Cokal Limited
ABN 55 082 541 437

Target's Statement

The Directors consider the Offer by PT Cakra Mineral Tbk to acquire each Cokal Share you own for:

- **10.327 Cakra Shares; or**
- **A$0.16 cash; or**
- **A combination of cash and Cakra Shares at your election,**

is fair and reasonable in the absence of a Superior Proposal or Material Adverse Change

But Directors recommend that you take no further action until Cakra's Rights Issue is finally approved, priced and completed and until your Directors can provide further guidance as to the value of the Share Consideration

Legal Advisor

THOMSON GEER
LAWYERS

Independent Expert

BDO

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR LEGAL ADVISER AS SOON AS POSSIBLE

Important Information

Nature of this document

This document is the Target's Statement issued by Cokal Limited under Part 6.5 of the Corporations Act in response to the Offer made pursuant to the Bidder's Statement which was served on Cokal by the Bidder Cakra on 14 August 2015 (hereinafter referred to as the **Bidder's Statement**).

You should read this Target's Statement in its entirety.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in the glossary in section 12. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

No account of personal c ircumstances

This Target's Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of any particular Cokal Shareholder. Your Directors encourage you to seek independent financial, tax or other professional advice before making a decision whether or not to accept the Offer.

Disclaimer regarding forward looking statements

This Target's Statement may contain forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Cokal operates as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of Cokal, any of its officers or employees, or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. Forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Ineligible Foreign Shareholders

If your address on the Cokal share register is in a jurisdiction other than in Australia, its external territories or New Zealand, you will be an Ineligible Foreign Shareholder unless the Bidder determines otherwise in accordance with the Bidder's Statement.

If you are an Ineligible Foreign Shareholder, you will not be entitled to receive Cakra Shares on acceptance of the Offer. Instead, the Cakra Shares which would otherwise have been issued to you will be issued to a foreign sale nominee approved by ASIC and appointed by Cakra, who will sell those shares on market and then pay the net proceeds (in Australian dollars) to you. Refer to section 17.24 of the Bidder's Statement.

Unmarketable Parcel Shareholders

If the total number of Cakra Shares you are entitled to receive as consideration under this Offer is an unmarketable parcel and you do not sign and return the Acceptance Form and state clearly on it that you wish to be the holder of an unmarketable parcel, you will receive the Cash Consideration. Refer to section 17.25 of the Bidder's Statement.

Privacy

Cokal has collected your information from the register of Cokal Shareholders for the purpose of providing you with this Target's Statement. The type of information Cokal has collected about you includes your name, contact details and information about your shareholding in Cokal. Without this information, Cokal would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the names and addresses of Cokal Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Cokal's Related Bodies Corporate and external service providers (such as Cokal's share registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC and ASX.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared solely in accordance with Australian law.

Maps and diagrams

Any diagrams, charts, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at the date of this Target's Statement.

Disclaimer as to information

The information on the Bidder contained in this Target's Statement has been prepared by Cokal using publicly available information. The information in this Target's Statement concerning the Bidder has not been independently verified by Cokal. Accordingly, Cokal does not, subject to the Corporations Act and general law, make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and sent to the ASX. None of ASIC, ASX or any of their respective officers takes any responsibility for the content of this Target's Statement.

Cokal Shareholder Information Line

Cokal has established a Shareholder Information Line which Cokal Shareholders should call if they have any queries in relation to the Offer. The telephone number for the Shareholder Information Line is +618 9389 8033 which is available Monday to Friday between 8:30am and 5:00pm (Sydney time).

Further information relating to the Offer can be obtained from Cokal's website at www.cokal.com.au.

Letter from the Chairman

28 August 2015

Dear fellow Cokal Shareholder

On 29 April 2015, Cokal Limited (**Cokal**) and PT Cakra Mineral Tbk (**Cakra**) announced that they had entered into a Takeover Bid Implementation Agreement, pursuant to which Cakra will make a recommended off-market takeover offer (**Offer**) for all of the issued shares of Cokal.

You will by now have received Cakra's Bidder's Statement, including its Offer for all of your Cokal Shares.

The Directors unanimously welcome the Offer and consider it to be fair and reasonable in the absence of a Superior Proposal or Material Adverse Change.

About Cakra

PT Cakra Mineral Tbk is an Indonesian-incorporated mineral investment company that is listed on the Indonesian Stock Exchange (**IDX**). It operates integrated mining business segments through its subsidiaries, with businesses ranging from minerals exploration, mining and processing to marketing of minerals, and has a downstream focus, developed primarily due to the effective ban on exporting unprocessed ore from Indonesia which has been in place since 2014.

To this end Cakra is working with various Chinese mineral traders and producers to develop refineries with the aim of increasing production capacity and sales, and has entered into agreements to jointly develop ferronickel and pig iron smelters. For some time Cakra has also been actively seeking opportunities to acquire companies with high quality mineral resources and strong management with the intention of developing those assets.

Cakra is 74.23% owned by Redstone Resources Pte Ltd, a Singapore based company that specialises in mining investments and is also supported by PT. Sinarmas Sekuritas (**Sinarmas**) which is part of the Sinar Mas Group, one of Indonesia's largest conglomerates.

Offer consideration

Under Cakra's Offer, Cokal shareholders have the choice of receiving for each Cokal Share they hold:

- **Share Consideration -** 10.327 Cakra Shares; or
- **Cash Consideration -** A$0.16 cash; or
- **Combination of cash and Cakra Shares –** a combination of cash and Cakra Shares, at your election

The closing price of Cakra Shares on the IDX was IDR193 on 10 August 2015 (being the reference date used in the Bidder's Statement). Based on this price, the value of the Offer implied by the Share Consideration is $0.199[1] for each of your Cokal Shares. The value implied by the Share Consideration and the extent of any premium to the Cokal Share price, will (in addition to other variables, such as exchange rates) depend on the prevailing price of Cakra Shares as quoted on the IDX. Trading of Cakra Shares on IDX is very thin and the market is illiquid. There is no guarantee or assurance that Cokal Shareholders who accept the Share Consideration will be able to sell their Cakra Shares on IDX at any given price.

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[1] Assuming an AUD to IDR exchange rate of 1 AUD = IDR10,014 as at 10 August 2015.

The Cash Consideration is a:

- 68.4% premium to the closing price of $0.095 per Cokal Share on ASX on 26 February 2015, being the last trading day prior to the date on which Cokal announced that it had received Cakra's takeover proposal;
- 81.8% premium to the closing price of $0.088 per Cokal Share on ASX on 24 April 2015, being the last trading day prior to the Announcement Date; and
- 72% premium to the closing price of $0.093 per Cokal Share on ASX on 10 August 2015.

Funding for the Offer Consideration

Cakra will seek regulatory and Cakra shareholder approval for a fully underwritten Rights Issue to raise up to IDR1,500 billion (approximately US$111 million based on the exchange rate on 10 August 2015, of IDR13,538 to US$1).

Please refer to section 11 of the Bidder's Statement for further information.

If regulatory or shareholder approval for the Cakra Rights Issue is not obtained, the Offer will not proceed and you will retain your Cokal Shares.

Conditions of the Offer

Cakra's Offer is subject to conditions, which are set out in section 10.3 of this Target's Statement. These include, but are not limited to:

- 90% minimum acceptance;
- satisfaction of requirements in relation to Cakra's proposed Rights Issue including securing an underwriting/standby agreement (which has occurred) and obtaining Indonesian regulatory and Cakra Shareholder approvals;
- no Cokal prescribed occurrences happening;
- no adverse action affecting the Offer by any Public Authority;
- approvals by Indonesian and other Public Authorities to permit the Offer;
- there being no material acquisitions, disposals or material corporate actions by Cokal;
- no force majeure event materially affecting Cokal or material adverse change affecting Cokal; and
- all Cokal Options being cancelled before the end of the Offer Period.

If Cakra declares its Offer to be free from the Offer Conditions, Cakra will proceed to delist Cokal. As mentioned above, in the short term there will be no change to Cokal's Board.

Directors of the Merged Entity

Cakra and Cokal have agreed that, if the Offer becomes unconditional:

- Cokal will immediately have the right to nominate Cokal Directors Peter Lynch, Domenic Martino and Agus Widjojo for appointment as Cakra Directors; and
- Cakra and Cokal will jointly decide and nominate the further directors and commissioners of Cakra.

Risks

Please consider all the relevant risks carefully before making a decision. There are risks associated with:

- (**accepting the Offer**) the reasons why you may decline to accept the Offer and the risks of holding shares in Cakra are set out in sections 4 and 8.3 of this Target's Statement and section 14 of the Bidder's Statement.

  Specific risks of accepting the Share Consideration include:

  - risks relating to Cakra's business such as:
    - development risk – apart from Cokal's BBM Project, the asset portfolio of the Merged Entity will be in a very early stage of exploration. While more advanced, Cokal's BBM Project still has significant development risks comprising including regulatory, financing, construction and operational risks;
    - funding risk - Cakra's assets are not producing material net cash flow;
    - commercial risk - while Cakra is in advanced discussions with a major Chinese company who has indicated it will provide funding to assist Cakra develop processing facilities and take 100% of the off -take at market prices, no contracts have been finalised with respect to the funding or off-take; and
    - legal risks associated with operating in Indonesia and changes in Indonesian law;
  - risks relating to holding Cakra Shares such as:
    - highly illiquid and thin trading of Cakra Shares on IDX mean that there is no guarantee or assurance that you would be able to sell your Cakra Shares for any given price;
    - financial risk - uncertainty as to the cash available to the Merged Entity on completion of the acquisition of Cokal and the ability of the Merged Entity to repay loans to Northrock Financial LLC (US$10,065,000) and Blumont Group Ltd (US$3,656,836);
    - the IDX regulatory environment is less regulated than, for example, the market operated by ASX;
    - foreign currency exchange rate fluctuations; and
    - dilution risk from future equity capital raisings or equity funded acquisitions by the Merged Entity;
- **(accepting the Offer before key Offer conditions are satisfied or waived)** The Offer is highly conditional and there is no certainty about whether the Offer conditions will be satisfied at all and even if they are satisfied, there is uncertainty about the timing of when they will be satisfied. There is also a 3 month Offer Period in which to satisfy or waive the Offer conditions. The Offer Period may be extended.

  Except in the limited circumstances provided for in the Corporations Act (eg if the Offer Period is extended until after 15 December 2015), accepting the Offer will preclude you from:

  - accepting a Superior Proposal from a third party, should one emerge during the Offer Period. As at the date of this Target's Statement, the Cokal Directors are not aware of a proposal by anyone to make an alternative proposal; and
  - selling your Cokal Shares on ASX.

Accordingly, if you accept the Offer before the Offer Conditions such as Indonesian regulatory approvals for the Offer and the proposed Cakra Rights Issue are obtained or before Cakra has access to the cash required to fund the cash component of its Offer, there is a risk that you will be unable to accept a Superior Proposal, sell your Cokal Shares on ASX or otherwise deal with your Cokal Shares until those Conditions are satisfied or waived by Cakra. You may be restricted in this way until up to 15 December 2015 before Cakra is required to provide you the opportunity to withdraw your acceptance. See section 10.7 for more details about the effect of acceptance.

- (**not accepting the Offer**) the risks of not accepting the Offer and Cokal continuing as a standalone entity are set out in section 6.10 this Target's Statement. These risks include:
  - loan default risk – Northrock Financial LLC and Blumont Group Ltd requiring immediate repayment of their loans of US$10,065,000 and US$3,656,836 respectively and enforcing their securities – see sections 6.7, 6.10(a) and 6.10(b) of this Target's Statement;
  - funding and dilution risk – Cokal will need to raise capital to reduce its debt and for working capital. There are risks that Cokal will not be able to raise additional funds either at all or on commercial terms and if equity capital is raised, there is a risk that Cokal shareholders will be diluted;
  - going concern risk – there is a risk that Cokal will not be able to continue as a going concern if it is unable to raise the funds necessary to meet its debt and working capital obligations; and
  - share price risk – the price of Cokal Shares might fall.

Conclusion of the Independent Expert

The Independent Expert has concluded that the Offer is fair and reasonable to Cokal Shareholders because there is Cash Consideration available which the Independent Expert considers fair and reasonable.

You should read the Independent Expert's Report which is annexed to this Target's Statement.

Your Directors' assessment

Your Directors consider that, in the absence of a Superior Proposal or Material Adverse Change, the Offer is **FAIR AND REASONABLE** because:

- **(Flexible Offer consideration)** The Offer from Cakra provides three choices for Cokal Shareholders, allowing you to choose the risk profile which best suits your individual investment circumstances and objectives:
  - the Share Consideration is reasonable and provides, subject to significant risks described in the Bidder's Statement and in this Target's Statement, the opportunity to participate in the ongoing development of Cokal's BBM Project and the potential growth opportunities of Cakra's strategy to become a mid-tier integrated explorer, developer and producer;
  - the Cash Consideration provides an opportunity to realise your investment in Cokal for a price which is fair and reasonable;
  - the ability of Cokal Shareholders to choose a combination of cash and Cakra Shares provides further flexibility to choose a risk profile which best suits you individual investment circumstances and objectives;
- (**Independent Expert concluded Offer is fair and reasonable**) The Independent Expert has concluded that the Offer is fair and reasonable to Cokal Shareholders because there is Cash Consideration available which the Independent Expert considers fair and reasonable.
- (**No Superior Proposal**) No Superior Proposal has emerged to date. Your Directors have worked diligently to develop other alternatives but the Cakra Offer is the only option that has been able to be put to shareholders.

- (**Risks of not accepting**) There are risks in not accepting the Offer such as loan default risk, ongoing funding risk, going concern risk and share price risk.

Your Directors' recommendation

Even though the Directors consider the Offer overall to be fair and reasonable and the Share Consideration to be reasonable, the Directors are unable to form a view as to whether the Share Consideration represents fair value based on the available information. Directors will have more information when the Cakra Rights Issue has been finally approved, priced and completed.

Accordingly, the Directors recommend that you **TAKE NO FURTHER ACTION** until the Cakra's Rights Issue is finally approved, priced and completed and your Directors can provide further guidance as to the value of the Share Consideration.

Your Directors' intentions

Each Cokal Director intends to accept the Share Consideration for the Cokal Shares they control or own:

- in the absence of a Superior Proposal or Material Adverse Change; and
- subject to Cakra receiving Indonesian regulatory approvals for the making and completion of the Offer and its proposed Rights Issue, Cakra shareholder approval of its proposed Rights Issue and Cakra advising that it has access to the cash required to fund the cash component of its Offer.

Conclusion

This Target's Statement, which I encourage you to read in its entirety including the Independent Expert's Report, sets out in greater detail the reasons for the assessment and recommendation of your Directors as well as additional information which is relevant to your decision whether or not to accept the Offer. You should also read the Bidder's Statement for details of, among other things, Cakra and the Merged Entity.

If you have any queries in relation to the Offer, please consult your own independent professional adviser or contact the Cokal Shareholder Information Line on +618 9389 8033 during 8:30am to 5:00pm (Sydney time).

Yours sincerely

Peter Lynch
Executive Chairman

Key Dates

Offer announced by Cokal and Cakra	29 April 2015
Bidder's Statement lodged with ASIC and dated	14 August 2015
Register Date	9:00am on 14 August 2015
Date of the Offer	14 August 2015
Date of this Target's Statement	28 August 2015
Close of the Offer Period (unless extended or withdrawn)	15 November 2015 (7.00pm Sydney time)

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3.	The Share Consideration provides, subject to the significant risks described in the Bidder's Statement and in this Target's Statement: • the best opportunity to advance Cokal's premier BBM Project to production in the current difficult resource market and for you to participate in its ongoing development; and • an opportunity to participate in Cakra's strategy to become a mid-tier mineral explorer, developer and producer with exposure to a portfolio of assets.
4.	The Independent Expert has concluded that the Offer is fair and reasonable because there is Cash Consideration available which the Independent Expert considers fair and reasonable
5.	No Superior Proposal has emerged to date. Your Directors have worked diligently to develop other alternatives but the Cakra Offer is the only option that has been able to be put to shareholders.
6.	There are risks in not accepting the Offer such as loan default risk, ongoing funding risk, going concern risk and share price risk.

In concluding that the Offer is fair and reasonable in the absence of a Superior Proposal or Material Adverse Change, your Directors have had regard to a number of considerations. A more detailed overview of the principal reasons for your Directors' assessment follows. There are also considerations why you may decline to accept the Offer which also follow.

2 Your choices as a Cokal Shareholder

Cokal encourages you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your Cokal Shares. As a Cokal Shareholder, you currently have three choices available to you.

2.1 CHOICE 1: Accept the Offer

You may choose to accept either the Share Consideration or the Cash Consideration, or a mixture of both, for your Cokal Shares.

If you wish to accept the Offer, you have the choice of:

- 10.327 Cakra Shares (**Share Consideration**);
- A$0.16 (**Cash Consideration**); or
- a combination of both,

for each Cokal Share you hold.

You may only accept the Offer for all of your Cokal Shares.

