



ASX ANNOUNCEMENT / MEDIA RELEASE
11 December 2017

Coal Offtake Finance Letter of Intent & Maiden Sale of 10,000 tonnes of Coal

Highlights:

- Terms negotiated to provide 2.5 million tonnes of coal through an offtake agreement. Cokal to potentially receive three months' coal sales in advance, providing pre-sale funding
- Sale of 10,000 tonnes of BBM Anak coal at USD96.60 per tonne
- Final two tranches under Magna Convertible Note Agreement not to be drawn

International coal group **Cokal Limited** (ASX:CKA, "Cokal" or "the Company") is pleased to announce terms negotiated for coal off-take and its maiden sale from BBM Anak.

LETTER OF INTENT FOR COAL OFF-TAKE AGREEMENT

In September 2017 Cokal received a Letter of Intent for a Coal Offtake Financing transaction (the "LOI") from Renjian International Trading (Shanghai) Co. Ltd ("Renjian"). As a result of this LOI there has been detailed negotiations between Cokal and Renjian (the "Parties"), with commercial terms now substantially agreed and both Parties proceeding with binding documentation prior to year-end.

Renjian International Trading (Shanghai) Co. Ltd ("Renjian") is a subsidiary of Shanghai Listed Antong Holding (600179). Antong Holding had a market capitalisation of RMB26.24 billion on the 6th December 2017 (circa AUD5 billion). Antong Holdings Co. Ltd., formerly Heilongjiang Heihua Co. Ltd., is a China-based company principally engaged in the freight transportation business and the provision of freight forwarding agent, warehousing, logistics and ship management services. The Renjian subsidiary business is mainly commodities trading.

Under the terms agreed, Cokal will supply Renjian with a total of 2.5 million tonnes of ULV PCI coal from the BBM PCI mining area ("BBM PCI"), which is currently being developed (announcements 4th May 2017 and 24th May 2017). The coal will be supplied in shipments of 50,000 tonnes per month. The total value of this coal off-take is approximately A\$400 million^a over the term. This total value includes an estimate of a

^a Assumes a realised coal price of US\$126 per tonne for Cokal's ULV PCI coal. Cokal's realised coal price is calculated with reference to the Australian spot LV PCI coal price, FOB Queensland, adjusted for quality and freight differentials, with a minor discount applied

discount to the Index Price that will be provided to Renjian (the exact amount of which is to be agreed) in consideration for providing pre-payment amounts. Renjian will pay Cokal monthly in advance for each shipment, with each payment to be three months prior to the shipment date.

The basic terms of the proposed coal offtake are:

- 1) Coal quality and specifications. Cokal has supplied Renjian with coal quality specifications for the BBM PCI coal and Renjian have received a 50kg sample in China for their own testing and confirmation. Going forward the quality of the coal will be independently inspected, sampled, prepared and analysed at the loading port and anchorage port by an appointed Independent surveyor in accordance with the relevant ISO standards;
- 2) Price is in USD per tonne on an FOB basis using an appropriate international Index Price such as Platts. The Index Price will then be adjusted in order to calculate the price to be used in the coal sales between Cokal and Renjian (the “**Coal Sales Price**”), with the adjustments made to reflect:
 - i. the Coal quality and specifications delivered by Cokal, using the methodologies published by the provider of the Index Price;
 - ii. freight differentials;
 - iii. a discount (to be agreed) provided to Renjian in consideration for providing the pre-payment amounts.
- 3) Security will consist of 3 components:
 - i. Cokal’s shares in BBM Singapore;
 - ii. Corporate guarantee from Cokal;
 - iii. Cokal could issue shares up to 10% of its capital for a portion of the debt, subject to shareholder approval.

In the event this security is capable of being exercised the Company will enter into negotiations on appropriate penalties to remedy any shortfall either by supplying further future production or price discounts on future production as an alternative to exercise of the security.

Cokal will receive funding equivalent to three months (150,000 tonnes) of coal sales, totalling approximately A\$25,000,000^b (the “**Initial Prepayment**”), to be repaid by Cokal via the delivery of ULV PCI coal. The Initial Prepayment will be split over three monthly tranches, with the first tranche to be received by Cokal by 27 December 2017, resulting in the maiden 50,000 tonne shipment due three months later in March 2018. During the term, Cokal shall deliver a shipment of coal per month, each weighing 50,000 tonnes, +/- 10% at Cokal’s option. For March 2018 and April 2018, the variance can be +/- 50% at Cokal’s option.

