agent. Please direct enquiries in regards to this capital raising to Cokal, or to Indian Ocean Capital, using the contact details below.

Indian Ocean Capital is a related party of Mr Domenic Martino and will receive a fee based on standard commercial rates as follows:

- Transaction fee – 5% of funds raised; and
- Management fee – 1% of funds raised;

---

<sup>1</sup> Based on the most recent Cokal share prices and volumes



**Unloading Coal at Muara Teweh ISP**



**Coal Stockpile at Muara Teweh ISP**



**BBM Anak Open Pit Operation**



**Cleaning the Coal Seam Roof**



**Cokal's PCI Coal from BBM Anak Mine**

**ENDS**

**For further information, please contact:**

**Domenic Martino**  
Non-executive Chairman  
Cokal Limited  
P: +612 9241 4224  
E: [dmartino@cokal.com.au](mailto:dmartino@cokal.com.au)

**James Notaras**  
CEO  
Indian Ocean Capital  
P: +61 2 8823 3178  
E: [james@indianoceancapital.com](mailto:james@indianoceancapital.com)

## Appendix 1: Key Terms of the Convertible Note

<b>Investor</b>	<ul style="list-style-type: none"> <li>▪ MEF I, L.P.</li> </ul>
<b>Securities</b>	<ul style="list-style-type: none"> <li>▪ Convertible Notes (the “Notes”) with a Face Value equal to US\$1.10 per note <ul style="list-style-type: none"> <li>- The Notes will not be listed on the ASX</li> <li>- The Notes will not have any voting or dividend rights</li> </ul> </li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>▪ 12 Months from date of issue</li> </ul>
<b>Coupon</b>	<ul style="list-style-type: none"> <li>▪ Zero-coupon</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>▪ Unsecured</li> </ul>
<b>Transferability</b>	<ul style="list-style-type: none"> <li>▪ Transferable by the Investor with the written consent of Cokal</li> </ul>
<b>Funding Schedule</b>	<ul style="list-style-type: none"> <li>▪ Funding available over three tranches. Cokal has the option to issue the Notes according to the following schedule: <ol style="list-style-type: none"> <li>a) Tranche A: AU\$2,000,000 at or around the time of announcement</li> <li>b) Tranche B: AU\$1,000,000 60 days after Tranche A</li> <li>c) Tranche C: AU\$1,000,000 90 days after Tranche A</li> </ol> </li> <li>▪ Contingent on certain conditions being met</li> </ul>
<b>Conversion</b>	<ul style="list-style-type: none"> <li>▪ Convertible at any time at the lesser of: <ol style="list-style-type: none"> <li>a) AU\$0.10 per share; or</li> <li>b) b) a 10% discount from the average of the lowest four daily VWAPs in the ten trading days prior to conversion</li> </ol> </li> </ul>
<b>Commitment Fee</b>	<ul style="list-style-type: none"> <li>▪ 1,000,000 shares upon funding Tranche B</li> <li>▪ 1,000,000 shares upon funding Tranche C</li> </ul>
<b>Options</b>	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
<b>Investor Restrictions</b>	<ul style="list-style-type: none"> <li>▪ Daily limit on the Investor selling more than the greater of a) 15% of the daily trading volume, or b) AU\$15,000</li> <li>▪ Investor Restrictions removed if a) daily VWAP is less than AU\$0.03/share for five consecutive trading days; or b) Any default provision has been met</li> </ul>

<b>Redemption</b>	<ul style="list-style-type: none"> <li>▪ Notes are redeemable at a 110% premium to face value for the first 180 days, and at 115% premium thereafter</li> <li>▪ Unless converted by the Investor, the Face Value of the Notes will be automatically redeemed at Maturity</li> <li>▪ Upon notice from the Company to Investor of the option to repay, the Investor will not convert the notes for 24 hours.</li> </ul>
<b>Opt Out Clauses</b>	<ul style="list-style-type: none"> <li>▪ The Investor to opt out of any subsequent investments due to any of the following: <ul style="list-style-type: none"> <li>- Average daily volume over any consecutive 10 day trading period falls below AU\$10,000</li> <li>- The share price falls below AU\$0.03 for any five consecutive trading days</li> <li>- Any adverse material changes occur within the Company</li> <li>- The Company fails to report any annual or quarterly reports as required by the ASX Listing Rules</li> <li>- The Company is in default of the Agreement.</li> </ul> </li> </ul>
<b>Shareholder Approval</b>	<ul style="list-style-type: none"> <li>▪ If necessary, the Company must seek shareholder approval and/or file prospectus in order to issue Shares pursuant to this facility.</li> </ul>
<b>Currency</b>	<ul style="list-style-type: none"> <li>▪ All notes shall be held in USD</li> </ul>
<b>Short Restrictions</b>	<ul style="list-style-type: none"> <li>▪ Investor will not sell any Conversion shares without submitting a conversion notice to the Company.</li> </ul>
<b>Anti-Dilution</b>	<ul style="list-style-type: none"> <li>▪ If the company issues shares below the fixed conversion price, the investor's fixed conversion price will be adjusted down using the formula:</li> <li>▪ <math display="block">X_1 = X_0 \times \frac{(SO + V \div P)}{(SO + SI)}</math></li> <li>▪ <i>Where:</i></li> <li>▪ <math>X_1</math> = adjusted fixed conversion price</li> <li>▪ <math>X_0</math> = initial fixed conversion price</li> <li>▪ SO = Shares out prior to issuance</li> <li>▪ SI = Shares issued</li> <li>▪ V = Amount raised</li> <li>▪ P = Share price prior to issuance</li> </ul>

---

## **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 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 Reserve estimate announced on 1 August 2017 is based on information compiled by Robert de Jongh who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of ASEAMCO Pty Ltd. Mr de Jongh is a qualified mining engineer 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 Coal Resource estimate was announced on 29 April 2016, 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 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”.