

23 October 2019

**QUARTERLY REPORT FOR THE THREE MONTHS  
ENDING 30 SEPTEMBER 2019**

### HIGHLIGHTS

- **Preparation for Mining in BBM**
- **Mine Start in 2020**
- **Logging Road Identified as an Additional Transport Method**

### INDONESIAN COAL ASSETS

Cokal holds shares in the following Indonesian coal assets in Central Kalimantan, each with known resources of metallurgical coal:

- 60% of the Bumi Barito Mineral (BBM) project located in Central Province, Kalimantan, Indonesia. The BBM project area is 14,980ha;
- 75% of PT Tambang Benua Alam Raya (TBAR) which owns an exploration tenement covering an area of approximately 18,850ha in Central Province, Kalimantan, Indonesia. This tenement is located adjacent to and southeast of the BBM project;
- 60% of the Borneo Bara Prima (BBP) project located in Central Province, Kalimantan, Indonesia. The BBP project area is approximately 13,050ha;
- 75% of the Anugerah Alam Katingan (AAK) project. This project is also located in Central Province, Kalimantan, Indonesia and has an area of approximately 5,000ha. AAK is currently on 'on-hold' status by Provincial Police Department (Polda Kalteng). The Police have investigated a dispute over the ownership of AAK pre-dating Cokal's interest in the Project. Cokal is an aggrieved party and will await the outcome of the Police investigation.

BBM, TBAR, BBP and AAK are located adjacent to Indomet's extensive coking coal tenements. The Company is currently focussed on the development of the BBM Project.

#### Bumi Barito Mineral (BBM) Project

BBM's permit covers an area of 14,980ha with multiple seams of high quality metallurgical coal. BBM has regulatory approvals in place including:

- Mining Licence for 20 years with two further extensions of 10 years each
- Environmental approval for a mining rate of 6Mt per annum

- Port construction approval
- Forestry Permit to commence mining activity
- RKAB approval of its annual plan.

BBM will be the first area to be mined by Cokal commencing in 2020.

BBM is dissected by the Barito River, which cuts through the tenement in a north-south trend. Almost the entire IUP contains coal-bearing sediments with open cut mineable areas controlled by three major fault systems. Coal analyses from more than 130 outcrops on the west side of the Barito River indicate that it contains premium quality anthracite and PCI coals. This coal does not currently form part of stated BBM coal resources and therefore provides significant potential for future expansion of BBM resources.

Updated rehabilitation plans were submitted as required by the government. The work plan for 2019 (RKAB) was submitted during the year. This was approved by the government (Directorate General Minerals and Coal) and covers:

1. Approval of plans for the construction of transportation facilities, explosive storage/ stockpiling.
2. Approval of plans for purchase and use of explosives.
3. Approval of plans for the construction of storage liquid fuel hoarding
4. Approval of testing procedures for equipment.

Approval is being sought to extend mining into the eastern part of Pit 2. This request is being considered by The Forest Utilization Agency (BPKH), Central Kalimantan Provincial Forestry Agency, Central Kalimantan Resources Energy Office Agency and Regional Investment Agency (BKPM) of Central Kalimantan Province.

The Revision plan for stockpile location, settling pond area and dumping area was submitted to the Environmental Office Agency of Central Kalimantan Province.

Production and sales reports have been submitted as required to the end of September 2019. Quarterly reports were submitted to the Ministry of Energy and Mineral Resources for 2018 and 2019.

Approvals were progressed through the Online Single Submission (OSS) to secure a Business Registration Number (NIB) to create a one stop shop for government approvals for BBM. This has now been created thereby simplifying future government liaison and approvals.

A Community Development and Empowerment Master Plan is being prepared as decreed by the Minister of Energy and Mineral Resources.