Details of the Offer Consideration that you will receive if you accept the Offer are set out in section 10.1 of this Target's Statement as well as in the Bidder's Statement. You will receive the Offer Consideration only if all the Conditions of the Offer are either satisfied or waived.

The consequences of accepting the Offer are discussed in section 10.7 of this Target's Statement. If you accept the Offer, you will not be able to sell your Cokal Shares unless, at the time you decide that you no longer wish to accept the Offer, you have the right to withdraw your acceptance and you exercise that right. In accordance with section 652B of the Corporations Act, Cakra may withdraw its Offer only with the written consent of ASIC and subject to the conditions (if any) of that consent.

2.2 CHOICE 2: Sell Your Cokal Shares on ASX

During the Offer Period, you may sell your Cokal Shares on ASX for cash, provided you have not accepted the Offer for those Cokal Shares. If you sell your Cokal Shares and that transaction is effected, you will receive the consideration for your Cokal Shares sooner than if you accept the Offer while it is subject to Conditions.

If you sell your Cokal Shares, you:

(a) will lose the ability to accept the Offer;

(b) may be liable for capital gains tax or income tax on the sale of those Cokal Shares;

(c) may incur a brokerage fee; and

(d) will lose the opportunity to receive future returns from Cokal and/or Cakra.

You should contact your broker on how to sell your Cokal Shares on the ASX and your tax adviser to determine the tax implications from such a sale.

2.3 CHOICE 3: Take No Action

If you do not wish to sell your Cokal Shares and do not wish to accept the Offer, you should take no action. You should note that:

(a) if you choose to not accept the Offer, Cakra will not be able to acquire your Cokal Shares unless Cakra has a relevant interest in 90% or more of the Cokal Shares at the end of the Offer Period. In this event, Cakra will become entitled to compulsorily acquire those Cokal Shares that it does not already own (see section 10.8 of this Target's Statement for further details);

(b) if Cakra acquires more than 50% but less than 90% of the Cokal Shares and all of the Conditions of the Offer are satisfied or waived, and you continue to hold Cokal Shares, you will be exposed to the risks associated with being a minority Shareholder of Cokal. Some of these risks are explained in section 10.9 of this Target's Statement;

(c) if the Offer does not proceed and there are no other offers for Cokal, Cokal will remain a listed public company; and

(d) if the Offer closes and Cakra holds more than 50% but less than 90%, subject to the spread and number of Cokal Shareholders remaining after closing of the Offer and any regulatory approvals, Cakra intends to delist Cokal from the ASX (refer to section 10.4 of the Bidder’s Statement).

Although the Directors consider the Offer fair and reasonable, your Directors are recommending that you TAKE NO FURTHER ACTION until Cakra's Rights Issue is finally approved, priced and completed and your Directors can provide further guidance as to the value of the Share Consideration.

3 Reasons why your Directors consider the Offer fair and reasonable

Your Directors consider that, in the absence of a Superior Proposal or Material Adverse Change, the Offer is **FAIR AND REASONABLE** for the following reasons.

3.1 The Offer from CKRA provides three choices for Cokal Shareholders, allowing you to choose the risk profile which best suits your individual investment circumstances and objectives

(a) (**Choice of consideration**) Under the Offer, Cokal shareholders will be given the choice of scrip or cash consideration, comprising either:

(i) (**Share Consideration**) 10.327 CKRA Shares;

(ii) (**Cash Consideration**) A$0.16; or

(iii) (**Combination**) a combination of both,

for each Cokal Share you own.

(b) (**Share Consideration**) The closing price of Cakra Shares on the IDX was IDR193 on 10 August 2015 (being the reference date used in the Bidder's Statement). Based on this price, the value of the Offer implied by the Share Consideration is $0.199[2] for each of your Cokal Shares. The value implied by the Share Consideration and the extent of any premium to the Cokal Share price, will (in addition to other variables, such as exchange rates) depend on the prevailing price of Cakra Shares as quoted on the IDX.

You should accept the Share Consideration if you wish to continue to participate in the development of Cokal's assets, as well as the potential growth opportunities the Cakra resource processing developments may offer. Doing so involves significant risks as are described in the Bidder's Statement and in this Target's Statement.

(c) The **Cash Consideration** is a:

(i) 68.4% premium to the closing price of $0.095 per Cokal Share on ASX on 26 February 2015, being the last trading day prior to the date on which Cokal announced that it had received Cakra's takeover proposal;

(ii) 81.8% premium to the closing price of $0.088 per Cokal Share on ASX on 24 April 2015, being the last trading day prior to the Announcement Date; and

(iii) 72% premium to the closing price of $0.093 per Cokal Share on ASX on 10 August 2015.

If you are uncomfortable with becoming a shareholder in Cakra, and its associated risks, the Cash Consideration allows you to exit your Cokal Shareholding and realise your investment in Cokal for a cash price which provides an attractive premium to recent share price levels for Cokal Shares and to the levels at the time the Cakra Offer was announced.

[2] Assuming an AUD to IDR exchange rate of 1 AUD = IDR10,014 as at 10 August 2015.

3.2 Benefit of the Share Consideration - continued participation in Cokal's BBM Project

It is more likely that, under Cakra's ownership, Cokal's assets will be developed to their full potential, and in a more timely manner, from which you may potentially benefit.

(a) Organic growth funded from internal cash flow for a small developing coal mining company such as Cokal can be slow and high risk. Prior to the takeover offer being received from Cakra, Cokal’s business strategy was to self-fund the ongoing development of the BBM Project and conduct regional exploration programs.

(b) An alternative strategy, to maximise the current production opportunities for the BBM Project and develop Cokal's extensive exploration license areas in a more timely manner, would require further capital funding. The Cokal Directors consider that the capacity to source this funding at an appropriate time in the present market conditions would be challenging. If new equity funding is to be obtained by Cokal, it is likely that it would be on terms which would have a significant dilutive impact on Cokal Shareholders who do not participate in the fundraising.

(c) In considering the Offer, the Board of Cokal considered the relative risks between self-funding growth and becoming a part of a larger organisation with diversified assets and improved potential for access to capital markets.

(d) The Cakra Board shares Cokal’s vision and business strategy for its projects, and in Cakra’s Bidder’s Statement states that the operations of Cokal will be conducted in substantially the same manner.

(e) Cakra has stated in its Bidder's Statement that Cakra’s intention is to develop the BBM Project as a high priority project and believes that it can provide the scale and financial and corporate resources to develop Cokal's BBM Project to its full potential in a more timely manner than without the added strength of Cakra behind Cokal.

(f) The Cokal Directors consider that, as a consequence and due to Cakra being listed on the Indonesia Stock Exchange, it has greater potential for access to equity and debt capital markets than is provided by Cokal's current listing on the ASX.

Accordingly, by accepting the Share Consideration, Cokal Shareholders have the opportunity to be a part of a strategy that is expected to expedite the expansion of the Cokal business to its ultimate potential from which Cokal Shareholders can potentially benefit.

3.3 Benefit of the Share Consideration - an opportunity to participate in Cakra’s strategy to become a mid-tier mineral explorer, developer and producer with exposure to a portfolio of assets

By accepting the Share Consideration, Cokal Shareholders have the opportunity to participate in Cakra’s objective of becoming a global, mid-tier mineral explorer, developer and producer through acquisitions and organic growth.

(a) Cokal Shareholders who accept the Share Consideration will obtain exposure to the resources sector in Indonesia generally through the identification, development, ownership and operation of future mineral projects in the area.

(b) Cakra has access to Indonesian capital markets and, by extension, a wider investor community in Asia which Cokal’s Directors believe will make it easier to raise finance to develop Cokal’s assets compared to Cokal seeking to do so alone.

(c) Cakra’s operational assets include a purpose-built facility for zircon heavy mineral separation and storage, although it is not producing material net cashflow. The separation plant allows zircon heavy mineral concentrate mined and purchased from local sub-contractors and artisan miners to be trucked to the separation plant, processed and then loaded onto barges and/or trucks to be sent to Banjarmasin port in South Kalimantan for exporting.

(d) Cakra has entered into agreements with major Chinese companies to construct ferronickel and pig iron smelters, although no off-take contracts or contracts with respect to funding construction have been entered into. If successful, these smelters may add value to Cakra.

(e) The increased market capitalisation of the Merged Entity may attract the interest of global institutional investors looking for exposure to larger and more diversified organisation with both upstream and downstream assets and significant potential for growth.

3.4 Independent Expert's Report

The Independent Expert has concluded that the Offer is fair and reasonable to Cokal Shareholders because there is Cash Consideration available which the Independent Expert considers fair and reasonable.

You should read the Independent Expert's Report in full.

3.5 No Superior Proposal

No Superior Proposal has emerged to date. Your Directors have worked diligently to develop other alternatives but the Cakra Offer is the only option that has been able to be put to shareholders.

3.6 Risks of not accepting

There are risks in not accepting the Offer. These include:

(a) (**loan default risk**) Northrock Financial LLC requiring immediate repayment of its US$10,065,000 loan and enforcing its securities – see sections 6.7, 6.10(a) and 6.10(b) of this Target's Statement;

(b) (**funding risk**) Cokal will need to raise capital to reduce its debt and for working capital. There are risks that Cokal will not be able to raise additional funds either at all or on commercial terms and if equity capital is raised, there is a risk that Cokal shareholders will be diluted;

(c) (**going concern risk**) There is a risk that Cokal will not be able to continue as a going concern if it is unable to raise the funds necessary to meet its debt and working capital obligations.

(d) (**share price risk**) – the price of Cokal Shares might fall after the close of the Offer.

3.7 Directors' intentions

Each Cokal Director intends to accept the Share Consideration for the Cokal Shares they control or own:

(a) in the absence of a Superior Proposal or Material Adverse Change; and

(b) subject to Cakra receiving Indonesian regulatory approvals for the making and completion of the Offer and its proposed Rights Issue, Cakra shareholder approval of its proposed Rights Issue and Cakra advising that it has access to the cash required to fund the cash component of its Offer.

Further details in relation to the risks associated with being a Cokal Shareholder are set out in section 6.10 of this Target's Statement.

4 Considerations why you may decline to accept Cakra's Offer

4.1 Reasons why you may decline to accept both the Share and Cash Consideration

(a) **You may disagree with the Directors' recommendation**

You may hold a different view to the Directors and consider that the Offer of 10.327 Cakra Shares, or of $0.16 in cash, for each Cokal Share you hold is inadequate.

(b) **You may not want to reduce your exposure to Cokal's assets**

If you accept the Cash Consideration and the Offer becomes unconditional, you will no longer have any interest in Cokal's projects.

If you accept the Share Consideration and the Offer becomes unconditional, your interest in Cokal's assets and the value that could be realised through a successful development of Cokal's projects will be diluted.

(c) **You may consider that there is the potential for a Superior Proposal to be made in relation to Cokal**

(i) Except in the limited circumstances provided for in the Corporations Act, accepting the Offer will preclude Cokal Shareholders from accepting a Superior Proposal from a third party, should one emerge during the Offer Period. As at the date of this Target's Statement, the Cokal Directors are not aware of a proposal by anyone to make an alternative proposal.

(ii) Accepting the Offer would also preclude you from selling your Cokal Shares on ASX. Accepting the Offer will not, however, deny you the benefit of any superior price offered by Cakra which, under the Corporations Act, is required to be extended to all Cokal Shareholders, including those who have already accepted the Offer. At the date of this Target's Statement, Cakra has given no indication that it intends to increase the Offer Consideration.

4.2 Considerations why you may decline to accept the Share Consideration

This section sets out some reasons why you may elect to accept the Cash Consideration, rather than the Share Consideration. The following reasons do not apply to the Cash Consideration. This section should be read in conjunction with section 14 of the Bidder's Statement which sets out the risk factors associated with being a shareholder in Cakra.

(a) **You may decide that you do not want to be exposed to Cakra's growth strategy**

Cakra's objective is to become a global mid-tier minerals explorer, developer and producer through acquisitions and organic growth. If you accept the Share Consideration and receive Cakra Shares, you will be exposed to the various risks associated with pursuing this objective and with Cakra's portfolio of current and future investments in projects. You may not wish to be exposed to these risks.

(b) **The price of Cakra Shares fluctuates**

You are being offered Cakra Shares for your Cokal Shares at a fixed ratio regardless of the price at which each trades. If you accept the Share Consideration, you are exposed to any rise or fall in the Cakra Share price, along with the risks associated with being a Cakra shareholder. In addition, you will be exposed to currency fluctuations between the Australian dollar and the Indonesian Rupiah. Cokal Shareholders should refer to section 14 of the Bidder's Statement for details regarding these risks.

(c) **You may consider that the valuation reflected in the traded price of Cakra Shares will not be sustained**

(i) Your Cokal Directors consider that Cakra’s Shares are trading on the Indonesia Stock Exchange (**IDX**) at a valuation which reflects the expected implementation of Cakra's stated corporate strategies, and that this valuation represents a premium to Cokal’s share price. It is possible however that this valuation will not be sustained.

(ii) If you accept the Share Consideration and you are issued Cakra Shares, you will be subject to the risks associated with being a Cakra shareholder which may affect the future performance of Cakra Shares. These risks are set out in section 14.3 of the Bidder's Statement.

(d) **You may not wish to own shares on a foreign stock exchange**

Cakra is incorporated in Indonesia and listed only on the Indonesia Stock Exchange. You may not wish to own shares in a company which is incorporated in a foreign jurisdiction and listed on a foreign stock exchange. If you accept the Share Consideration and the Offer becomes unconditional, you will be issued with Cakra Shares which are traded only on the IDX, and not the ASX. You should refer to section 14.3 of the Bidder's Statement for further details.

The Indonesian capital markets are generally less liquid than those in countries with more developed capital markets. This illiquidity is especially pronounced for large blocks of securities. Also, prices in the Indonesian capital markets are typically more volatile than in such other markets. Accordingly, if you accept the Share Consideration and wish to trade your Cakra Shares, there is no guarantee that you will be able to dispose of your Cakra Shares at prices or at times at which such a holder would be able to do so in more liquid markets or at all.

In order to sell the Cakra Shares you receive on IDX, you must open an account with a broker who is also a member of IDX and KSEI (PT Kustodian Sentral Efek Indonesia, the central securities depository in Indonesia). Refer to the Bidder’s Statement for further details.

(e) **You may consider that Cakra does not have the financial capacity to repay Cokal's loans after completion or to fund the growth objectives of the Merged Entity**

(i) The Merged Entity could be required to repay loans owing to Northrock Financial LLC and, if the Northrock loan is called or if Cokal is delisted after completion of the Offer, to Blumont Group Limited – see section 6.7 for details of the loans. There is no guarantee that Cakra will have sufficient cash on hand to meet these obligations – see section 6.10(a).

(ii) Cakra has stated in its Bidder’s Statement that its objective is to become a global, mid-tier diversified mineral explorer, developer and producer through acquisitions and organic growth. Cakra acknowledges that its ability to meet its strategic targets depends on a range of factors and matters including Cakra’s financial position, financial performance and ability to fund acquisitions. Cakra believes it is likely to be better able than Cokal on its own to raise financing on more favourable terms for Cokal’s projects.

(iii) If you accept the Offer and you are issued Cakra Shares, you will be subject to the risks associated with being a Cakra shareholder and the funding risks described. These risks are further set out in sections 14.3 and 14.4 of the Bidder's Statement.

The Cokal Board believes the advantages of Cakra’s Offer outweigh its disadvantages and risks, and that the Offer will optimise Cokal Shareholder value.

Cokal Shareholders should however carefully consider the advantages and disadvantages and risks of the Offer and other relevant considerations, as well as the other information contained in this Target's Statement and the Bidder's Statement, in deciding whether or not to accept Cakra's Offer.

