

**ASX ANNOUNCEMENT / MEDIA RELEASE**  
**21 November 2019**

## **Cokal Signs MOU for Construction of BBM Project**

**and**

## **Signs Term Sheet for Shallow River Barging**

### **Highlights:**

- **MOU signed with Infrastructure Partner CRCC for BBM Project**
- **Term Sheet completed for Shallow River Barging Contractor**
- **Updated 5-Year Mine Plan Prepared for Mining Contractor Tenders**

**Cokal Limited** (Cokal ASX:CKA, "Cokal" or "the Company") is pleased to provide an update on the progress of its mine construction at BBM.

### **INFRASTRUCTURE PARTNER SELECTED**

After negotiations with a number of contractors, Cokal has signed a Memorandum of Understanding (MOU) with China Railway 21<sup>st</sup> Bureau Group International Engineering Co (China Rail), to construct the infrastructure planned for mining at Cokal's BBM metallurgical coal project in Central Kalimantan. China Rail, a subsidiary of China Rail Construction Corporation (CRCC), has sent a team to the BBM site to carry out a site survey to finalise estimations for the costing of infrastructure construction to enable the parties to conclude a formal contract.

In the meantime the Company has signed an MOU setting out the basis for the formal contract to include:

- ✓ Road Construction;
- ✓ Jetty Construction;
- ✓ Overburden Stripping and Coal Mining.

### **Road Construction**

Road construction will be in two areas:

1. Construction of 12kms of hauling roads from the mine pits to the Krajan jetty. These roads will be used to transport coal from both PCI and Coking coal pits to the Krajan jetty. Barging of coal from Krajan will be carried out when the river level has water depth of at least 2.2m for a continuous period of time;
2. Upgrading of an existing 55km logging road to connect to a 45km road already in use leading to a jetty located at Lahung Tuhup, 160km downstream of the Krajan jetty, bypassing the shallowest parts of the river.

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The initial haul road will be from the PCI mine to the new Krajan barge-loading jetty, about 5kms in total. This will allow immediate access for the PCI coal to the local market in Krakatau Steel which is seeking to commission its new steel making blast furnace using a combination of coking coal and PCI coal. This is the first time PCI will be used in steel making in Indonesia. PCI is also used in some mineral processing mills and Cokal will be looking to supply these in the near future.

The new longer haul road, 55kms long, will join up with an existing haul road to provide an alternative logistic solution to transporting BBM metallurgical coal to the marketplace during times of drought when the river can be too low for barging from Krajan. The 55kms will follow an existing narrow road used by logging companies, and will be upgraded to a 10m wide, all weather haul road to service 30 tonne coal trucks to a port at Lahung Tuhup, some 160kms downstream on the Barito River from BBM.

### **Jetty Construction**

The MOU with China Railway includes the construction of two barge loading jetties, the first to be constructed at Krajan adjacent to BBM, and the second at the end of the 100km haul road at Lahung Tuhup.

The construction of each jetty will incorporate:

- a design to accommodate shallow draft barges;
- allowance for water depths in excess of 10 meters during the wet season;
- a 1000t/h barge loading conveyor;
- coal handling and storage facilities.

### **Overburden Stripping and Coal Handling**

China Railway will also assist in funding the capital investment related to overburden removal, coal mining and associated mine infrastructure including the provision of pit haul roads, sedimentation ponds, camp site facilities, clinic, workshops, fuel storage and mess room.

The Company proposes that it will barge coal from both Krajan jetty, as well as from Lahung Tuhup jetty. These two logistical solutions will help guarantee reliable supply of metallurgical coal to customers throughout the year.

The total investment cost for road construction, jetty construction and infrastructure related to overburden removal and coal mining is to be borne 50% China Rail and 50% Cokal. Cokal is to repay the amount invested by China Rail over a 5 year period after commencement of mining operations. After repayment of China Rail's investment, a usage fee for the infrastructure will be charged with all profits generated split 50/50 between Cokal and China Rail.

The MOU specifies a contractual period of 5 years with an option to extend for an additional 5 years based on mutual agreement between the parties.

### **BARGING TERM SHEET SIGNED**

The Company has signed a term sheet with HSM Marine Pte Ltd (HSM), a Singapore based barging company with operations in Indonesia, the rest of South East Asia and the Middle East. The principle terms include:

- HSM will fund and purchase the required self propelled shallow draft barges;
- HSM will enter into a contract with the Company for the barging of its coal from both the Krajan jetty near the BBM mine site as well as from the Lahung Tuhup jetty;
- HSM will be paid based on a per tonne unit rate of barging fee with an agreed minimum monthly tonnage;

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- HSM will initially acquire two self propelled flat bottom shallow draft barges to commence shipments. As production and shipments ramp up they will acquire or build further flat bottom barges of the kind the Company has designed in its feasibility study;
  - HSM will also purchase and operate a river based transshipment facility to unload coal from small barges to large capacity ocean-going barges. The transshipment facility shall be stationed at a location where water level is sufficient for large barges to navigate throughout the year.

HSM will have the initial two self-propelled barges ready by the time coal production commences on site.

The contract period shall be for a period of 5 years with an option to extend for an additional 5 years, based on mutual agreement between both parties.

## **FIVE YEAR MINING PLAN**

Cokal's new strategy to utilize contractor funding to commence construction, mining and barging has necessitated modifications to Cokal's 5-year plan.

Comencement of the BBM mine construction will begin with China Rail initially constructing a 5km haul road from Pit 2 (PCI coal production) to the Krajan jetty. At the same time China Rail will construct a temporary barge loader suitable for initial production.

Cokal Chairman, Domenic Martino commented that *"The Board believes this approach to appoint contractors to fund, construct and operate the BBM metallurgical coal mine will provide a more reliable outcome and a higher assurance of a successful start-up and ongoing expansion to reach our target production of 2 million tonnes per annum in a reasonable timeframe."*

## **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 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.

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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<sup>st</sup> 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 mineralization 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 Explorations Results, Mineral Resources and Ore Reserves".

The Total Coal Resource estimate was announced on 29 April 2016, titled "Updated JORC Resource Statement for BBM". 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 was 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.