During the year Cokal developed a five year mine plan which will be implemented over the coming months. The mine plan includes:

- Refurbishment of the 65-man camp at Krajan;
- Construction of access and haul roads;
- Development of a Coal Handling Preparation Plant (CHPP) and stockpiles at the Krajan port to prepare coking coal for sale;
- Mining contracts planned to be let in Q4 2019 will produce first coal in 2020.

During detailed survey of mining areas in Pit 3 a disused logging road was identified and is being assessed. This is reported in more detail later in this report.

No exploration activity, mining production or development was conducted by Cokal during the quarter.

## **Tambang Benua Alam Raya (TBAR) Project**

TBAR's exploration authority covers an area of 18,850ha immediately adjacent to and south of Cokal's BBM tenement. Over 80% of the lease is available for exploration subject to the issuance of an exploration forestry permit. The application of exploration forestry permit was submitted in 2014 and continues to be processed by the Environment and Forestry Ministry of Indonesia. Following its transfer process from Murung Raya to the Provincial Government, Cokal continues its efforts to acquire regulatory approval for the IUP (exploration licence) upgrade process application to a Production and Operation IUP, equivalent to a mining licence. Progress is being made in this regard with the most recent meetings in August 2019. Now that the Presidential election has been concluded it is expected faster progress can be made.

Outcrop mapping of four seams over 17km strike length indicates a substantial resource of high grade coking coal in this deposit. These seams correlate to the B, C, D and J seams in the adjacent BBM deposit.

No exploration activity was conducted by Cokal during the quarter.

## **Borneo Bara Prima (BBP) Project**

Cokal's BBP project covers 13,050ha in Murung Raya Regency, Central Kalimantan. BBP has been granted an Exploration Forestry Permit (IPPKH) and has been confirmed on the Central Government's Clean and Clear list. The IUP was transferred to the Central Government where it now awaits approval to be upgraded to a mining licence (Production and Operation IUP).

A business licence decree for operation foreign mining production (IUP OP PMA) from the Capital Investment Coordination Board Centre (BKPM) was received in Q1 2019. Work plans and the budget (RKAB) 2019 have been submitted to the government (Directorate General Minerals and Coal).

Quarterly reports were submitted to the Ministry of Energy and Mineral Resources.

Some improvements are required in our reclamation plan. These are being addressed. No exploration activity was conducted in BBP during the quarter.

## **Anugerah Alam Katingan (AAK) Project**

Cokal's AAK project covers 5,000ha in Central Kalimantan. Applications for the Exploration Forestry Permit (IPPKH) and Clean and Clear Certificates continue to be processed. Cokal continues to monitor the progress of the regulatory upgrade approvals for AAK. No exploration activity was conducted on AAK during the quarter.

## **LOGGING ROAD (BBM and TBAR)**

During detailed surveying around Pit 3 a disused 10 to 11m wide logging road was identified and traced to connect to another logging road now in use to transport coal and timber to ports 160km down river from Cokal's planned river port at Krajan. The disused logging road is 48km to join the road now in use, which runs another 45km to the existing port at Bumban, total. 93km.



**Logging roads from BBM Pit 3 to Bumban port 93km**

This 93km road bypasses 160km of the most difficult part of the upper Barito River to a point on the river now in regular use for river barge transport using conventional barges. Using shallow draft barges from this location Cokal will be able to transport coal to market throughout every month of the year.



**Disused logging road**

The base of the disused logging road is still in place although vegetation has intruded along the edges. The 10 to 11m wide road now in use is in good condition for 30t trucks, the size intended to be used by Cokal.

Cokal's team has been conducting a detailed survey of the road for more than two months to map and mark the complete route and to assess the requirements to upgrade the road in terms of width and gradient for use by 30t trucks. The permits and licences required to use the road are being identified. The survey should be completed within a month. It is noted that most of the 43km road to be upgraded lies within the BBM and TBAR licence areas.

Cokal is in the process of establishing its right to use these roads before assessing the cost of a program to upgrade the now disused section of the road. If found to be economical this will provide an additional solution to transport coal to market during the dry months when the upper Barito River becomes very shallow.