5 Frequently asked questions

This section answers some frequently asked questions. It is not intended to address all issues relevant to Cokal Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer	Further Information
Why have I received this document?	You have received this document because you are a shareholder in Cokal. The Target's Statement is Cokal's formal response to Cakra's Bidder's Statement and Offer and contains important information prepared by Cokal's Directors to help you determine whether to accept Cakra's Offer.	
What is Cakra's Offer for my Cokal Shares?	Cakra is offering: • 10.327 Cakra Shares • A$0.16; or • a combination of both, for each Cokal Share held by you.	Sections 2.1 and 10.1
Who is Cakra?	Cakra is a diversified minerals group with its primary focus being expanding its fully integrated mining business. Cakra's business segments comprise mining, processing and trading with a distinct downstream focus. Cakra is domiciled in Central Jakarta and has operations in the province of West Sumatra and Central Kalimantan. It is listed on the IDX, ticker CKRA.	See section 7.1 of the Bidder's Statement
What choices do I have as a Cokal Shareholder?	As a Cokal Shareholder you can: • accept the Offer for all of the Cokal Shares you hold; • sell your Cokal Shares on the ASX (unless you previously accepted the Offer and have not validly withdrawn your acceptance); or • reject the Offer by doing nothing. A more detailed explanation is set out in section 2.3 of this Target's Statement.	Section 2
What if I want to accept the Offer but don't want Cakra Shares?	If you want to accept the Offer but do not want Cakra Shares to be issued to you as the Offer Consideration, you can elect the Cash Consideration of $0.16 for each of your Cokal Shares.	Section 10.1
What if I want to accept the Offer for cash and Cakra Shares?	You can elect by marking the acceptance form accompanying your Bidder's Statement to receive Cakra Shares as consideration for a percentage of your Cokal Shares and the balance in cash.	Acceptance Form accompanying the Bidder's Statement

Question	Answer	Further Information
What do your Cokal Directors recommend?	Your Directors consider that, in the absence of a Superior Proposal or Material Adverse Change, the Offer is **FAIR AND REASONABLE**. Your Directors are however unable to form a view at this stage as to whether the Share Consideration represents fair value. Directors will have more information when the Cakra Rights Issue has been finally approved, priced and completed. Accordingly, the Directors recommend that you **TAKE NO FURTHER ACTION** until Cakra's Rights Issue is finally approved, priced and completed and your Directors can provide further guidance as to the value of the Share Consideration.	Section 3
What are the reasons for the Cokal directors' belief that the Offer is fair and reasonable?	These reasons include: • **(Flexible Offer consideration)** The Offer from CKRA provides three choices for Cokal Shareholders, allowing you to choose the risk profile which best suits your individual investment circumstances and objectives. • (**Independent Expert concluded Offer is fair and reasonable**) The Independent Expert has concluded that the Offer is fair and reasonable to Cokal Shareholders because there is Cash Consideration available which the Independent Expert considers fair and reasonable. • (**No Superior Proposal**) No Superior Proposal has emerged to date. Your Directors have worked diligently to develop other alternatives but the Cakra Offer is the only option that has been able to be put to shareholders. • (**Risks of not accepting**) There are risks in not accepting the Offer such as loan default risk, ongoing funding risk, going concern risk and share price risk.	Section 3
What are the risks associated with becoming a Cakra shareholder?	If you accept the Offer and become a Cakra shareholder, your investment will become subject to the risks including development risk, funding risk, commercial risk, legal risks associated with operating in Indonesia and changes in Indonesian law, highly illiquid and thin trading of Cakra Shares on IDX, financial risk and dilution risk from future equity capital raisings or equity funded acquisitions by the Merged Entity. Further information about the risks associated with an investment in Cakra is set out in section 14 of the Bidder's Statement.	Refer to section 14 of the Bidder's Statement
How do I accept the Offer?	Details on how to accept the Offer are set out in section 5 of the Bidder's Statement.	Bidder's Statement section 5 and the Acceptance Form

Question	Answer	Further Information
What are your Cokal Directors intending to do with their Cokal Shares?	Each Cokal Director intends to accept the Share Consideration for the Cokal Shares they control or own: • in the absence of a Superior Proposal or Material Adverse Change; and • subject to Cakra receiving Indonesian regulatory approvals for the making and completion of the Offer and its proposed Rights Issue, Cakra shareholder approval of its proposed Rights Issue and Cakra advising that it has access to the cash required to fund the cash component of its Offer.	Section 3.7
What happens if I take no action?	If you do nothing in relation to the Offer throughout the Offer Period, you will not receive the Offer Consideration and (unless you otherwise sell your Cokal Shares) you will remain a Cokal Shareholder unless Cakra proceeds to compulsory acquisition. Refer to section 10.8 of this Target's Statement regarding Cakra's right to compulsorily acquire your Cokal Shares. You should be aware of the risks associated with remaining a Cokal Shareholder as outlined in section 6.10 of this Target's Statement.	Sections 6.10 and 10.8
What are the consequences of accepting the Offer now?	If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Cokal Shares on the ASX or otherwise deal with your Cokal Shares while the Offer remains open.	Section 10.7 and Chairman's letter under the 'Risks' heading
If I accept the Offer now, can I withdraw my acceptance?	You may only withdraw your acceptance of the Offer in very limited circumstances. In particular, you may withdraw your acceptance if Cakra postpones the closing date of its Offer by more than one month and the Offer is still conditional at that time. Further details on your ability to withdraw your acceptance are set out in section 10.7 of this Target's Statement.	Section 10.7 and Chairman's letter under the 'Risks' heading
When does the Offer close?	The Offer is scheduled to close at 5:00pm (Sydney time) on 15 November 2015, but the Offer can be extended in certain circumstances as described below.	

Question	Answer	Further Information
Can the Offer Period be extended?	While the Offer remains conditional, Cakra may extend the Offer Period at any time before giving notice of the status of the Offer Conditions. However, if the Offer becomes unconditional (meaning that the Conditions of the Offer are waived or satisfied), Cakra may extend the Offer Period at any time before the end of the Offer Period. In addition, there will be an automatic extension of the Offer Period if within the last 7 days of the Offer Period: • Cakra improves the consideration offered under the Offer; or • Cakra's voting power in Cokal Shares increases to more that 50%. If either of these events occurs, the Offer Period will be automatically extended so that it ends 14 days after the day on which the event occurs.	Section 10.5
What happens if the Offer Consideration is increased?	If the Offer Consideration is increased and you accept the Offer, you will be entitled to receive the increased consideration, even if you have already accepted the Offer.	
Can I be forced to sell my Cokal Shares?	You cannot be forced to sell your Cokal Shares unless Cakra proceeds to compulsory acquisition. Cakra will need to acquire at least 90% of Cokal Shares in order to exercise its compulsory acquisition rights. In the event this occurs, you will then receive the same consideration as is payable under the Offer at that time.	Section 10.8
Is the Offer conditional?	Yes. The Offer is conditional. The offer Conditions include, but are not limited to: • 90% minimum acceptance; • satisfaction of requirements in relation to Cakra's proposed Rights Issue including securing an underwriting/standby agreement (which has occurred) and obtaining Indonesian regulatory and Cakra Shareholder approvals; • no Cokal prescribed occurrences happening; • no adverse action affecting the Offer by any Public Authority; • approvals by Indonesian and other Public Authorities to permit the Offer; • there being no material acquisitions, disposals or material corporate actions by Cokal; • no force majeure event materially affecting Cokal or material adverse change affecting Cokal; and • all Cokal Options being cancelled before the end of the Offer Period.	Section 10.3 and section 17.16 of the Bidder's Statement
Can the Conditions be waived?	Cakra may generally declare the Offer free from the Conditions at anytime during the Offer Period.	Section 17.18 of the Bidder's Statement

Question	Answer	Further Information
Is there an Independent Expert Report?	Yes. The Independent Expert Report has concluded that the Offer is fair and reasonable to Cokal shareholders because there is Cash Consideration available which the Independent Expert considers fair and reasonable.	The Annexure to this Target's Statement
What happens if the Conditions of the Offer are not satisfied?	If the Conditions of the Offer are not satisfied or waived before the Offer closes, the Offer will lapse and you will not receive the Offer Consideration (even if you had accepted the Offer). You will then be free to deal with your Cokal Shares.	Section 10.5
When will I receive the Offer Consideration?	If you accept the Offer, and the Offer becomes unconditional, you will receive the Offer Consideration to which you are entitled on or before the earlier of: • one month after the date you accept or, if at the time of your acceptance is conditional, one month after the date the Offer becomes unconditional; and • 21 days of the end of the Offer Period.	Section 17.21 of the Bidder's Statement
What are the tax implications of the Offer?	A general outline of the Australian tax implications of accepting the Offer is set out in section 15 of the Bidder's Statement. You should not rely on the outline as advice on your own affairs. It does not deal with the position of all Cokal Shareholders. You should therefore seek your own personal, independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your Cokal Shares.	Section 15 of the Bidder's Statement
What if I am a foreign Cokal Shareholder?	The Bidder's Statement provides that Cakra will only issue Cakra Shares to Cokal Shareholders that accept the Share Consideration with an address as shown in the Cokal register in Australia, its territories and New Zealand or a jurisdiction into which Cakra determines, in its reasonable opinion, is not unlawful or too onerous for it to make the Offer. If you are a Cokal Shareholder outside these jurisdictions and accept the Offer, the Bidder's Statement provides that you will be treated as an Ineligible Foreign Shareholder and your Cakra Shares will be sold on the Indonesian Stock Exchange (IDX) by a foreign sale nominee approved by ASIC and appointed by Cakra and the net proceeds of that sale forwarded to you.	Section 10.10; Bidder's Statement section 17.24
Is there a phone number that I can call if I have further queries in relation to the Offer?	If you have any further queries in relation to the Offer you can call the Cokal Shareholder Information Line on +618 9389 8033.	

6 Information about Cokal

6.1 Introduction and History

(a) Cokal Limited (**Cokal**) is an ASX listed company (ASX: CKA; website: www.cokal.com.au), with its key focus on developing high margin metallurgical coal projects. The Board and senior management have extensive experience in successfully:

(i) identifying highly prospective assets;

(ii) forming appropriate business / financial structures and relationships;

(iii) providing the vision for a high performing business;

(iv) developing and implementing the plan to produce metallurgical coal efficiently; and

(v) operating highly productive mines.

(b) Cokal commenced business as Jack Doolan Capital Pty Ltd (**JDC**), a private company, formed primarily by the current Cokal Directors and like-minded people. In December 2010, JDC was acquired by the ASX listed Altera Resources Limited (**AEA**), with the Board of JDC assuming the control of AEA. Altera Resources Limited, was renamed Cokal Limited in February 2011, better reflecting its ambitions to become a global metallurgical coal business. Cokal holds interests in coal exploration tenements in Kalimantan, Indonesia and Tanzania.

(c) Cokal is building a portfolio of assets which will deliver high value access to quality metallurgical coal. Proving up resources for early production in the Central Kalimantan metallurgical coal basin is Cokal's priority. Cokal's growth strategy is built on the swift development of its key tenements, and prudent acquisition of further quality assets, with the goal of becoming a globally significant player in the metallurgical coal market.

(d) Further details in relation to Cokal's projects are set out below.

6.2 Overview of Cokal's operations

(a) **Interests in projects**

Cokal holds the following material project interests:

Tenement Name	Location	% Ownership
PT Bumi Barito Mineral (**BBM**)	Kalimantan, Indonesia	60%
PT Anugerah Alam Katingan (**AAK**)	Kalimantan, Indonesia	75%
PT Anugerah Alam Manuhing (**AAM**)	Kalimantan, Indonesia	75%
PT Borneo Bara Prima (**BBP**)	Kalimantan, Indonesia	60%
PT Silangkop Nusa Raya (**SNR**)	Kalimantan, Indonesia	75.2%*
PT Tambang Benua Alam Raya (**TBAR**)	Kalimantan, Indonesia	75%**
PL6281	Tanzania	50%

* Cakra holds the other 24.8% of this asset.

** Cakra holds the other 25% of this asset. Cokal is currently in the process of completing the purchase of the shares.

(b) **Bumi Barito Mineral (BBM) Project**

(i) Cokal has been focused on the development of its premier project, the Bumi Barito Mineral (**BBM**) project in the Murung Raya Regency of Central Kalimantan, towards production. Cokal's strategy is to achieve production at BBM and to then establish a broader production base for the progression of its other surrounding projects. The ability to leverage the BBM project's infrastructure will mean quicker development and lower capital intensity for these other projects to follow.

(ii) BBM covers an area of 14,980 hectares (ha), immediately adjacent to BHP Billiton's Juloi tenement, straddling the Barito River and has numerous outcrops of bright coal. Ongoing drilling in the Eastern Block of BBM indicates premium coking coal with Crucible Swell Numbers (CSN) values generally 9 or more.

(iii) Following the pre-feasibility study which was completed in October 2012, a major exploration program was undertaken to further define coal resources discovered in the western KLM area of the BBM lease. This program resulted in a major upgrade of the BBM resources. In January 2015 an upgraded Total Coal Resource of 266.6Mt was announced, including 19.5 Mt of Measured, 23.1Mt Indicated and 224Mt Inferred resources. In parallel with the completion of the drilling program, a Definitive Feasibility Study (**DFS**) was undertaken based on the 2Mtpa Open cut project identified in the Pre-Feasibility Study.

(iv) The DFS was completed in February 2014, indicating the 2Mtpa open cut operation with a ten year mine life, generates significant value for a relatively low capital cost. Importantly, the early years of operation when strip ratios are lower have highly competitive low cash cost resulting in strong margins available to pay down debt early in the project's life. The operating cost structure is such that even at today's cyclically low price, when over half of the metallurgical coal production is cash negative, the BBM project will have strong cash margins.

(v) The approval of the Indonesian Transport Minister was received in December 2013 for the proposed Punarma Port on the Barito River. The dedicated barge loading terminal has been designed to integrate with Cokal's specialised Shallow Draft Push Barging System, connecting the project to a fit for purpose intermediate stockpile to be constructed in the Kalanis area. From Kalanis, large ocean going barges equivalent in size to a hatch on the most used Coal bulk Carriers are then towed to the transhipment location at Taboneo offshore from Banjarmasin.

(vi) In February 2015, an approval was granted for both construction and operation of the port facilities for the BBM Project. The Indonesian Department of Transport has issued the permit - the Izin Konstruksi dan Operasi Terminal Khusus. The port facilities are located in, and on land adjacent to the Barito River, in Murung Raya Regency, Central Kalimantan.

(vii) The Port Construction and Operation Approval is for an initial 15 year period comprising a five year construction window and a ten year operational period. Cokal expects that the BBM Project will require a 12 month construction period, leaving a 14 year operational period under the Port Construction and Operation Approval. The approval also provides for the BBM Project to obtain future extensions to the operational period to support activities beyond the initial 15 year period.

(viii) The port location approval is for an area of approximately 150ha and includes the 37 ha port area recently approved in the Forestry Permit process. The area approved for the port includes the land necessary for the initial 2 Mtpa capacity scenario as identified in the BBM Project Definitive Feasibility Study, in addition to the area necessary for the expansion up to the 6 Mtpa capacity scenario. It is estimated that there will be an access of approximately 110 ha in the approved port area which will allow for future design optimization and expansion opportunities beyond the 6 Mtpa capacity scenario.

(ix) In August 2015, Cokal was granted the Borrow and Use of Forest Area Permit IPPKH (Ijin Pinjam Pakai Kawasan Hutan) for an initial operational area of 1,242 ha in BBM (Bumi Barito Mineral) Coal Project.

(x) The IPPKH (Forestry Permit) allows for the construction and operation of the port, haul road and initial mine development areas for Cokal's initial mine plan of 2 Mtpa of premium coking coal from BBM

(xi) An initial area of approximately 1,242 ha has been approved by the Forestry Department covering the operation of the port, haul road and the initial mine site. In accordance with standard Mining Department practice, the initial operational area is reviewed by the Department and extended as required to meet the planned mine development.

(xii) The grant of the Forestry Permit now concludes the final approval process necessary to allow Cokal to start construction and mining. In addition to the forestry permit, Cokal has an approved mining license and full environmental approval for up to 6Mtpa of coal extraction.

(c) **Indonesian Coal Exploration Projects**

Cokal has acquired a share of the following projects:

(i) **TBAR Project:** Cokal is acquiring 75% of the TBAR Exploration Licence which covers an area of 18,850ha which is subject to the normal administrative approvals. Due to Cokal's focus on BBM only minor maintenance work was conducted on TBAR during the period. Cokal is the process of completing the acquisition process.

(ii) **BBP Project:** BBP (Borneo Bara Prima) project north east of BBM cover 13,050ha and is adjacent to BHP Billiton's Maruwai tenement. No exploration activity was conducted on BBP during this period as all exploration resources have been deployed to BBM to assist in the delineation of the coal seam in the KLM Area.

(iii) **AAM and AAK Projects:** Cokal has a 75% share of Anugerah Alam Katingan (AAK) and Anugerah Alam Manuhing (AAM) projects also located in Central Province, Kalimantan, Indonesia. The AAK project area comprises 5,100 hectares and the AAM project comprises 10,000 hectares. Applications for the Forestry permit, (IPPKH) continue to be processed.

(iv) **SNR Project:** Cokal has a 75.2% of Silangkop Nusa Raya (SNR), which holds the exploration licences in West Kalimantan near the Malaysia border covering an area of approximately 13,000 ha. Applications for the Forestry permit (IPPKH) continue to be processed.

6.3 Cokal Resource summary

The Total Coal Resource estimate was announced on 29 January 2015, titled "Cokal announces updated JORC Resource Statement for Bumi Barito Mineral (BBM) Project" and can be found at www.asx.com.au.

Cokal confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 29 January 2015 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 29 January 2015 continue to apply and have not materially changed.

BBM Project Coal Resource by JORC Category

Seam Name	Seam Thickness (m)	Measured Resources (Mt)	Indicated Resources (Mt)	Inferred Resources (Mt)	Total Resources (Mt)
J	1.33	10.50	13.5	31	55.00
D	1.34	3.53	3.5	70	77.03
C	1.23	2.62	3.1	66	71.72
B	1.10	2.85	3.0	57	62.85
Total		19.50	23.1	224	266.6

6.4 **Competent Person Statement**

The information in this section 6 relating to Coal 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. 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. Mr Suryanegara consents to the inclusion in the Target's Statement of the matters based on the information, in the form and context in which it appears.