The coal offtake conditions precedent are limited to confirmatory due diligence and execution of formal transaction documentation prior to 20 December 2017, allowing the first tranche of the Initial Prepayment to be received by Cokal by 27 December 2017. In addition, Cokal continues to negotiate the discount Renjian will receive to the Index Price for providing the pre-sale. The coal offtake proposal is non-binding and conditional in nature and may or may not result in a transaction that is acceptable to the Company. Should the transaction not complete, Cokal will need to raise between A\$2,000,000 and A\$3,000,000 to complete the BBM PCI construction and enter into delayed payment arrangements with the preferred contractor, similar to the arrangements entered into with the contractors for BBM Anak, in order to complete BBM PCI construction.

Cokal intends to utilize the funding to provide working capital and for the commissioning and ramp-up of mining operations at the BBM PCI site, which is an extension of the BBM Anak operation. Additionally,

^b Assumes a realised coal price of US\$126 per tonne for Cokal’s ULV PCI coal. Cokal’s realised coal price is calculated with reference to the Australian spot LV PCI coal price, FOB Queensland, adjusted for quality and freight differentials, with a minor discount applied

some funds will be used to further advance the larger BBM Coking Coal Project, as well as the exploration and development of TBAR. Currently production is underway at BBM Anak. The coal at BBM Anak is from the same coal seams as BBM PCI so that Cokal has the option of fulfilling the early months' supply partly from BBM Anak.

The mine plan in Appendix A comprises both BBM Anak and BBM PCI project areas. BBM Anak current mine represents a small portion of POL 1. The remainder of POL 1 through to POL 6 comprise the BBM PCI mine. Principally BBM PCI is an extension and upgrade of BBM Anak.

Construction of the BBM PCI site is expected to be completed within three months, and is designed to improve the efficiency of extraction, loading and barging of the coal (see Appendix B for construction and mining details). Cokal has held discussions with 5 major mining contractors regarding the PCI operation and will appoint one of these to accelerate the removal of overburden and build a substantial coal stockpile. The haul road and stockpile will be upgraded to all-weather status to ensure the delivery of 50,000tpm to the barge loading stockpile. Cokal will install barge-loading conveyors at the mine site stockpile as well as the Intermediate Stockpile (ISP) further downstream on the Barito River to improve the efficiency of loading barges. At the ISP, larger ocean-going barges will be loaded to take the PCI coal out to sea to be loaded onto the mother vessel via floating cranes.

The BBM PCI mine plan was incorporated in the Definitive Feasibility Study (announcements 13th February 2013 and 2nd November 2016) and the recently completed Coal Reserve report (announcement 1st August 2017) estimated in accordance with the JORC Code (2012 version). Because of its proximity to the Barito River, Cokal has decided to construct the PCI mine without the requirement of the 58km haul road to the Purnama Port as originally planned. This modification was achieved by the use of smaller (<1,000 tonne) barges to take the coal directly from the BBM tenement, which is dissected by the Barito River.

In summary the BBM PCI mining site is an extension and upgrade of the BBM Anak mining site and the BBM PCI mining pit will utilise the existing BBM Anak infrastructure. The main requirements to commence production at the BBM PCI site are the rehabilitation and all-weather upgrade of an existing 7 kilometre road to allow haulage of 50,000 tpm and the installation of conveyor belt coal loading equipment at the BBM Anak port and the ISP.

MAIDEN SALE FOR BBM ANAK COAL

Cokal Limited is also pleased to announce that it has completed its first coal sale from its BBM Anak site in Central Kalimantan.

BBM Anak commenced production in August this year (announcements 23rd August and 11th October 2017) and aims to produce up to 10,000 tonnes per month of high calorific value, low-volatility PCI coal to be initially sold to local buyers on a stockpile basis.

Cokal chairman Domenic Martino described the first coal sale from the BBM asset as watershed development for Cokal, marking the successful transition from an exploration company to coal producer.

"We are very pleased to announce this significant milestone for Cokal Limited which validates our strategic objectives, and realises the dream of company founder, the late Peter Lynch, who is greatly missed," Mr Martino said.

"Peter and co-founder Pat Hanna had always had strong ambitions to develop a new coal mine from scratch which is extremely difficult to do in Australia, thus choosing to focus on Indonesia.

It has taken a lot of hard work and plenty of setbacks along the way, however it is a very rewarding milestone to be now operating a fully-approved low-capex coal mine of high quality metallurgical coal."