**Logging road being used as a haul road**

## **SHALLOW DRAFT BARGING**

During the year Cokal identified a source of shallow draft barges and push boats in Vietnam which can operate in 2m deep water. It is envisaged that four 1,700t barges will form 2 x 2 tows to be pushed by single push boats each with 2 x 1,000HP azimuth thrusters to transport BBM coal from Krajan to Kelanis. It is anticipated that from Kelanis to ships standing offshore coal will be transported using conventional barges.

An alternative of self propelled shallow draft barges has been proposed by a barging contractor from Singapore. Details of this shall be disclosed in due course. The barging company is currently evaluating the parameters of the river in order to finalise and submit a flow chart of the proposed operating process.

Some improvements in the river channel will enhance the reliability of the barging operation.

## CORPORATE ACTIVITY

### BT Bara Mineral Asri (BMA)

The due diligence by PT Bara Mineral Asri (BMA) continues. BMA has advised that it is working towards a proposal to partner with Cokal for the funding and development of the BBM Mine. The manner of this future cooperation will now change with the established participation of the Aahana Global Resources and Investment Pte Ltd.

BMA has to date contributed US\$2 million to Cokal to be repaid from the sale of coal when mining commences. This will be paid at \$10/t for coal sales at \$100/t or greater and 10%/t for coal sold at less than \$100/t.

BMA indicated several months ago it will submit a revised proposal for cooperation but so far this has not been received.

### Aahana Global Resources and Investment Pte Ltd (AGRI)

During the year Aahana Mineral Resources SDN BHD (AMR), an associate company of Aahana Global Resources & Investment Pte Ltd (AGRI), completed the acquisition of a substantial shareholding in Cokal Limited. AMR/AGRI is now the largest single shareholder in Cokal.

In April 2019 AGRI nominated its first director to be appointed to the Cokal Limited board as Mr. Karan Bangur. Mr. Bangur is the CEO of Aahana Global Resources & Investment Pte Ltd and has over 10 years experience in the South East Asian region in mining and resources companies. He is a most welcome and valuable addition to our team.

AGRI, under AMR, fully underwrote the Cokal Entitlement Offer to raise approximately AU\$5.1 Million that completed in August 2019.

Further to this AGRI is proceeding with discussions with the Company to arrange a suitable financing package for the immediate development of the BBM Coking Coal project.

### Krakatau National Resources (Krakatau)

Meetings were held with senior management of Krakatau to discuss the future sale to them of both PCI coal and coking coal. Krakatau indicated its PCI capable blast furnace will require 7,000 to 10,000t/month PCI coal.

They requested a 10kg sample of our PCI coal which was provided and analysed. Favourable comment was subsequently received from Krakatau. Liaison is ongoing.

Krakatau is currently obtaining its PCI coal from Australia. If they take delivery of BBM PCI coal in the upper Barito River, as they have done previously for others, Cokal may be able to negotiate an arrangement attractive for both parties.

## Rights Issue Raised AU\$5.1 Million

On 18 June 2019 the Company announced a fully underwritten non-renounceable entitlement offer of one (1) new share for every eight (8) Cokal shares held at an issue price of AU\$0.05 per new share to raise approximately AU\$5.1 million before costs. At the closing date of the entitlement offer shareholders had taken up approximately AU \$1.7 million. The directors placed some of the shortfall with the remainder placed with the Company's major shareholder and underwriter, Aahana Global Resources & Investment Pte Ltd. The funding raised is being used towards current operating costs, payment of regulatory dues, trade creditors, initial infrastructure development and upgrading of existing facilities at the BBM mine site.

In addition to the funding from the Rights Issue, the Company is in discussions with prospective investors who are keen to work on long term offtake and investment based arrangements for sourcing PCI and premium coking coal from the BBM mine.

### 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, Indonesia, which are 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.