6.5 **Directors**

(a) **Mr Peter Lynch, B.Eng (Mining) - Chairman (Appointed 24 December 2010) and Chief Executive Officer (Appointed Chief Executive Officer on 5 May 2013)**

Since graduating with a Mining Engineering degree in 1988, Mr Lynch has held various positions, within the coal industry in Australia, as mining engineer, project manager, mine manager, general manager and managing director culminating most recently in the role, from January 2006 until January 2010, as the President, CEO and Director of Waratah Coal Inc., a TSX listed company which was taken over by the Mineralogy Group in December 2008, having reached a peak market capitalisation of Canadian $300 million.

Other highlights include:

(i) Mining Engineer, 51, over 28 years' experience mainly in coal.

(ii) Proven track record in coal project evaluation, development and operation.

(iii) Responsible for design and construction of one of Australia's best producing longwall projects, Oaky North.

(iv) Ex-CEO of Waratah Coal responsible for putting the Galilee basin on the map, visionary development plan.

(v) Ex-MD APC, MacArthur Coal operating entity expanded to 6Mtpa.

(vi) Strong following in Nth American Capital Markets, WCI.TSX-V.

(vii) Currently a director of WCB Resources Limited (TSX- V:WCB).

Peter is a member of the Audit Committee. During the past three years Peter has not served as a director of another ASX listed company.

(b) **Pat Hanna, B. Sc (Applied Geology), FAusIMM MMICA CPI - Executive Director (Appointed on 24 December 2010)**

Mr Hanna has 39 years' experience as a coal geologist in the areas of exploration and evaluation including planning, budgeting and managing exploration programs in Australia, Mozambique, Philippines, Ukraine and Indonesia, gained since graduating from the University of New South Wales in 1976. Mr Hanna has authored and co-authored numerous coal industry publications.

(i) Geologist, 61, 39 years' experience in the international coal industry.

(ii) Extensive experience in Indonesian coal.

(iii) Exploration Manager for Riversdale Mining, principal responsibility for discovery and documentation of new coking coal basin in Mozambique.

(iv) Ex-member of JORC committee.

(v) Previously Principal Geologist SRK Australia for 6 years.

(vi) Author of over 20 technical publications.

(vii) Reviewed and consulted on over 70 coal projects globally.

Highly experienced and respected. Pat is a member of the Audit Committee. During the past three years Pat has not served as a director of any other ASX listed company.

(c) **Domenic Martino, B. Bus, FCPA - Non-Executive Director (Appointed on 24 December 2010)**

Mr Martino is a Chartered Accountant and an experienced director of ASX listed companies. Previously CEO of Deloitte Touch Tohmatsu in Australia, he has significant experience in the development of "micro-cap" companies.

(i) Former CEO Deloitte Touche Tohmatsu Australia.

(ii) Key player in the re-birth of a broad grouping of ASX companies.

(iii) Strong reputation in China.

(iv) Lengthy track record of operating in Indonesia, successfully closed key energy and resources deals with key local players.

(v) Proven track record in capital raisings across a range of markets.

During the past three years Domenic has also served as a Director of the following ASX listed companies:

- Pan Asia Corporation Limited* (since 24 December 2010)
- Synergy Plus Limited* (since 7 July 2006)
- Australasian Resources Limited* (since 27 November 2003)
- ORH Limited* (since 6 May 2009)
- Clean Global Energy Limited (appointed 9 October 2009, resigned September 2012)
- South Pacific Resources Limited* (appointed 3 August 2012)
- MUI Corporation Limited (MUI) (appointed 19 December 2013)*

* denotes current directorship

Domenic is the Chairman of the Audit Committee.

(d) **Lt. General (Ret.) Agus Widjojo, Non-Executive Director (Appointed on 14 August 2013)**

Mr Widjojo graduated from the Indonesian Armed Force Academy in 1970. He holds a Master's Degree in Military Art and Science from the US Army Command and General Staff College, a Masters of Public Administration from the George Washington University and a Masters of Science in National Security from the US National War College.

He is a well-respected amongst Indonesia's leaders and is considered a key contributor in the development of Indonesia international ties on various levels.

Highlights include:

(i) Served as a staff officer in the International Commission for Control and Supervision in Vietnam 1973 and with the Indonesian Battalion with UNEF II in Sinai in 1975.

(ii) Assistant for General Plans and Strategic Policies of TNI Command in 1998.

(iii) Vice Chairman of the national assembly and leading participant in deliberation leading the reform of Indonesian armed force in the post-Suharto year and transition to democracy.

(iv) He was a deputy of the Presidential Policy implementation. A member of the advisory Board of the Institute of Peace and Democracy and he was the Indonesian representative on the Indonesia-Timor Commission of Truth and Friendship.

(v) Chairman of the Executive Board of Parties for Governance Reform and a Senior Follow at CSIS Jakarta.

During the past three years Agus has not served as a director of any other ASX listed company.

6.6 **Cokal Financial Information**

The historical financial information in this section has been extracted from:

- The audited financial statements of Cokal for the years ended 30 June 2013 and 30 June 2014; and
- The unaudited and unreviewed management financial statements for Cokal for the year ended 30 June 2015 prepared on the basis of accounting policies normally adopted by Cokal.

The financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.

(a) **Summary of consolidated statement of comprehensive income**

	Year Ended 30 June 2015 Unaudited and unreviewed US$	Year Ended 30 June 2014 Audited A$	Year Ended 30 June 2013 Audited A$
Revenue and other income	**69,300**	**79,811**	**2,175,773**
Total expenses	13,113,347	6,543,984	8,897,512
Loss before income tax expense	**(13,044,047)**	**(6,464,173)**	**(6,721,739)**
Income tax expense	-	-	-
Net loss for the year	**(13,044,047)**	**(6,464,173)**	**(6,721,739)**
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**(13,044,047)**	**(6,464,173)**	**(6,721,739)**

(b) **Consolidated statement of financial position**

	Year Ended 30 June 2015 Unaudited and unreviewed US$	Year Ended 30 June 2014 A$	Year Ended 30 June 2013 A$
Current Assets			
Cash and cash equivalents	1,753,213	2,752,958	916,509
Short term deposits	1,538,595	1,955,259	1,858,000
Accounts receivable	180,162	203,860	159,900
Other current assets	232,742	60,704	100,117
Total Current Assets	**3,704,712**	**4,972,781**	**3,034,526**
Non-Current Assets			
Property, plant and equipment	1,628,081	948,498	954,616
Exploration and evaluation assets	59,424,333	62,811,658	55,729,090
Other non-current assets	191,312	232,023	266,762
Total Non-Current Assets	**61,243,726**	**63,992,179**	**56,950,468**
TOTAL ASSETS	**64,948,438**	**68,964,960**	**59,984,994**
Current Liabilities			
Accounts payable	981,581	849,116	2,151,569
Interest bearing loans	10,065,000	3,757,381	-
Total Current Liabilities	**11,046,581**	**4,606,497**	**2,151,569**
Non-Current Liabilities			
Deferred liability	72,409	138,375	230,625
Interest bearing loans	3,656,836	3,311,972	-
Total Non-Current Liabilities	**3,729,245**	**3,450,347**	**230,625**
TOTAL LIABILITIES	**14,775,826**	**8,056,844**	**2,382,194**
NET ASSETS	**50,172,612**	**60,908,116**	**57,602,800**
Equity			
Issued capital	83,622,140	81,937,141	73,003,471
Reserves	4,571,178	4,706,240	3,870,421
Accumulated losses	(38,020,706)	(25,735,265)	(19,271,092)
TOTAL EQUITY	**50,172,612**	**60,908,116**	**57,602,800**

(c) **Consolidated statement of cash flows**

	Year Ended 30 June 2015 unaudited and unreviewed US$	Year Ended 30 June 2014 A$	Year Ended 30 June 2013 A$
Cash Flows from Operating Activities			
Payments to suppliers and employees	(4,045,295)	(6,217,546)	(5,833,288)
Interest received	69,300	79,811	591,402
Interest paid	(1,815,000)	(536,769)	(86)
Net cash outflow from operating activities	**(5,790,996)**	**(6,674,504)**	**(5,241,972)**
Cash Flows from Investing Activities			
Payments for plant and equipment	(935,628)	(250,689)	(329,971)
Deposits maturing after three months	(42,793)	(97,259)	12,429,097
Proceeds from sale of tenements	-	-	1,620,000
Payments for exploration and evaluation assets	(2,904,690)	(7,082,568)	(22,853,680)
Security deposit receipts / (payments)	27,230	34,739	(47,966)
Net cash outflow from investing activities	**(3,855,881)**	**(7,395,777)**	**(9,182,520)**
Cash Flows from Financing Activities			
Proceeds from issue of shares and options	2,027,373	9,609,127	-
Transaction costs on share issue	(116,106)	(675,457)	-
Proceeds from borrowings	6,965,000	6,973,060	-
Net cash inflow from financing activities	**8,876,267**	**15,906,730**	-
Net (decrease)/increase in cash and cash equivalents	(770,610)	1,836,449	(14,424,492)
Cash and cash equivalents at beginning of year	2,593,011	916,509	15,341,001
Net foreign exchange differences	(69,188)	-	-
Cash and cash equivalents at end of year	**1,753,213**	**2,752,958**	**916,509**

6.7 Debt profile

(a) Overview

Cokal has the following outstanding loans:

Lender	Principal	Interest rate	Repayment
Blumont Group Limited (Singapore)	US$3,656,836	5% per annum	7 November 2016
Northrock Financial LLC	US$10,065,000	Nil	6 August 2015

(b) Cakra's intentions

Cokal notes Cakra's intention, depending on the level of cash required to fund the cash component of the Offer and, subject to the level of working capital required by the Indonesian regulatory authorities to be applied towards developing the assets of the Merged Entity, to use the surplus funds raised under its Rights Issue (if any) to repay Cokal's existing loans and in particular the Northrock loan.

(c) Northrock loan

Repayment of the loan to Northrock is overdue. Northrock holds security for the amounts owing to it over Cokal Holdings Pte Ltd, the Cokal group company which controls Cokal's equity in the BBM Project.

There are continuing discussions with the lender in relation to an extension of the repayment date. As at the date of this Target's Statement, no demand for repayment of the loan has been received but no agreement has been reached on an extension. The risks associated with the overdue Northrock loan are set out in section 6.10(a) of this Target's Statement.

(d) Blumont loan

Cakra has stated that if its Offer is successful, it intends to delist Cokal (see section 10.2(a) of the Bidder's Statement). The Blumont loan will become repayable on the date on which Cokal is delisted from ASX or earlier, if the Northrock loan is called. Blumont also holds security for the amounts owing to it over Cokal Holdings Pte Ltd, the Cokal group company which controls Cokal's equity in the BBM Project. The risks associated with the obligation to repay the Blumont loan are set out in section 6.10(a) of this Target's Statement.

6.8 Capital Structure

As at the date of this Target's Statement, Cokal has on issue:

(a) 499,342,704 Cokal Shares

(b) 66,150,000 Unlisted Options, issued by Cokal to employees and directors of Cokal and its subsidiaries and third parties as approved by the Cokal Board as follows:

Number of Options	Expiry Date	Exercise Price	Agreed Option Value Cents Per Share**	Total Value* A$
10,000,000	24/02/2019*	0.126	0.091853	918,530
25,000,000	06/02/2019*	0.13	0.090205	2,255,125
15,000,000	27/08/2018	0.20	Nil agreed to surrender	---
5,000,000	05/09/2015	3,000,000 @1.10	Nil	----
		2,000,000 @1.50	Nil	----
350,000	12/10/2016	0.75	0.002758	965
4,000,000	11/07/2017	0.214	0.048983	195,932
6,800,000	11/07/2017	0.25	0.041952	285,274

** Expiry date is subject to a prescribed event.*

*** Under the Bid Implementation Agreement, Cakra agreed to offer to acquire the Cokal Options for these agreed values calculated using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.*

When exercisable, each Cokal Option is convertible into one ordinary Cokal Share within fourteen days after the receipt of a properly executed notice of exercise and application monies. Cokal will issue to the option holder, the number of shares specified in that notice.

Cakra will make private offers to holders of Cokal Options to acquire or cancel the Cokal Options for the agreed amounts in accordance with the Bid Implementation Agreement (as set out in the table above), subject to the Offer becoming or being declared unconditional.

In addition, if Cakra and its associates have relevant interests in at least 90% of the Cokal Shares during, or at the end of the Offer Period, Cokal will give a notice of compulsory acquisition to all outstanding Cokal Shareholders, even if the Cokal Shares to which those notices relate are issued:

- after the Offer closes but before the notices are given (pursuant to Section 661A(4)(b) of the Corporations Act); or
- on exercise of Cokal Options, up to 6 weeks after the notices are given (pursuant to Section 661A(4)(c) of the Corporations Act).

6.9 Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by Cokal are:

Name of Shareholder	Ordinary Shares	% of total
Platinum Partners Value Arbitrage Fund LP & Platinum Partners Liquid Opportunity Master Fund LP & Associates	83,009,034	16.62%
Blumont Group Ltd	60,057,034	12.75%
Peter Anthony Lynch & Laura Anne Lynch	56,052,000	11.90%
Domenic Vincent Martino & Sandra Gae Martino	37,120,001	7.88%
Patrick Joseph Hanna	25,000,000	6.09%

6.10 **Risks associated with being a Cokal Shareholder**

There are various risks, both specific to Cokal and of a general nature, which may materially and adversely affect the future operating and financial performance and/or financial position of Cokal and the value of Cokal Shares and which you will continue to be exposed to if the Offer does not proceed.

(a) **Loan default risk**

There is a loan owing from Cokal to Northrock Financial LLC for a principal amount of US$10,065,000 which became due and payable on 6 August 2015. See section 6.7. No demand has been received for the immediate repayment of the loan, but there is no guarantee that the lender will agreed to extend the loan repayment date. Accordingly, there is a risk that the lender will demand immediate repayment and take steps to recover the amounts owing to it, including enforcing its security which includes security over the Cokal subsidiary which controls its interest in the BBM Project.

If Northrock required the repayment of its loan, then Blumont Group could potentially also require the repayment of its US$3,656,836 loan and take steps to recover the amounts owing to it, including enforcing its security which includes security the Cokal subsidiary which controls its interest in the BBM Project.

If either or both lenders required immediate repayment of their loans or took enforcement action, it is unlikely that Cokal would be able to continue as a going concern.

(b) **Financing risk**

There is a risk that Cokal may be unable to raise the financing that could be required to further develop its portfolio of projects. Cokal may require material cash resources in order to fund the development of its projects. No assurance can be given that adequate future funding would be available from mining operations or from external sources on favourable terms (or at all). Any additional equity financing may dilute shareholdings. If adequate funds are not available on acceptable terms Cokal may not be able to further develop its projects and it may be required to reduce the scope of its operations.

There is a risk that Cokal will not be able to continue as a going concern if it is unable to raise the funds necessary to meet its debt and working capital obligations.

(c) **Geological, Development and Operating Risk**

(i) Coal exploration and mining involves significant degrees of risk, including those related to mineral exploration success or lack thereof, unexpected geological or mining conditions, the development of new deposits, the estimation of deposit coal grades, climatic conditions, equipment and/or service failures, industrial and environmental accidents, industrial disputes and other general operating risks. Many of these risks are outside of the ability of management to control.

(ii) Cokal's financial performance will substantially depend on the operations of the BBM Project. The production forecasts are estimates only, based on assumptions including those in relation to geology, coal grade estimation, mining conditions and performance and operational issues and are subject to uncertainty.

(iii) Capital/operating cost estimates for the BBM Project are also based on assumptions that are subject to differing degrees of uncertainty. An increase in capital/operating costs, potential delays and/or a decrease in production could have an adverse impact on Cokal's overall performance.

(iv) There is no assurance that Cokal will be able to identify additional resources at the BBM Project to allow mining to continue beyond currently identified resources or that Cokal's regional exploration projects will result in the identification of Mineral Resources with economic viability.

(v) The BBM Project is Cokal's only project that should soon reach production stage. Although Cokal has other exploration projects, Cokal does not currently have a diversified portfolio of operating mines. Accordingly, Cokal's Share price and future financial performance are substantially exposed to the BBM Project, in the absence of developing its other exploration projects or acquiring other advanced stage projects.

(d) **Resources and Reserve estimates**

Resource and Reserves estimates are expressions of judgements based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, Resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Merged Entity's operations (in particular development of the BBM Project. Further, unforseen economic, financial, technical, geological and geographical difficulties may be encountered when mining the Resources and Reserves. This could cause a loss of revenue due to lower production than expected, higher operation and maintenance costs, and on-going unplanned capital expenditure in order to meet production targets.