Coal from the BBM Anak site has been transported by barge down the Barito River to an intermediate stockpile nearby Muara Teweh city. The coal has been sold to a local coal producer who will use it to blend with their lower quality coals.

“Initially we would expect prices for the first few sales to be lower as buyers test the coal in their coal blends and local mineral processing mills. However Cokal’s marketing team is confident of a significant increase in prices for future sales,” Mr Martino said.

CONVERTIBLE NOTES

Cokal has decided not to draw down the second and third tranches of the Magna Convertible Note (announcement 11th October 2017), totalling A\$2million, which will now lapse.

ENDS

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About Cokal Limited

Cokal (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 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 Reserve estimate announced on 1st 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 29th 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”.

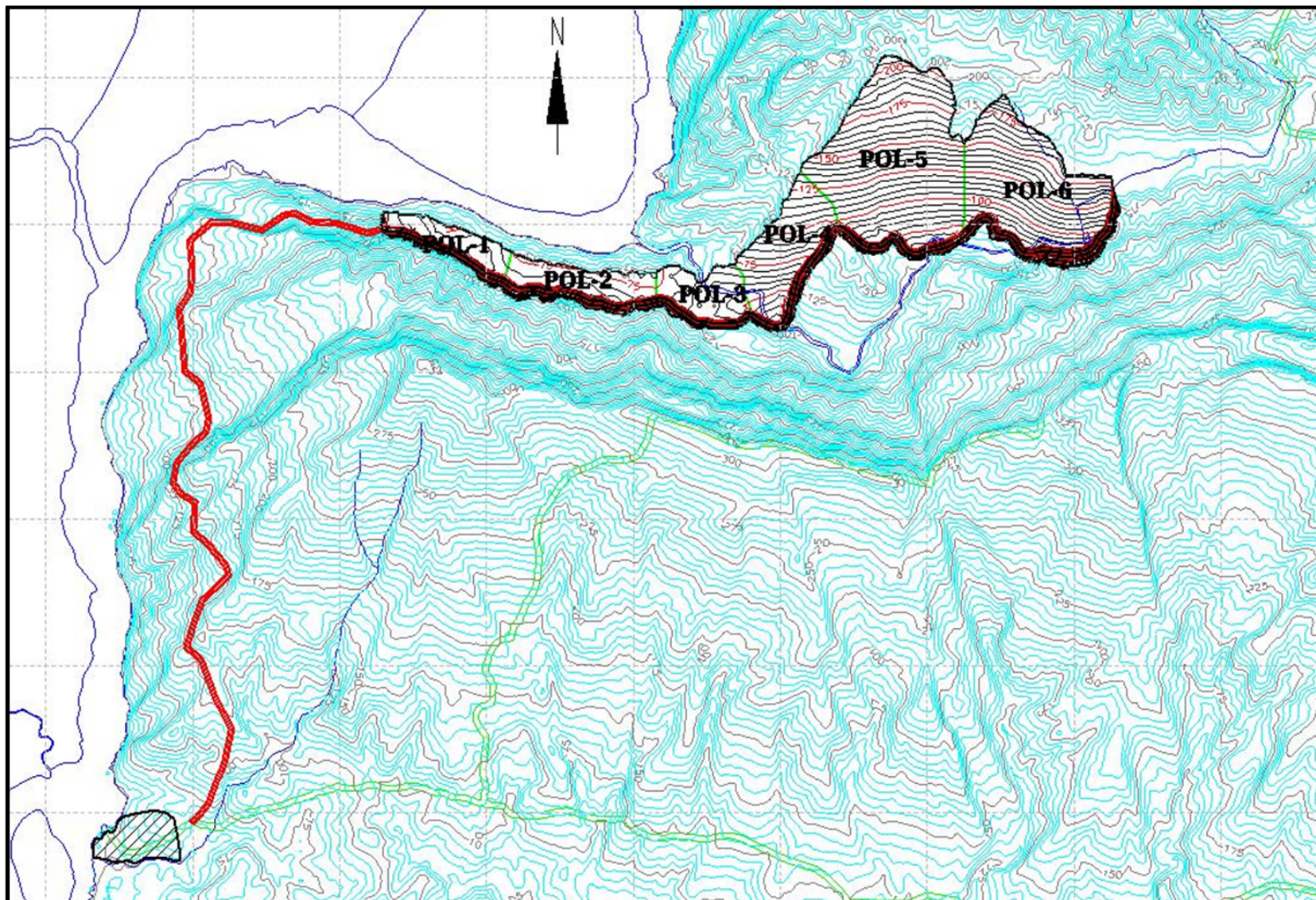
The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 29 April 2016 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 29 April 2016 continue 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”.