(e) **Commodity Price Volatility, Exchange Rate, Economic and Market risks**

(i) Commodity prices fluctuate and are affected by a variety of factors beyond the control of Cokal, including international supply and demand for commodities including coal, technological advancements, Central Bank activities and other macro-economic factors. Furthermore, international prices of commodities are denominated in United States dollars, whereas income and expenditure of Cokal will generally be in Australian currency, therefore exposing Cokal to the fluctuations and volatility of currency rate exchanges as determined by international markets.

(ii) Cokal's funding position and financial performance is impacted by a variety of general global economic and business conditions. A deterioration in these conditions could have an adverse impact on Cokal's financial performance. The coal price and Australian exchange rate are key economic drivers in Cokal's financial performance and directly impact Cokal's financial performance.

(iii) The market price of Cokal Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither Cokal nor the directors warrant the future performance of Cokal or any return on an investment in Cokal.

(f) **Competing land use risk**

Despite Cokal having an exclusive legal right to extract coal from the land in Indonesia over which it has exploration and development rights, there may be other users of the land who compete with those rights even if unlawfully. There is no guarantee that Cokal will be able to exclude those competing users of the land. Such competition may have a material adverse effect on Cokal's ability to develop the BBM Project, its operations and also project earnings.

(g) **Joint venture risk**

Cokal conducts its projects (including its leading BBM Project) in joint venture with other parties on commercial terms. Each joint venture party has obligations and responsibilities under the joint venture agreements. Material non-compliance by a joint venture party, joint venture disputes or claims by joint venturers, could have a material adverse effect on the development, costs, timing or operational efficiency of the joint venture operations and / or the financial position and performance of Cokal.

(h) **Reliance on key management personnel**

The responsibility for the strategic management of Cokal and overseeing the day-to-day operations depends on the directors and key management personnel. No assurance can be given that there will be no detrimental impact on Cokal if one or more of these persons cease their employment.

(i) **Occupational health & safety**

The mining industry is an inherently hazardous industry, and is subject to increasing occupational health and safety responsibility and liability. The potential for significant loss and liability is a constant risk. If Cokal fails to comply with necessary OH&S legislative requirements, it could result in fines, penalties and compensation for damages as well as reputational damage.

(j) **Environmental Risk**

The operations of Cokal are subject to laws in Indonesia concerning the environment. Whilst Cokal conducts its activities to the highest standard of environmental obligations including in compliance with environmental laws, there are certain risks inherent in Cokal's activities which could subject Cokal to environmental liability.

(k) **Regulatory and Political risk**

Government regulations and political factors, including those relating to prices, taxes, royalties, land tenure, security of mineral rights tenure, land use, the environment, and community constraints, including potential land claims or restrictions on exploration or development are all key considerations in mineral projects. The effects of these factors cannot be accurately predicted and any combination of one or other of the above may impede the operation or development of a project and even render it uneconomic.

(l) **Other Risks**

Section 14 of the Bidder’s Statement outlines the risks associated with being a Cakra shareholder. Some of these risks also apply to being a Cokal Shareholder. You should also have regard to these risks in relation to your decision whether or not to accept the Offer.

7 Information about Cakra

7.1 Disclaimer

The information in this section concerning Cakra has been prepared by Cokal using primarily publicly available information and has been reviewed and consented to by Cakra. Accordingly Cokal does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information, other than as required by the Corporations Act.

The information on Cakra should not be considered comprehensive.

Further detailed information relating to Cakra, including information regarding directors and management and financial information, is provided in Cakra's Bidder's Statement which has been sent to you by Cakra. You should refer particularly to sections 7 and 8 of the Bidder's Statement.

7.2 Overview of Cakra

Cakra is a publicly owned Indonesian-incorporated mineral investment company, that is listed on the Indonesian Stock Exchange (**IDX**) (ticker CKRA). Cakra operates integrated mining business segments through its subsidiaries. It is domiciled in Central Jakarta and has operations in the province of West Sumatra and Central Kalimantan.

Cakra's business ranges from exploration, mining, processing to marketing of minerals, and has a downstream focus; developed primarily due to the effective ban on exporting unprocessed ore from Indonesia which has been in place since 2014.

Cakra states in its Bidder's Statement that it is working with various Chinese interests to develop refineries with the aim of increasing production capacity and sales, and has entered into agreements to jointly develop ferronickel and pig iron smelters. For some time Cakra has also been actively seeking opportunities to acquire companies with high quality mineral resources and strong management with the intention of developing those assets.

Cakra is 74.23% owned by Redstone Resources Pte Ltd, a Singaporean based company that specialises in mining investments, and is also supported by Pt. Sinarmas Sekuritas (Sinarmas) which is part of the Sinar Mas Group, one of Indonesia's largest conglomerates.

7.3 Shareholder Structure

As at 10 August 2015, Cakra has the following major shareholders:

Cakra Shareholder Name	Number of Cakra Shares	Percentage Shareholding
Redstone Resources Pte Ltd	3,790,349,146	74.04
Credit Suisse Singapore Trust	850,151,390	16.65

Cakra does not currently have any options or convertible securities on issue.

7.4 Cakra's business model

In 2014 the Indonesian Minister of Energy and Mineral Resources introduced new laws which imposed an effective ban on the export of raw ore from Indonesia. Following the introduction of that ban, Cakra shifted its focus to constructing processing plants with a view to increasing production and sales. Cakra has also been actively seeking acquisition targets with good fundamental assets that can be quickly developed to production to add value to its existing downstream assets (this being the rationale for Cakra making the Bid).

Therefore, while Cakra does hold mining permits, exploration is not part of its core business and Cakra's mining permits have only comprised, on average, 7% of its assets over the past 3 financial years.

7.5 Business activities and assets

The following is a brief overview of Cakra's assets. More information about Cakra is available from Cakra's Bidder's Statement, and from its website, www.cakra.co.id, and on IDX's website, www.idx.co.id.

The key objectives underpinning Cakra's fully integrated mining business incorporate contributions by three business segments: mining, processing and trading.

(a) Mining

Cakra holds interests in the following companies which hold mining permits.

Company	Cakra's % Interest	Commodity	Landholding (ha)	Location
PT Persada Indo Tambang (**PIT**)	88	Iron ore	2,936	South Sumatra
PT Takaras Inti Lestari (**Takaras**)	55	Zircon	1,365	Central Kalimantan
PT Murui Jaya Perdana (Murui Jaya)	55	Zircon	1,136	Central Kalimantan
PT Tambang Benua Alam Raya[1]	25	Coking coal	18,850	Central Kalimantan
PT Silangkop Nusa Raya[1]	24.8	Coking coal	13,000	West Kalimantan
PT Ketungau Nusa Raya	24.8	Coking coal	4,000	West Kalimantan

[1] Cokal holds the remaining interests in each company.

Cakra's mining operations include two operating mines at Takaras and Murui Jaya that are currently in small-scale production of zircon. Cakra also has under contract but has not yet completed the purchase of 25% of each of PT Anugerah Alam Katingan and PT Anugerah Alam manuhing. Cokal will hold the remaining interests in the companies post-completion of these acquisitions.

(b) Processing

Cakra's current operational assets include a purpose-built facility for zircon heavy mineral separation and storage. The separation plant allows zircon heavy mineral concentrate mined and purchased from local sub-contractors and artisan miners to be trucked to the separation plant, processed and then loaded onto barges and/or trucks to be sent to Banjarmasin port in South Kalimantan for exporting.

(c) Marketing/Sales

Cakra's trading business is operated through its wholly owned subsidiaries which are parties to several "spot" off-take agreements with reputable Chinese industrial users and manufacturers. No long term contracts for the sale of Cakra's products have yet been entered into.

Each spot contract consists of 100 – 300 metric tons of sales and will earn approximately US$330,000 sales over the course of the contract. On average Cakra is currently selling a maximum of 500 metric tons per month.

Cakra sources its raw materials from local sub-contractors and artisanal miners and has several supply contracts with those third parties.

Cakra's trading activities are not currently producing any material net cash flow. However, Cakra, through its subsidiaries, has an established and proven Asian network. To this end, Cakra is in the process of sourcing potential customers in Japan and India in order to diversify its customer base and increase profitability.

8 Information about the Merged Entity and Cakra's intentions

8.1 Cakra's intentions

Cokal Shareholders should refer to section 10 of Cakra's Bidder's Statement for information regarding Cakra's intentions in respect of Cokal and the Merged Entity if the Offer is successful.

8.2 Information about the Merged Entity

For information regarding the Merged Entity please refer to sections 11.4 and 13 of the Bidder's Statement.

8.3 Risks of holding shares in the Merged Entity

For information regarding the risks associated with holding shares in the Merged Entity please refer to section 14 of the Bidder's Statement.

9 Australian taxation implications

Section 15 of the Bidder's Statement sets out a general outline of the Australian tax implications of accepting the Offer. The general outline is intended as a guide only for Cokal shareholders. The tax consequences for you will depend on your individual circumstances and you should obtain your own professional advice from a qualified tax adviser.

You should not rely on anything in this Target's Statement or in the Bidder's Statement as advice about your own affairs. It does not cover how tax may apply to all Cokal shareholders. You should seek your own independent financial and taxation advice, which takes into account your personal circumstances, before making a decision as to whether or not to accept the Offer for your Cokal Shares.

10 Important information about the Offer

10.1 The Offer

(a) On 29 April 2015, Cakra and Cokal announced the Offer, being an offer by Cakra to Cokal Shareholders to acquire all of the Cokal Shares. Under the Offer, Cokal Shareholders are being offered either:

(i) 10.327 Cakra Shares;

(ii) A$0.16; or

(iii) a combination of both,

for each Cokal Share they hold.

(b) The Offer is to acquire all Cokal Shares, including any rights attaching to them. The Offer extends to any Cokal Shares issued upon the exercise of Options before the end of the Offer Period. You may only accept the Offer for all of your Cokal Shares. You cannot accept the Offer for only some of your Cokal Shares.

(c) Cokal Shareholders should note that the Cakra Shares comprising the Offer Consideration are in Cakra, which is incorporated in Indonesia (as opposed to Cokal, which is an Australian company), so the rights attaching to Cakra Shares and the associated regulatory environment differs from those relating to Cokal Shares. Also, Cakra is listed on the IDX as distinct from Cokal which is listed on ASX. For further details in relation to the Cakra Shares you should refer to the Bidder's Statement.

(d) The Offer Consideration will only become payable to you if all of the Conditions of the Offer are satisfied or waived. These Conditions are set out in section 10.3 of this Target's Statement and in section 17.16 of the Bidder's Statement.

(e) If you accept the Offer, and the Offer becomes unconditional, you will receive the Offer Consideration to which you are entitled:

(i) within one month of the later of the date you accept or the date the Offer becomes unconditional; or

(ii) assuming the Conditions of the Offer are satisfied or waived, within 21 days of the end of the Offer Period.

(f) The Offer is scheduled to close at 5:00pm (Sydney time) on 15 November 2015, unless Cakra extends the Offer Period in accordance with the Corporations Act.

(g) Cakra may be able to withdraw its Offer with the written consent of ASIC, subject to the conditions (if any) specified in such consent.

(h) The Offer will lapse if, at the end of the Offer Period, the Conditions to which the Offer is subject are not satisfied or waived. If this occurs then any contracts resulting from acceptance of the Offer by Cokal Shareholders will become void. If the Offer lapses then Cokal Shareholders who have accepted the Offer will continue to own the Cokal Shares that are the subject of any such acceptances and will be free to deal with them as they choose.

10.2 Provision of Offer Consideration

(a) Cash Consideration

Cakra intends to fund the Cash Consideration via a Rights Issue of 5,106,021,090 Cakra Shares at a price of up to IDR 300 per Cakra Share to raise approximately IDR1,500 billion or US$111 million based on an exchange rate of IDR13,538 to US$1 on 10 August 2015. The Rights Issue will be conducted pursuant to Indonesian law. Cakra's existing cash reserves will not be used to fund the Cash Consideration.

For more information refer to section 11.1 of the Bidder's Statement.

(b) Share Consideration

Refer to section 11.3 of the Bidder's Statement for a description of the arrangements regarding the Cakra Share Consideration.

10.3 Conditions of the Offer and Consequences of Conditions Not Being Satisfied

The Offer is subject to a number of Conditions. The Conditions to the Offer are set out in more detail in the Bidder's Statement and in full in the Bid Implementation Agreement which was attached to the ASX announcement of 29 April 2015 and is available for download from Cokal's website www.cokal.com.au and the ASX website www.asx.com.au (ASX Code: CKA).

The Offer is subject to the fulfilment of the following conditions:

(a) Minimum acceptance condition

During, or at the end of, the Offer Period the number of Cokal Shares in which Cakra and its associates together have Relevant Interests (disregarding any Relevant Interest that Cakra has merely because of the operation of section 608(3) of the Corporations Act) is at least 90% of all the Cokal Shares.

(b) Cakra approval

(i) Cakra obtains all required regulatory approvals in Indonesia, including regulatory approval for the proposed underwritten rights issue by Cakra to fund the Bid Offer;

(ii) Cakra enters into a binding underwriting agreement in respect of the proposed rights issue, with an underwriter having the financial capacity reasonably required by the underwriting, subject only to regulatory and shareholder approval;

(iii) Cakra obtains shareholder approval for the underwritten rights issue and for the conduct of the Offer;

(iv) the proposed rights issue is completed successfully, with the maximum number of shares to be issued to be approximately 5,000,000,000 and on customary terms and conditions; and

(v) all of the members of the Cakra Board of Directors and Board of commissioners have been informed of Cakra Offer and undertake:

(A) the Cakra Boards as required under Indonesian law will unanimously recommend that, in the absence of a Cokal material adverse change (as defined in the Bid Implementation Agreement), to Cakra Shareholders to approve the purchase of Cokal and to undertake the rights issue; and

(B) each member of the Cakra Boards will, in the absence of a Bid Material Adverse Change, accept, or procure the acceptance of the purchase of Cokal and to undertake the rights issue in respect of all the Cakra Shares that they hold or in which they otherwise have a Relevant Interest.

(c) **No Cokal Prescribed Occurrences**

None of the following events happens during the period beginning on the date the Bidder's Statement is given to Cokal and ending at the end of the Offer Period:

(i) Cokal converts all or any of its shares into a larger or smaller number of shares;

(ii) Cokal or a subsidiary of Cokal resolves to reduce its share capital in any way;

(iii) Cokal or a subsidiary of Cokal:

(A) enters into a buy-back agreement; or

(B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;

(iv) Cokal or a subsidiary of Cokal issues shares (other than Cokal Shares upon the exercise of Cokal Options) or grants an option over its shares, or agrees to make such an issue or grant such an option;

(v) Cokal or a subsidiary of Cokal issues, or agrees to issue, convertible notes;

(vi) Cokal or a subsidiary of Cokal disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;

(vii) Cokal or a subsidiary of Cokal charges, or agrees to charge, the whole, or a substantial part, of its business or property;

(viii) Cokal or a subsidiary of Cokal resolves to be wound up;

(ix) the appointment of a liquidator or provisional liquidator of Cokal or of a subsidiary of Cokal;

(x) a court makes an order for the winding up of Cokal or of a subsidiary of Cokal;

(xi) an administrator of Cokal, or of a subsidiary of Cokal, is appointed under sections 436A, 436B or 436C of the Corporations Act;

(xii) Cokal or a subsidiary of Cokal executes a deed of company arrangement; or

(xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Cokal or of a subsidiary of Cokal

provided that it will not include any occurrence:

(xiv) fairly disclosed to Cakra on or before the date of the Bid Implementation Agreement (including as a result of disclosures made to ASX)

(xv) occurring as a result of any matter, event or circumstance required by the Bid Implementation Agreement, the Bid or the transactions contemplated by them; or

(xvi) approved in writing by Cakra.

(d) **No prescribed occurrences between Announcement Date and service**

None of the events listed in sections 10.2(c)(i) to 10.2(c)(xiii) happens during the period beginning on the Announcement Date and ending at the end of the day before the Bidder's Statement is given to Cokal.

(e) **No action by Public Authority adversely affecting the Bid**

During the Condition Period:

(i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;

(ii) no action or investigation is instituted, or threatened by any Public Authority with respect to Cokal or any subsidiary of Cokal; or

(iii) no application is made to any Public Authority (other than an application by Cakra or any company within the Cakra Group, an application under s657G of the Corporations Act, or an application commenced by a person specified in s659B(1) of the Corporations Act in relation to the Bid),

in consequence of, or in connection with, the Bid, which restrains or prohibits or threatens to restrain or prohibit, or may otherwise materially adversely impact upon, the making of the Bid or the completion of any transaction contemplated by the Bidder's statement or seeks to require the divestiture by Cakra of any Cokal Shares, or the divestiture of any assets by Cokal or by any subsidiary of Cokal or by any company within the Cakra Group.

(f) **Approvals by Public Authorities**

During the Condition Period, Cakra receives all Approvals which are required by law or by any Public Authority:

(i) to permit the Offers to be made to and accepted by Cokal shareholders; or

(ii) as a result of the Offers or the successful acquisition of the Cokal Shares and which are necessary for the continued operation of the business of Cokal and its subsidiaries or of Cakra and its subsidiaries,

and those Approvals are on an unconditional basis and remain in force in all respects and there is no notice or indication of intention to revoke, suspend, restrict, modify or not renew those Approvals.