Appendix A

BBM PCI Mine Plan

BBM PCI PROJECT



Pit 2 from BFS and JORC Reserves Report

BBM PCI MINE PLAN^c

COMPOSITE	POLYGON	SEAM	THICK	AREA (M2)	TONNES	WASTE (M3)	S/R	RD	IM	AS	VM	FC	TS	CV	P	CS			
COMPOSITE-A1	COMPOSITE-A2	1	D	1.35		52,616	699,810		1.32	3.52	1.97	10.99	83.43	0.50	7,811	0.0019	0.01		
			C	1.01		44,503	133,164		1.38	1.49	4.67	6.79	86.92	0.46	8,189	0.0018	0.17		
			B	0.73		27,215	41,887		1.32	2.91	2.10	9.09	85.78	0.55	8,003	0.0058	0.02		
		SUB-TOTAL-1		3.09	48,445	124,334	874,861	7.04	1.34	2.66	2.96	9.07	85.19	0.50	7,988	0.0027	0.07		
		2	D	1.26		70,552	1,175,446		1.37	2.23	4.26	8.68	84.83	0.46	8,047	0.0026	0.02		
			C	1.31		79,211	149,498		1.38	1.39	4.45	7.29	86.84	0.47	8,248	0.0012	0.07		
			B	0.89		49,167	72,439		1.34	6.24	3.92	16.39	73.35	0.53	6,910	0.0289	0.02		
		SUB-TOTAL-2		3.46	66,758	198,930	1,397,383	7.02	1.37	2.89	4.25	10.03	82.79	0.48	7,846	0.0085	0.04		
		3	D	1.32		68,198	756,159		1.35	2.01	3.21	9.54	85.43	0.47	8,134	0.0010	0.05		
			C	1.23		69,305	162,204		1.32	1.25	2.20	9.38	87.14	0.46	8,398	0.0025	0.04		
			B	0.91		45,307	72,410		1.33	3.93	2.92	13.04	79.87	0.52	7,616	0.0130	0.05		
		SUB-TOTAL-3		3.46	54,703	182,810	990,773	5.42	1.33	2.20	2.76	10.35	84.70	0.48	8,106	0.0046	0.05		
		4	D	1.46		143,202	2,402,677		1.32	2.33	1.85	11.26	84.65	0.48	8,107	0.0011	0.01		
			C	1.26		134,073	357,439		1.32	1.96	2.51	10.74	84.79	0.43	8,178	0.0012	0.07		
			B	0.80		83,737	115,116		1.33	2.19	2.45	10.74	84.44	0.50	8,133	0.0017	0.01		
		SUB-TOTAL-4		3.52	99,731	361,012	2,875,232	7.96	1.32	2.16	2.23	10.95	84.65	0.47	8,139	0.0013	0.03		
		5	D	1.32		303,598	4,750,737		1.32	1.45	2.45	12.41	83.76	0.42	8,272	0.0010	0.02		
			C	1.26		365,370	900,453		1.33	1.49	3.15	11.66	83.69	0.44	8,237	0.0016	0.26		
			B	1.01		313,572	350,945		1.33	2.67	4.11	13.53	79.69	0.41	7,796	0.0020	0.04		
		SUB-TOTAL-5		3.59	263,543	982,540	6,002,135	6.11	1.33	1.85	3.24	12.49	82.44	0.42	8,107	0.0015	0.12		
				6	D	1.35		250,576	4,439,555		1.32	1.66	1.76	14.40	82.22	0.39	8,256	0.0017	0.16
					C	1.20		246,278	980,706		1.34	1.62	4.56	12.96	80.88	0.42	8,039	0.0040	0.52
					B	1.15		233,715	365,288		1.34	1.48	4.11	12.14	82.27	0.46	8,167	0.0026	0.06
				SUB-TOTAL-6		3.70	194,571	730,569	5,785,549	7.92	1.33	1.59	3.46	13.19	81.78	0.42	8,154	0.0027	0.25
				TOTAL-A1		3.38	269,637	867,086	6,138,249	7.08	1.34	2.41	2.91	10.34	84.31	0.48	8,043	0.0038	0.04
				TOTAL-A2		3.42	533,180	1,849,626	12,140,384	6.56	1.33	2.11	3.09	11.48	83.32	0.45	8,077	0.0026	0.08
		TOTAL		3.47	727,751	2,580,195	17,925,933	6.95	1.33	1.96	3.19	11.97	82.88	0.44	8,099	0.0027	0.13		

Legend

S/R = Strip Ratio (BCM/tonne)	IM = Inherent Moisture (%)	VM = Volatile Matter (%)	TS = Total Sulphur (%)	P = Phosphorous (%)
RD = Relative Density g/cm	AS = Ash (%)	FC = Fixed Carbon (%)	CV = Calorific Value (VCal/kg)	CS = Crucible Swell Index

^c Refer 1 August 2017 Announcement for details

Appendix B

Details of Construction and Operation of BBM PCI Mine

Reserves and Pit Design

Mining of this deposit will occur from the subcrop and proceed in slices taken along strike with each strip having a greater depth of overburden. The lateral limits of the seams are well-defined and the seam dips within each area are relatively constant.

The final limits for the pit design were determined using pit optimisation. For the pit optimisation only those Resources that have been classified as Measured or Indicated were given a sale value.

The Reserves for lower sale prices were estimated using the intermediate pit optimisations as a guide to the economic limit for each sale price.

Description of Mining Method

Mining will occur by removal of overburden in strips and uncovering the coal below. Waste removal is a major cost in open cut coal mining, particularly in this project where, because of the relatively high value of the coal, the volume of waste which can be economically removed for each tonne of coal can also be quite high.

Mining in this pit will progress from the subcrop of the basal seam to the economic limit of mining on the highwall side in a single pass for each block. Since access is available from both the top and bottom of the pit, an in-pit permanent ramp system will not be required. Instead access to each bench will be obtained via a series of in-pit temporary ramps which will move along strike from east to west with the development of each pit. To allow sufficient working room for these benches each block will be 200m long and extend from the original topography to the final highwall. The position of the final highwall is at an average strip ratio of 7:1bcm/tonne, which has been determined by financial analysis taking into account the costs and sale prices.

It will be possible to mine Pit 2 in more than one strip because there is sufficient ex-pit dump room to remove the overburden for a complete strip to access the lower strip ratio coal.

At the start of mining operations coal will be crushed and dry screened to reduce the ash content.

Geotechnical Parameters

The geotechnical parameters used in the pit design were obtained from a report titled "Geotechnical Report for BBM Mine" dated November 2012 and a supplementary memorandum dated 24 July 2017, titled "Highwall Stability", was provided by Australian Mining Engineering Consultants. This report recommended 45m benches with slopes at 75° and a 10m wide bench every 45m with a wider 30m bench at the third bench as shown in Figure 1 below.

The factor of safety for this configuration is reported to be 1.59 which is within the Indonesian Mines Dept specifications. This highwall configuration was used as the basis for subsequent opencut pit design for the BBM PCI mine.