(g) **No material acquisitions, disposals, etc.**

Except for any proposed transaction publicly announced by Cokal before the Announcement Date, none of the following events occur during the period from that date to the end of the Offer Period without the written consent of Cakra (provided that such consent shall not be required for any event specified in the Agreed Budget):

(i) Cokal, or any subsidiary of Cokal, acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than US$2,000,000 or makes an announcement about such an acquisition;

(ii) Cokal, or any subsidiary of Cokal, disposes, offers to dispose or agrees to dispose of, or creates, or offers to create an equity interest in one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than US$2,000,000 or makes an announcement about such a disposal;

(iii) Cokal, or any subsidiary of Cokal, enters into, offers to enter into or announces that it proposes to enter into any joint venture in relation to exploration projects or a partnership or dual listed company structure, or makes an announcement about such a commitment;

(iv) Cokal, or any subsidiary of Cokal, incurs or commits to, or grants to another person a right the exercise of which would involve Cokal or any subsidiary of Cokal incurring or committing to any capital expenditure or liability for one or more related items of greater than US$2,000,000 or makes an announcement about such a commitment; or

(v) Cokal disposes, offers to dispose or agrees to dispose of, any direct or indirect interest in any of its subsidiaries.

(h) **Conduct of Cokal's business**

During the Condition Period, none of Cokal, or any body corporate which is or becomes a subsidiary of Cokal, without the written consent of Cakra:

(i) declares, or distributes any dividend, bonus or other share of its profits or assets;

(ii) issues or grants options over, or agrees to issue or grant options over, or otherwise makes any commitments regarding any shares or other securities, or alters its capital structure or the rights attached to any of its shares or other securities, or issues or agrees to issue any convertible notes, other than the issue of Cokal Shares upon the exercise of Cokal Options;

(iii) makes any changes in its constitution;

(iv) gives or agrees to give any Encumbrance over any of its assets otherwise than in the ordinary course of business;

(v) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;

(vi) has appointed any additional director to its board of directors whether to fill a casual vacancy or otherwise;

(vii) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director, or pays or agrees to pay any retirement benefit or allowance to any director, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the Announcement Date);

(viii) conducts its business otherwise than in the ordinary course;

(ix) has threatened or commenced against it any material claims or proceedings in any court or tribunal (including a petition for winding up or an application for appointment of a receiver or receiver and manager);

(x) executes a deed of company arrangement or passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to investigation under the Australian Securities and Investments Commission Act 2001 (Cth) or any corresponding legislation; or

(xi) Cokal or a subsidiary of Cokal takes on any new loans or financing greater than US$2,000,000.

(i) **No force majeure event**

During the Condition Period, no outbreak of hostilities (whether war is declared or not) or terrorism, mobilisation of armed forces, civil or political unrest or labour disturbance, fire or natural disaster, material increase in the intensity of any of the above events or other event beyond the control of Cokal or the relevant subsidiary occurs which materially affects or is likely to materially affect the assets, liabilities, financial position, performance, profitability or prospects of Cokal or any of its subsidiaries.

(j) **No material adverse change to Cokal**

During the Condition Period, no change occurs, is discovered or becomes public which has or could reasonably be expected to have a materially adverse effect on the:

(i) assets, liabilities, financial position, performance, profitability or prospects of Cokal and its subsidiaries taken as a whole or of any of them; or

(ii) status or terms of (or rights attaching to) any material Approvals from Public Authorities applicable to Cokal or any of its subsidiaries,

including without limitation:

(iii) any creditor demanding repayment of a debt of more than US$15,000,000;

(iv) Cokal or a subsidiary of Cokal entering into an agreement (including an option agreement) in relation to acquiring or disposing of assets the price or aggregate unencumbered value of which is more than US$15,000,000; or

(v) any person accelerating or adversely modifying the performance of any obligations of Cokal or any of its subsidiaries under any agreements, contracts or other legal arrangements.

but does not include any change:

(vi) fairly disclosed to Cakra on or before the date of the Bid Implementation Agreement (including as a result of disclosures made to ASX)

(vii) occurring as a result of any matter, event or circumstance required by the Bid Implementation Agreement, the Bid or the transactions contemplated by them;

(viii) approved in writing by Cakra;

(ix) an event which relates to commodity prices, exchange rates or financial markets;

(x) a general change in economic, political or business conditions;

(xi) a change in law or regulation or the practice or policy of any Government Agency; or

(xii) a change in accounting policy or tax law or regulation or practice.

(k) **Cokal Options**

During the Condition Period, either:

(i) all Cokal Options have been exercised, cancelled or transferred to Cakra or agreement has been reached between Cakra, Cokal and the holders of the Cokal Options to do so; or

(ii) Cakra is entitled to compulsorily acquire all outstanding Cokal Options in accordance with Chapter 6A of the Corporations Act.

10.4 Notice of Status of Conditions

(a) Cakra must give a Notice of Status of Conditions by no later than seven days prior to the end of the Offer Period. Cakra is required to set out in its Notice of Status of Conditions:

(i) whether the Offer is free of any or all of the Conditions of the Offer;

(ii) whether, so far as Cakra knows, any of the Conditions have been fulfilled; and

(iii) Cakra's then current voting power in Cokal.

(b) If the Offer Period is extended before the time by which that notice is to be given, the date that Cakra must give its Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Cakra is required, as soon as reasonably practicable after the extension, to give a notice to the ASX and Cokal that states the new date for giving the Notice of Status of Conditions.

(c) In addition, if a Condition of the Offer is fulfilled during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Cakra must, as soon as practicable, give the ASX and Cokal a notice that states that the particular Condition has been fulfilled.

10.5 Consequences if Offer Conditions not fulfilled

If the Conditions of the Offer are not satisfied or waived, your acceptance or the contract resulting from your acceptance of Cakra’s Offer will be void and you will be free to deal with your Cokal Shares in any manner.

10.6 Extension of the Offer Period

(a) Cakra may extend the Offer Period at any time before giving the Notice of Status of Conditions while the Offer is subject to Conditions. However, if the Offer is unconditional (that is, all the conditions are satisfied or waived), Cakra may extend the Offer Period at any time before the end of the Offer Period.

(b) In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period, Cakra improves the consideration under the Offer or Cakra's voting power in Cokal increases to more than 50%. If either of these two events occurs within the last seven days of the Offer Period, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

10.7 Effect of Acceptance and Rights of Withdrawal

(a) Accepting the Offer would (subject to the withdrawal rights discussed below):

(i) prevent you from accepting any higher takeover bid that may be made by a third party or any alternative transaction proposal that may be recommended by the Cokal Directors;

(ii) relinquish control of your Cokal Shares to Cakra with no guarantee of receipt of the Offer Consideration until the Offer becomes, or is declared, unconditional;

(iii) if the Conditions of its Offer are not satisfied, give Cakra the option to either acquire your Shares (by waiving the Conditions) or allow the Offer to lapse; and

(iv) prevent you from selling your Cokal Shares.

(b) If you accept the Offer, you will have a right to withdraw your acceptance in some circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary, under the Corporations Act, you may withdraw your acceptance of the Offer if the Offer is conditional and Cakra varies its Offer in a way that postpones, for more than one month, the time when Cakra needs to meet its obligations under the Offer. This will occur if Cakra extends the Offer Period by more than one month and the Offer is still subject to Conditions.

(c) In those circumstances, you will have a period of one month after the date that the Offer is extended to withdraw your acceptance. Your statutory withdrawal rights will terminate upon the expiry of that one month period, although if the Offer Period is then further extended you will receive further statutory withdrawal rights (that is, a further month long withdrawal right for each and every extension thereafter provided the Offer is still Conditional).

(d) If Cakra improves the Offer Consideration, all Cokal Shareholders who accept the Offer (whether or not they have accepted prior to that improvement) will be entitled to the benefit of that improved consideration.

(e) The effect of acceptance of the Offer is set out in more detail in section 17.9 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Cokal Shares and the representations and warranties that you are deemed to give to Cakra by accepting the Offer.

10.8 Compulsory Acquisition

(a) Cakra may compulsorily acquire all remaining Cokal Shares under Part 6A.1 of the Corporations Act if, by the end of the Offer Period, Cakra acquires a relevant interest in at least 90% or more of the Cokal Shares and has acquired 75% of the Cokal Shares which Cakra offered to acquire under the Offer.

(b) Cakra has stated in its Bidder's Statement that it intends to compulsorily acquire the remaining Cokal Shares if it becomes entitled to do so. Compulsory acquisition is commenced by lodging a compulsory acquisition notice with ASIC and sending the notice to the ASX and all remaining Cokal Shareholders who did not accept the Offer. Cokal Shareholders have statutory rights to challenge compulsory acquisition, but if Cakra establishes to the satisfaction of a court that the consideration being offered for the securities represents fair value, the court must approve the compulsory acquisition on those terms. Cokal Shareholders should be aware that if their Cokal Shares are compulsorily acquired, they are not likely to receive payment until at least one month after the compulsory acquisition notice is issued by Cakra.

10.9 Implications if Cakra Acquires Less than 90% but more than 50.1% of the Cokal Shares

If Cakra obtains a majority shareholding in Cokal of less than 90%, those Cokal Shareholders who do not accept the Offer will become minority shareholders in Cokal. This has a number of possible implications, including the following:

(a) Cakra will be in a position to cast the majority of votes at a general meeting of Cokal. This will enable it to control the composition of the Board and senior management, and control the strategic direction of the businesses of Cokal and its subsidiaries, subject to the fiduciary duties of the newly composed Board;

(b) subject to the spread and number of Cokal Shareholders remaining after closing of the Offer and any regulatory approvals, Cakra intends to delist Cokal from the ASX;

(c) under the Bid Implementation Agreement, as soon as practicable after the Offer Period closes, if the Offer is unconditional and Cakra has voting power of at least 50.1% in Cokal, Cokal must reconstitute the Board in accordance with Cakra's instructions (provided that for so long as Cakra holds less than 100% Cokal Shares, Cakra allows at least one Cokal determined non- executive Director to remain on the Board); and

(d) it is possible that, even if Cakra is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act. For example, this may occur as a result of acquisitions of Cokal Shares in reliance on the "3% creep" exception in item 9 of Section 611 of the Corporations Act.

10.10 Ineligible Foreign Shareholders

If you are a person:

(a) whose address as shown in the register of members of Cokal is in a jurisdiction other than Australia, its external territories or New Zealand; and

(b) by the law of that jurisdiction makes it, in the reasonable opinion of Cakra, unlawful or too onerous for Cakra to make the Offer to you and to issue you with Cakra Shares,

then you will be taken to be an Ineligible Foreign Shareholder.

As an Ineligible Foreign Shareholder, you will not be entitled to receive Cakra Shares as consideration for your Cokal Shares. Instead Cakra will:

(c) arrange for the issue to a foreign sale nominee approved by ASIC of the number of Cakra Shares to which you and all other Ineligible Foreign Shareholders would have been entitled but for this section;

(d) cause those Cakra Shares to be offered for sale on ASX as soon as practicable after the end of the Offer Period and otherwise in such manner, at such price and on such terms as are determined by the nominee; and

(e) cause the amount ascertained in accordance with the formula below to be paid to you:

$$\text{net proceeds of sale} \quad \times \quad \frac{\text{your Cakra Shares}}{\text{total Cakra Shares}}$$

net proceeds of sale is the amount remaining after deducting the expenses of sale and of appointing the nominee from the total proceeds of sale of the Cakra Shares issued to the nominee under this section;

your Cakra Shares is the number of Cakra Shares which would, but for this section, have been issued to you; and

total Cakra Shares is the total number of Cakra Shares issued to the nominee under this section.

You will be paid by cheque in Australian currency. The cheque will be sent at your risk by pre-paid airmail to the address shown in the Acceptance Form.

Cakra has applied to ASIC to appoint PT. Sinarmas Sekuritas (part of the Sinar Mas Group) as nominee.

11 Additional information

11.1 Cokal Directors' Recommendation, Intentions and Interests

(a) In assessing the Offer, your Cokal Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement. Based on this assessment and for the reasons set out in this Target's Statement, your Cokal Directors' unanimous recommendation to Cokal Shareholders is to accept the Offer in the absence of a Superior Proposal or Material Adverse Change.

(b) Each Cokal Director intends to accept the Share Consideration for the Cokal Shares they control or own:

(i) in the absence of a Superior Proposal or Material Adverse Change; and

(ii) subject to Cakra receiving Indonesian regulatory approvals for the making and completion of the Offer and its proposed Rights Issue, Cakra shareholder approval of its proposed Rights Issue and Cakra advising that it has access to the cash required to fund the cash component of its Offer.

(c) As at the date of this Target's Statement, the Cokal Directors had the following relevant interests in Cokal Shares and Options:

Cokal Director	Number of Cokal Shares	Number of Cokal Options
Peter Lynch	56,052,000	Nil
Pat Hanna	25,800,000	Nil
Domenic Martino	37,120,001	Nil
Agus Widjojo	Nil	Nil

(d) No Cokal Director has acquired or disposed of a relevant interest in any Cokal Shares, Options or Performance Rights in the last four months.

(e) No Cokal Director has a relevant interest in any Cakra Shares or other securities of Cakra nor has any Cokal Director acquired or disposed of a relevant interest in Cakra Shares or other securities of Cakra in the last 4 months.

(f) There is no agreement made between any Cokal Director and any other person in connection with or conditional upon the outcome of the Offer, other than in their capacity as holder of Cokal Shares.

(g) Cakra and Cokal have agreed that, if the Offer becomes unconditional, Cokal will immediately have the right to nominate Cokal Directors Peter Lynch, Domenic Martino and Agus Widjojo for appointment as Cakra Directors. Except for this aspect, none of the Cokal Directors has agreed to receive, or is entitled to receive, any benefit from Cakra which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Cokal Shares.

(h) No Cokal Director has an interest in any contract entered into by Cakra or its related bodies corporate.

(i) Except as set out in this Target's Statement, no person has been or will, as a result of the Offer, be given any benefit in connection with the retirement of that person, or someone else, from the Board, managerial office or a related body corporate of Cokal.

11.2 Bid Implementation Deed, exclusivity and break fee arrangements

(a) On 27 April 2015, Cakra and Cokal entered into the Bid Implementation Agreement. The Bid Implementation Agreement sets out each party's obligations in connection with the conduct of the Offer. A copy of the Bid Implementation Agreement was released to the ASX on 29 April 2015 and is available for download from Cokal's website www.cokal.com.au and the ASX website www.asx.com.au (ASX Code: CKA).

(b) A summary of the key terms of the Bid Implementation Agreement is set out in section 16.2 of the Bidder's Statement.

11.3 Placement

As announced on 1 June 2015, Cokal announced a private placement to Cedrus Investments Limited (**Cedrus**), pursuant to which Cokal issued 27,777,778 fully paid ordinary shares in Cokal at a price of $0.09 per share, raising A$2,500,000 before costs. Cedrus manages a global portfolio of proprietary direct investments in China, Southeast and Central Asia, Australia and Africa, primarily in natural resources, commodities, cleantech and life sciences sectors. Cakra consented to the placement.

11.4 Cokal Share Trading

The highest, lowest and last sales price of Cokal Shares during the three months immediately preceding the date of this Target's Statement:

	Price per Cokal Share	Date of trade
Highest	12.5c	14 August 2015
Lowest	7.9c	10 June 2015
Last	9.0c	27 August 2015

11.5 Effect of the Offer on Cokal's material contracts

To the best of Cokal's knowledge, except as disclosed in this Target's Statement, none of the material contracts to which Cokal is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of Cokal.

11.6 Material litigation

Cokal is not presently involved in any material litigation.

11.7 Other information relevant to the making of a decision by Cokal Shareholders

There is no other information material to the making of a decision by a Cokal Shareholder whether or not to accept the Offer, being information that is within the knowledge of any of the Cokal Directors that has not previously been disclosed to Cokal Shareholders, other than as set out in the Bidder's Statement and elsewhere in this Target's Statement.

11.8 Consents

Thomson Geer, BDO, Advanced Share Registry Services and Mr Yoga Suryanegara have each given and have not, before the date of this Target's Statement, withdrawn their consent to the inclusion of their names and to all references to them in this Target's Statement in the form and context in which they appear and do not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Target's Statement.

Mr Yoga Suryanegara has given and not before the date of this Target's Statement withdrawn his consent to the issue of this Target's Statement with the inclusion of certain statements attributable to them, as described in section 6.4 of this Target's Statement.

11.9 Approval

This Target's Statement has been approved by a resolution of the Cokal Directors.