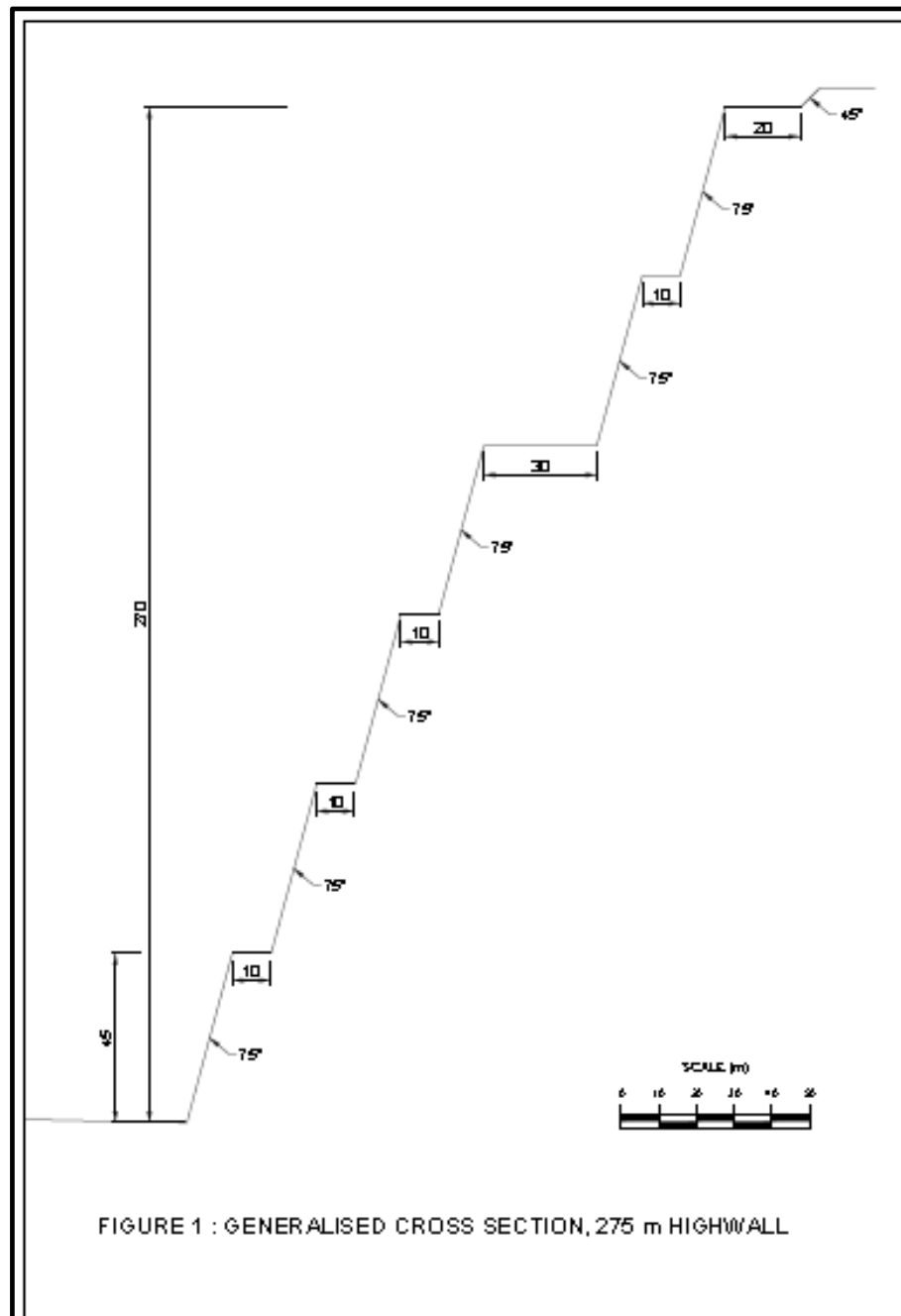


Figure 1: Geotechnical Cross-section of Bench Design

Coal Processing

Coal mined from the pits will be fed via a ROM hopper to a rotary breaker and screens located at the stockpile. The overflow from the rotary breaker will be directed to a secondary dry screen which will further reduce the ash content of the product.

This approach provides the required processing capability at the lowest staged cost.

Infrastructure

This is a brownfields project as BBN Anak has been operating since August 2017. Development of the BBM PCI project will require the following infrastructure to be upgraded.

Mine Area

In-pit crushing, offices, workshop, warehouse, fuel storage, coal preparation plant, explosives magazine, accommodation and mess facilities.

Barge Loading Stockpile

Located on the bank of the Barito River this will serve as a coal terminal as well as the main access to and from the mine area. Specific items of development include a materials handling system for receiving coal from trucks and loading to barges, landing barge ramp, fuel unloading facility with storage, offices and emergency stockpile area.

Haul Road

This will connect the Mine Area to the Barge Loading Port over a total distance of 7km and has been designed to support steady-state production haulage for 50,000tpm.

Purnama Port

This port is located downstream on the Barito River where the coal will be transferred from smaller river barges to ocean-going barges. Coal will be transferred via a land-based intermediate stockpile facility which will provide coal supply buffering to the bulk carriers at the offshore loading point. This will mitigate the impact of low river water levels upstream.

Capital Costs

It is assumed that contractors will perform all mining functions. In order to produce 50,000tpm, the following Capital items have been estimated for budgeting purposes.

Capital Item	Total US\$
Hauling Road - Upgrade	1,000,000
Crushing Plant and Screens	750,000
Settling Pond	50,000
Electricity	250,000
Fire Fighting & Water Pumps	100,000
Steel Tanks (HSD and Raw Water) - Mine area	250,000
Diesel Fuel Pumps	30,000
Contractor Package	
Mobilisation Structural, Mechanical & Piping (SMPP)	500,000
Civil & Concrete Works	100,000
Building Works	
Earthworks for site support	200,000
Magazine Facility	250,000
Office, warehouse, workshops (BBM Facilities)	400,000
Camp & Accommodation Facility	350,000
Electrical Works	200,000
Contingency	570,000
TOTAL CAPEX	5,000,000