12 Definitions and interpretation

12.1 Definitions

In this Target's Statement the following words have these meanings unless the contrary intention appears or the context otherwise requires:

Defined Term	Definition
Acceptance Form	the acceptance form accompanying the Bidder's Statement
Advanced Share Registry Services	Advanced Share Registry Services Investor Services Pty Limited
Announcement Date	the date of announcement of the Offer, being 29 April 2015
ASIC	Australian Securities and Investment Commission
ASX	ASX Limited (ACN 008 624 691)
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532)
ASX Settlement Operating Rules	the operating rules of the settlement facility provided by ASX Settlement
BBM Project	means the Bumi Barito Mineral Project
Bidder's Statement	the bidder's statement of Cakra dated 14 August 2015
Bid Implementation Agreement	the bid implementation agreement dated 27 April 2015 between Cakra and Cokal, attached to the announcement to ASX dated 29 April 2015
Board	the Board of Directors of Cokal
Cakra	PT Cakra Mineral Tbk
Cakra Prescribed Occurrence	any of the following: (a) Cakra converts all or any of its shares into a larger or smaller number of shares; (b) Cakra or a subsidiary of Cakra resolves to reduce its share capital in any way; (c) Cakra or a subsidiary of Cakra: (i) enters into a buy-back agreement; or (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act; (d) Cakra or a subsidiary of Cakra issues shares (other than Cakra shares upon the exercise of Cakra options) or grants an option over its shares, or agrees to make such an issue or grant such an option; (e) Cakra or a subsidiary: (i) issues securities or other instruments convertible into shares or debt securities; or (ii) agrees to issue securities or other instruments convertible into shares or debt securities;

Defined Term	Definition
	(f) Cakra or a subsidiary of Cakra disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; (g) Cakra or a subsidiary of Cakra charges, or agrees to charge, the whole, or a substantial part, of its business or property; (h) Cakra or a subsidiary of Cakra resolves to be wound up; (i) the appointment of a liquidator or provisional liquidator of Cakra or of a subsidiary of Cakra; (j) a court makes an order for the winding up of Cakra or of a subsidiary of Cakra; (k) an administrator of Cakra, or of a subsidiary of Cakra, is appointed under sections 436A, 436B or 436C of the Corporations Act; (l) Cakra or a subsidiary of Cakra executes a deed of company arrangement; or (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Cakra or of a subsidiary of Cakra, provided that a Cakra Prescribed Occurrence will not include any matter: (n) fairly disclosed to Cokal on or before the date of the Bid Implementation Agreement (including as a result of disclosures made to IDX); (o) occurring as a result of any matter, event or circumstance required by the Bid Implementation Agreement, the Bid or the transactions contemplated by them, or (p) approved in writing by Cokal.
Cakra's Rights Issue or **Rights Issue**	a rights issue of 5,106,021,090 Cakra Shares at a price of up to IDR 300 per Cakra Share to raise approximately IDR1,500 billion or US$111 million based on an exchange rate of IDR13,538 to US$1 on 10 August 2015
Cakra Share	a fully paid A class share issued in the capital of Cakra
Cash Consideration	Cakra's offer of $0.16 for each Cokal Share
CHESS Holding	a number of Cokal Shares which are registered on Cokal's register being a register administered by ASX Settlement and which records uncertificated holdings of Cokal Shares
Cokal	Cokal Limited (ABN 55 082 541 437)
Cokal Directors or Directors	the directors of Cokal
Cokal Options	the options set out in section 6.8(b) of this Target's Statement
Cokal Share	a fully paid ordinary share in Cokal
Cokal Shareholder	a holder of one or more Cokal Shares

Defined Term	Definition
Competing Proposal	any proposal (including a scheme of arrangement) or offer that would if completed substantially in accordance with its terms, result in: (a) any person or persons other than Cakra or one of Cakra's Associates acquiring: (i) an interest in all or a substantial part of the assets of Cokal; (ii) a Relevant Interest in more than 20% of the voting shares of Cokal; or (iii) control of Cokal within the meaning of s50AA of the Corporations Act; or (b) Cokal and another person or persons (other than Cakra or one of Cakra's associates) operating under a dual listed company, or similar structure
Conditions	the conditions of the Offer as set out in section 10.3 of the Target's Statement
Condition Period	means the period beginning on the Announcement Date and ending at the end of the Offer Period
Corporations Act	*Corporations Act 2001* (Cth)
Exploration Target	has the meaning set out in the JORC Code
FIRB	Foreign Investment Review Board
IDR	Indonesian Rupiah
IDX	Indonesia Stock Exchange
JORC	the Joint Ore Reserves Committee of The Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
JORC Code	the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by JORC
Material Adverse Change	means, in relation to Cakra, Specified Events which are not disclosed or properly taken into account in the preparation of Cakra's financial statements and, which had they been so disclosed or properly taken into account, individually or when aggregated with all such events, would have resulted in: (a) the value of the consolidated net assets of Cakra and its subsidiaries reported in Cakra's financial statements for the year ending 31 December 2014 being reduced by at least US$15,000,000; (b) an event or change with respect to its mining or infrastructure rights (including any right or license to access to port facilities) or that has or will have a materially adverse impact on the business conducted by Cakra or a Subsidiary of Cakra, but does not include any change: (c) fairly disclosed to Cokal on or before the date of the Bid Implementation Agreement (including as a result of disclosures made to IDX);

Defined Term	Definition
	(d) occurring as a result of any matter, event or circumstance required by the Bid Implementation Agreement, the Offer or the transactions contemplated by them; or (e) approved in writing by Cokal.
Merged Entity	Cakra and Cokal after the acquisition of Cokal by Cakra
Mineral Resource and Indicated, Measured and Inferred Mineral Resource	has the meaning set out in the JORC Code
M	million
Offer	the offer for Cokal Shares as set out in the Bidder's Statement
Offer Consideration	• 10.327 Cakra Shares; or • A$0.16; or • A combination of the two at the election of the offeree for every Cokal Share
Offer Period	the period during which the Offer will remain open for acceptance in accordance with the bid timetable in 'Important Information' (page i) of the Bidder's Statement
Option	an option to subscribe for a Cokal Share
Participant	means an entity admitted to participate in the Clearing House Electronic Sub- register system under the ASX Settlement Operating Rules
Public Authority	means any government or any governmental, semi-governmental, administrative, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange
Relevant Date	means the date the Offer is unconditional and Cakra has a relevant interest in at least 50.1% of Cokal Shares (including any Cokal Shares accepted into the Institutional Acceptance Facility)
Share Consideration	Cakra's offer of 10.327 Cakra Shares for each Cokal Share
Specified Events	an event, occurrence or matter that: (a) occurs after 27 April 2015; (b) occurs before 27 April 2015 but is only announced or publicly disclosed after 27 April 2015; or (c) will or is likely to occur after 27 April 2015 and which has not been publicly announced prior to 27 April 2015.

Defined Term	Definition
Superior Proposal	a Competing Proposal that in the determination of the Cokal Board acting in good faith after taking advice from its financial advisers: (a) is reasonably capable of being valued and completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and (b) is more favourable to Target Shareholders than the Bid, taking into account all terms and conditions of the Competing Proposal.
Takeover Bid	an off-market takeover bid for all Cokal Shares by Cakra constituted by the despatch of the Offer in accordance with the Corporations Act
Target's Statement	this document
VWAP	volume weighted average price

12.2 General Interpretation

The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

(a) a reference to time is a reference to Brisbane time;

(b) headings are for convenience only and do not affect interpretation;

(c) the singular includes the plural and conversely;

(d) a reference to a section is to a section of this Target's Statement;

(e) a gender includes all genders;

(f) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(g) $, dollar or cents is a reference to the lawful currency in Australia, unless otherwise stated;

(h) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;

(i) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;

(j) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;

(k) a reference to any instrument or document includes any variation or replacement of it;

(l) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASX Settlement Operating Rules, as the case may be;

(m) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually; and

(n) the words 'include', 'including', 'for example' or 'such as' are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

13 Corporate Information

DIRECTORS

Mr Peter Lynch, Executive Chairman
Mr Pat Hanna, Executive Director
Mr Domenic Martino, Non-Executive Director
Lt. Gen (Ret.) Agus Widjojo, Non-Executive Director

COMPANY SECRETARIES

Duncan Cornish
Victor Kuss

REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE

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276 Edward Street
Brisbane QLD 4000
Phone: + 61 7 3001 4100
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COUNTRY OF INCORPORATION

Australia

AUSTRALIAN BUSINESS NUMBER

ABN 55 082 541 437

SHARE REGISTRY

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Nedlands WA 6009

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Brisbane QLD 4000

INDEPENDENT EXPERT

BDO Corporate Finance (QLD) Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000

AUDITORS

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

STOCK EXCHANGE LISTING

Australian Securities Exchange Ltd
ASX Code: CKA

INTERNET ADDRESS

www.cokal.com.au

Annexure A – Independent Expert's Report

COKAL LIMITED
Independent Expert's Report

28 August 2015

Key Opinions

Cokal shareholders should read and consider all information available. A brief summary of the key opinions is as follows:

Cash Consideration:

- Fair and Reasonable

Share Consideration:

- Unable to form a view based on information available;
- Scrip in the Merged Entity is highly speculative; and
- We are instructed that additional information will become available as the Rights Issue is progressed. Cokal shareholders should consider that additional information (as it becomes available) to assist them to assess the Share Consideration.

Conclusion:

- The Offer is Fair and Reasonable because there is Cash Consideration available which we have determined to be Fair and Reasonable; and
- All Cokal shareholders should wait and consider the additional information and further recommendations from the Cokal Directors before making any decisions in relation to the Offer.

This brief summary does not substitute for a full reading of this Report.

BDO

Table of Contents

Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

a. Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and

b. Arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO CFQ has been engaged to provide an independent expert's report to the shareholders of Cokal Limited ('Cokal' or 'the Company') in relation to the proposed off-market acquisition of 100% of the issued shares in Cokal by PT Cakra Mineral Tbk ('Cakra') ('the Offer').

Further details relating to the Offer are set out in Section 3.0 of this Report. The scope of this Report is set out in detail in Section 4.0 of the Report. This Report provides an opinion as to whether or not the Offer is 'fair' and 'reasonable' to the non-associated shareholders of Cokal and has been prepared to provide information to non-associated Cokal shareholders to assist them to make an informed decision on whether to accept or reject the Offer.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to accept or reject the Offer is likely to be influenced by the shareholder's particular circumstances, for example, the shareholder's taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate that our fees for the preparation of this Report will be approximately $95,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of any of the matters to which the Report relates. Our fees do not include fees payable to other experts engaged to provide specialist services and reports which may have been considered in this Report.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDO CFQ has not provided any services to Cokal in the past two years. BDO Audit Pty Ltd, a related entity of BDO CFQ, was engaged to assist to collate pro forma financial information relating to the Merged Entity and contained within the bidder's statement relating to the Offer.

BDO CFQ is not an associate of Cokal. The signatory to this Report does not hold any shares in Cokal and no such shares have ever been held by the signatory.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which is publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with the Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Contact Details

BDO Corporate Finance (QLD) Ltd

Location Address:	Postal Address:
Level 10 12 Creek Street BRISBANE QLD 4000	GPO Box 457 BRISBANE QLD 4001
Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
Fax: (07) 3221 9227	

Glossary

Reference	Definition
60% Scrip and 40% Cash Scenario	Scenario where 60% of Cokal Shareholders accept the Share Consideration and 40% of Cokal Shareholders accept the Cash Consideration
A$ or $	Australian dollars
AAK Project, the	The Anugerah Alam Katingan Project
AAM Project, the	The Anugerah Alam Manuhing Project
ABV	Asset-based valuation
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
b	Billion
BBM Project, the	The Bumi Barito Mineral Coal Project
BBP Project, the	The Borneo Bara Prima Project
BDO CFQ	BDO Corporate Finance (QLD) Ltd
BDO Persons	BDO CFQ, BDO (QLD) or any of its partners, directors, agents or associates
Bidder's Statement	The Bidder's Statement prepared by Cakra in relation to the Offer dated 14 August 2015
Cakra	PT Cakra Mineral Tbk
CAPM	The capital asset pricing model
Cash Consideration	A$0.16 per Cokal share under the Offer
CME	Capitalisation of maintainable earnings
Cokal	Cokal Limited
Company, the	Cokal Limited
Corporations Act, the	The Corporations Act 2001
CY	Calendar year
DCF	Discounted cash flow
DFS, the	The definitive feasibility study for the BBM Project prepared by Resindo dated February 2014
DMO	Domestic market obligation for Indonesian mining companies to sell a certain portion of their output to local buyers to supply the needs of Indonesia's economy
Financial Model, the	The financial model which sets out forecast financial information relating to the BBM Project prepared by Cokal management
FSG	Financial Services Guide
FY	Financial year
GDP	Gross domestic product
ha	Hectare
IDR	Indonesian Rupiah
IDX	Indonesia Stock Exchange
IFRS	The International Financial Reporting Standards
Ikula	Ikula Resources Ltd

Reference	Definition
IUP	Mining License under the Indonesian Mining Law
JDC	Jack Doolan Capital Pty Ltd
JORC	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
m	Million
MAM	Meratus Advance Maritime
MBV	Market-based valuation
Merged Entity, the	Cakra after the Offer
Mt	Million tonnes
Mtpa	Million tonnes per annum
Offer, the	The proposed off-market acquisition of 100% of the issued shares in Cokal by Cakra
Open Pit BBM Project, the	The open pit project, being Phase 1 of the BBM Project, which is estimated to produce 20Mt of hard coking coal and low volatility PCI coal, at 2Mtpa
Opex	Operating expenditure
PCI	Pulverised coal injection
Regulations, the	The Corporation Regulations 2001
Report, this	This independent expert's report prepared by BDO CFQ and dated 28 August 2015
Residual Coal Deposits	Residual coal deposits not forecast to be explicitly mined in the BBM Project
Resindo	PT Resindo Resources Indonesia, a project and technology specialist Indonesian company, experienced project design and development for the minerals, mining, oil and gas, and power generation assets
RG 111	Regulatory Guide 111: *Content of Expert Report*, issued by ASIC
RGs	Regulatory guides published by ASIC
Rights Issue, the	A rights issue of up to 5,106,021,090 Cakra Shares at a price of up to IDR 300 per Cakra Share to raise IDR1,500 billion by Cakra
ROM	Run of mine
Share Consideration, the	10.327 Cakra shares for every 1 Cokal share under the Offer
SNR	Silangkop Nusa Raya Company
Tanzoz	Tanzoz Resource Company
Target's Statement	The Target's Statement prepared by Cokal in relation to the Offer dated 28 August 2015
TBAR Project, the	The Tambang Benua Alam Raya Project
US$	United States Dollar
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital
We, us, our	BDO Corporate Finance (QLD) Ltd
Zircon	Zircon sands

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AUSTRALIA

The Shareholders
C/- The Directors
Cokal Limited
PO Box 7122
BRISBANE QLD 4001

28 August 2015

Dear Shareholders,

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDO CFQ') has been engaged to provide an independent expert's report ('this Report') to the shareholders of Cokal Limited ('Cokal' or 'the Company') in relation to an off-market bid made by PT Cakra Mineral Tbk ('Cakra') for all the ordinary shares in Cokal ('the Offer').

Under the terms of the Offer, Cokal shareholders have the choice of scrip or cash consideration, comprising either:

- 10.327 Cakra shares for every 1 Cokal share ('Share Consideration'); or
- A$0.16 per share ('Cash Consideration'); or
- A combination of both.

To differentiate between Cakra prior to the Offer and Cakra post the Offer, in this Report we refer to the pre-transaction entity as Cakra and the post-transaction entity as 'the Merged Entity'. We note that the Merged Entity as referred to in this Report will not be a 'new entity' as such, but rather Cakra following the Offer. The Merged Entity will continue to be called PT Cakra Mineral Tbk following the Offer and will remain listed on the Indonesia Stock Exchange ('IDX').

A more detailed summary of the Offer is set out in Section 3.0 of this Report. In this Report, BDO CFQ has expressed an opinion as to whether or not the Offer is 'fair and reasonable' to the Cokal shareholders. This Report has been prepared solely for use by the Cokal shareholders to provide them with information relating to the Offer.

We understand that this Report will be provided to non-associated Cokal shareholders to assist them to make an informed decision on whether to accept or reject the Offer. Apart from the purpose stated directly above, this Report cannot be used or relied on for any other purpose or by any other person or entity.

This Report should be read in full, including the assumptions underpinning our work, together with the other information provided to Cokal shareholders in conjunction with this Report, including the Bidder's Statement dated 14 August 2015 prepared by Cakra ('Bidder's Statement') and the Target's Statement dated 28 August 2015 prepared by Cokal ('Target's Statement').

This Report does not address circumstances specific to individual Cokal shareholders. A Cokal shareholder's decision to accept or reject the Offer is likely to be influenced by their own particular circumstances including, for example, the shareholder's taxation considerations and risk profile. Cokal shareholders should obtain their own professional advice in relation to the impact of the Offer on their own circumstances.

2.0 Summary of Opinion

This section is a summary of our opinion only and cannot substitute for a complete reading of this Report.

We strongly recommend that Cokal shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Bidder's Statement and Target's Statement, and consider their own specific circumstances before accepting or rejecting the Offer.

2.1 Fairness of the Offer

In accordance with Regulatory Guide 111: *Content of Expert's Reports* ('RG 111'), a transaction is considered fair if the value of the consideration offered is equal to or greater than the value of the securities subject of the transaction. To assess the fairness of the Offer, we have assessed the Share Consideration and the Cash Consideration separately.

To assess the fairness of the Share Consideration we have:

(a) Determined the value of a Cokal share (on a controlling interest basis) immediately prior to the Offer; and

(b) Compared the value determined in (a) with the value of 10.327 shares in the Merged Entity on a minority interest basis. Under RG 111 the Offer will be considered 'fair' to Cokal shareholders if the value of 10.327 shares in the Merged Entity is equal to or greater than the value of a Cokal share.

To assess the fairness of the Cash Consideration we have:

(a) Determined the value of a Cokal share (on a controlling interest basis) immediately prior to the Offer; and

(b) Compared the value determined in (a) above with the value of the Cash Consideration to be received by Cokal shareholders for each Cokal share under the Offer. Under RG 111, the Offer will be considered 'fair' to Cokal shareholders if the value of the Cash Consideration to be received by Cokal shareholders is equal to or greater than the value of each Cokal share prior to the Offer.

Table 2.1 below summarises our assessment of the fairness of the Offer. A more detailed assessment of the fairness of the Offer is set out in Section 10.0 of this Report.

Table 2.1: Fairness of the Proposed Transaction

	Low ($)	High ($)
Value of the Share Consideration offered per Cokal share	Not Determinable[1]	Not Determinable[1]
Value of the Cash Consideration offered per Cokal share	0.16	0.16
Value of a Cokal share	0.14	0.24

Source: BDO CFQ analysis

1 *For reasons set out in Sections 8.0 and 9.0 of this Report, we are unable to determine a value for the Share Consideration as there is limited information available to us to value Cakra and there are a number of uncertainties arising as a result of the Rights Issue not yet being finalised.*

Having regard to the information set out in Table 2.1 above, it is our view that:

- we are unable to determine a value of the Share Consideration offered per Cokal share that is appropriate for the purposes of our analysis (for reasons set out in Section 9.0 of this Report). It is our view that, in the absence of any other information, <u>we are unable to form a view on whether the Share Consideration is Fair</u> as at the date of this Report; and

- the value of the Cash Consideration offered per Cokal share is within the range of value of a Cokal share immediately prior to the Offer. After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of a superior offer or any other information, the Cash Consideration under the Offer is Fair to Cokal shareholders as at the date of this Report.

2.2 Reasonableness of the Offer

Table 2.2 below summarises the advantages to Cokal Shareholders of accepting the Share Consideration under the Offer. A more detailed assessment of the reasonableness of the Share Consideration is set out in Section 11.1 of this Report.

Table 2.2: Advantages and Disadvantages of the Offer - Share Consideration

Advantage	Disadvantage
Diversification	Value of Share Consideration is not determinable
Retain exposure to Cokal's coal assets	Dilution of Cokal shareholders' interest
Expanded management expertise	Cokal shareholders will share any benefits of its assets with Cakra shareholders
Possible cash inflow from the Rights Issue	Change in risk exposure
The Merged Entity may realise cost synergies	Low liquidity and price volatility of Cakra shares
Income Tax rollover relief may be available	Uncertainty in relation to the financial position of the Merged Entity
	Availability of funding
	Increased currency risk

Source: BDO CFQ analysis

Table 2.3 below summarises the advantages to Cokal Shareholders of accepting the Cash Consideration under the Offer. A more detailed assessment of the reasonableness of the Cash Consideration is set out in Section 11.2 of this Report.

Table 2.3: Advantages and Disadvantages of the Offer - Cash Consideration

Advantage	Disadvantage
The Offer is fair	Offer price is at the lower end of our valuation range for shares in Cokal
The current offer price is known	No exposure to potential upside in the future value of Cokal
No brokerage / commissions payable	No exposure to any future offers
The Offer is the only proposal before the Company	

Source: BDO CFQ analysis

After considering the advantages and disadvantages of the Offer summarised above and set out in more detail in Section 11.0 of this Report, it is our view that, in the absence of a superior offer or any other information, the Cash Consideration under the Offer is Reasonable to Cokal shareholders as at the date of this Report. We are unable to form a view on whether the Share Consideration is Reasonable based on the incomplete information available (e.g. the Rights Issue has not been finalised).

2.3 Expert's Opinion on the Offer

In our opinion, in the absence of a superior offer or any other information:

- The Cash Consideration is Fair and Reasonable;
- In relation to the Share Consideration:
  - We are unable to form a view on whether the Share Consideration is Fair and Reasonable based on the information available;
  - We consider scrip in the Merged Entity to be highly speculative and subject to significant risk;
  - Cokal shareholders should consider all information available in relation to Cakra and the Merged Entity to understand the risks involved before any decision is made in relation to the Share Consideration; and
  - Additional information will become available as the Rights Issue is progressed. Cokal shareholders should consider that additional information (as it becomes available) to assist them to assess the Share Consideration.
- Our conclusion is that the Offer is Fair and Reasonable because there is a Cash Consideration that can be accepted and which we consider to be Fair and Reasonable.

Notwithstanding our view on the Offer, we strongly recommend that Cokal shareholders also have regard to the information set out in the balance of this Report including the other considerations set out in Section 2.4 below.

2.4 Other Considerations for Cokal Shareholders

Before forming a view on whether to accept or reject the Offer, there are several other matters that Cokal shareholders should take into account, including:

- The Merged Entity will be subject to different securities laws and listing rules to those Cokal is currently subject to. Cokal shareholders should refer to Sections 3.0 and 6.0 below and Schedule 1 of the Bidder's Statement for further information;
- The timeframes for payment of the consideration are outlined in section 17.21 of the Bidder's Statement and generally rely on the Offer becoming unconditional before payment is made (either in cash or scrip). Cokal shareholders who accept the Offer should also be aware that they will not be able to withdraw their acceptance of the Offer or otherwise dispose of their Cokal shares except in limited circumstances as set out in section 17.11 of the Bidder's Statement. We have discussed this issue further in Section 11.1.2 below; and
- Shares in the Merged Entity will be listed on the IDX rather than the ASX. As set out in section 17.15 of the Bidder's Statement, Cokal shareholders who accept the Share Consideration and wish to trade their shares in the Merged Entity will need to set up an account with an IDX accredited stockbroker. Cokal shareholders should note that their ability to trade their shares in the Merged Entity may, among other factors, depend on the broker they select. Cokal shareholders should refer to section 14.3 and 17.15 the Bidder's Statement in relation to the steps that need to be followed in order to transact in shares in the Merged Entity.

We also strongly recommend that Cokal shareholders:

- Consult their own professional advisers;
- Carefully read all relevant documentation provided to them, including this Report and the Bidder's Statement and Target's Statement; and
- Consider their own specific circumstances and risk appetite.

The analysis set out in this Report has relied on certain economic, market and other conditions prevailing as at the date of this Report. We note that changes in these conditions may have a material impact on the information presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

The decision to accept or reject the Offer is a separate decision to a decision to elect, hold or divest shares in the Merged Entity. We recommend that Cokal shareholders consult their own professional advisers in relation to the decision on whether to elect, hold or divest shares in the Merged Entity.

Both Cokal and Cakra are yet to prove that they can generate sustainable positive operating cash flows. In our view, the value of such companies may increase or decrease materially over short time periods depending on the ability to meet certain milestones. We regard any investment in the Merged Entity as speculative and shareholders should consider that there is a risk that the share price may move materially and within short periods of time.

Cokal shareholders should also refer to Section 11.3 of this Report for a more detailed discussion of the position of Cokal shareholders in the event that they reject the Offer.

3.0 Description of the Offer

This section sets out an overview of the Offer and is structured as follows:

- Section 3.1 provides a brief background and summary of the Offer;
- Section 3.2 summarises the conditions precedent of the Offer;
- Section 3.3 summarises the strategic rationale of the Offer; and
- Section 3.4 summarises the current intentions of Cakra. This section is a summary only and should not be treated as a complete description of the Offer. Cokal shareholders should refer to the Bidder's Statement and Target's Statement for detailed and additional information relating to the Offer.

3.1 Background and Summary of the Offer

3.1.1 Background

On 29 April 2015, Cokal and Cakra entered into a bid implementation agreement under which it was proposed that Cakra would acquire all of the shares in Cokal. Subsequently on 17 August 2015, Cakra released its Bidder's Statement to the ASX.

3.1.2 The Offer

Under the terms of the Offer, Cokal shareholders will be given the choice of scrip or cash consideration, comprising either:

- 10.327 Cakra shares for every 1 Cokal share; or
- A$0.16 per share; or
- A combination of both.

Further details in relation to the Offer are set out in Section 1.3 of the Bidder's Statement.

3.1.3 Funding the Offer via the Rights Issue

Cakra intends to fund the Offer by raising Indonesian Rupiah ('IDR') 1,500 billion (US$111 million) by way of a fully underwritten rights issue ('the Rights Issue'). The eventual amount of cash raised under the Rights Issue will vary and depend, among other considerations, on the number of Cokal shareholders who accept the Cash Offer (as explained in Section 9.0 below and section 11 of the Bidder's Statement). Cakra will utilise the proceeds of the Rights Issue towards the Cash Consideration and any remaining proceeds to develop the assets of the Merged Entity.

PT Sinarmas Sekuritas ('Sinarmas'), a corporate adviser of Cakra, has agreed to purchase any Cakra shares not subscribed for in the Rights Issue as a standby purchaser. Standby purchasers (i.e. underwriters) are required in Indonesia if the proceeds of a rights issue will be used to finance defined projects or acquisitions.

Further details in relation to the Rights Issue are set out in section 11.1 of the Bidder's Statement. The terms of the Underwriting/Standby Agreement between Cakra and the Sinarmas are set out in section 11.2 of the Bidder's Statement.

3.2 Conditions Precedent of the Offer

This section summarises a number of conditions precedent of the Offer and the current status of the conditions.

3.2.1 Conditions Precedent of the Offer

The Offer will be subject to conditions which include the following:

- Minimum acceptance by shareholders of 90% of Cokal's issued shares;

- Satisfaction of requirements in relation to the Rights Issue including securing an underwriting agreement (which has occurred) and obtaining Cakra shareholder approval and Indonesian regulatory approvals;
- No Cokal prescribed occurrences happening;
- No adverse action affecting the Offer by any Public Authority;
- Approvals by Indonesian and other Public Authorities to permit the Offer;
- No material acquisitions, disposals or material corporate actions by Cokal;
- No force majeure event materially affecting Cokal or material adverse change affecting Cokal; and
- All Cokal options being cancelled before the end of the offer period. Cakra has agreed to acquire the following Cokal options for the prices shown in Table 3.1 below (refer section 9.9 of the Bidder's Statement).

Table 3.1: Cokal Options to be acquired by Cakra

	Number of Options	Expiry Date	Exercise Price	Current Option Value per Share	Total Value $A
1	10,000,000	24/02/2019	0.126	0.091853	918,530
2	25,000,000	06/02/2019	0.13	0.090205	2,255,125
3	15,000,000	27/08/2018	0.20	Nil agreed to surrender	-
4	900,000	12/04/2015	0.75	Nil expired	-
5	50,000	29/06/2015	1.00	Nil	-
6	5,000,000	05/09/2015	3,000,000 at 1.10 and 2,000,000 at 1.50	Nil	-
7	350,000	12/10/2016	0.75	0.002758	965
8	1,600,000	12/04/2015	0.20	Nil expired	-
9	4,000,000	11/07/2017	0.214	0.048983	195,932
10	6,800,000	11/07/2017	0.25	0.041952	285,274

Source: The Bidder's Statement

Further details in relation to the Offer conditions are set out in Section 17 of the Bidder's Statement.

If Cakra declares its offer to be free from conditions, Cakra will proceed to delist Cokal. Cakra and Cokal will jointly decide and appoint the directors and commissioners of the Merged Entity and Cokal directors Peter Lynch, Domenic Martino and Agus Widjojo will be appointed to the Cakra Board.

Cokal has also agreed to customary 'no shop' and 'no talk' provisions until the end of the bid period (15 November 2015), subject to a customary fiduciary exception to allow it to consider competing proposals.

Cokal will be required to pay a break fee of $250,000 to Cakra under certain circumstances, including where Cokal accepts (or Cokal directors recommend) a competing proposal. Similarly, Cakra is required to pay a $250,000 break fee to Cokal if Cakra fails to comply with its obligations.

3.2.2 Current Status of the Conditions to the Offer

The Bidder's Statement noted the following in relation to the status of the Offer as at 14 August 2015:

- The underwriting agreement with Sinarmas in relation to the Rights Issue is in place; and

- Cokal had announced on 29 April 2015 that 'each of the Cokal directors intend to unanimously recommend the bid to Cokal shareholders and to accept the Offer in respect of all of the Cokal shares they control, in the absence of a superior proposal and subject to completion of satisfactory diligence of Cakra and the bid'. We note that entities associated with the Cokal Directors control, in aggregate, a total of approximately 23.8% of Cokal's issued share capital.

3.3 Strategic Rationale of the Offer

Cakra wishes to build an Indonesian resource and mineral processing company and is actively seeking opportunities to acquire companies with good fundamental assets and strong management.

Cakra's objective for Cokal is to develop a sustainable mining asset. Cakra believes that it can provide the scale and financial and corporate resources to develop Cokal's projects, in particular its BBM Project, to their full potential in a more efficient manner relative to Cokal's existing operations. The directors of Cakra have stated that their first priority for Cokal is to provide the financial and corporate support to bring the BBM Project into production. Cakra believes the combination of Cakra's downstream capacity and Cokal's quality mining assets will add shareholder value.

Cakra believes the Offer will deliver strategic and financial advantages to shareholders of both companies, including:

- Combined management expertise from Cakra and Cokal to increase the Merged Entity's ability to operate in the Indonesian mining industry;
- Give shareholders immediate exposure to cash flow from the Rights Issue and a growing production profile from a number of projects;
- Access to processing plants currently being built by Cakra in its joint venture projects and to Cokal's mineral resources;
- Potential to increase production capacity of the Merged Entity; and
- Capacity to reduce overall capital and operating costs.

3.4 Current Intentions of Cakra

Cokal shareholders should refer to section 10 of the Bidder's Statement for additional information in relation to the intentions of Cakra for Cokal should Cakra acquire at least 90% of all the Cokal shares.

In broad terms, Cakra's intentions in relation to Cokal include:

- In the event that Cakra is successful in attaining a level of acceptance equal to or greater than 90%, then Cakra will invoke its compulsory acquisition rights and acquire 100% of Cokal shares and options. Cakra will then proceed to delist Cokal from the ASX;
- Developing the BBM Project as a high priority project;
- Paying down Cokal loans as a priority, subject to available cash;
- Conducting the business of Cokal in substantially the same manner as it is presently;
- Making no other major changes to the business of Cokal;
- Making no other redeployment of the fixed assets of Cokal; and
- Retaining the present employees of Cokal.

4.0 Scope of Report and Methodology for Assessment

4.1 Scope of Report

An independent expert, in certain circumstances, must be appointed to meet requirements set out in the Corporations Act 2001 ('the Corporations Act'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC') and the listing requirements of the stock exchanges on which a company is listed. We have summarised the requirements of the Corporations Act and the listing rules in Sections 4.1.1 and 4.1.2 below respectively and we have summarised the guidance provided by the RGs in Section 4.2 below.

Cokal has engaged BDO CFQ to provide an opinion on whether the Offer is 'fair and reasonable' to Cokal shareholders. This Report cannot be used by any other person for any other reason or for any other purpose. We understand that this Report will be distributed to Cokal shareholders together with the Target's Statement.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of individual Cokal shareholders. Before deciding whether to accept or reject the Offer, individual Cokal shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs (including their own taxation consequences). Cokal shareholders should read in full both the Bidder's Statement and Target's Statement in relation to the Offer.

Whether to accept or reject the Offer is a matter for individual Cokal shareholders based on their expectations as to value and future market conditions, and their own particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure, tax position and opinion on the Offer. Cokal shareholders who are in doubt as to the action they should take in relation to the Offer should consult their own professional adviser.

4.1.1 Requirements of the Corporations Act and Regulations

Cakra has prepared a Bidder's Statement in accordance with Section 636 of the Corporations Act. Under section 633 item 10 of the Corporations Act, Cokal is required to prepare a Target's Statement in response to the Bidder's Statement.

Section 640 of the Corporations Act requires the Target's Statement to include an independent expert's report to shareholders if:

- The bidder's voting power in the target is 30% or more; or
- The bidder and the target have a common director or directors.

As Cakra does not hold any shares in Cokal and the companies do not have any common directors there is no requirement under the Corporations Act for Cokal to engage an independent expert in relation to the Offer.

Notwithstanding the above, Cokal has engaged BDO CFQ to prepare this Report for provision to Cokal shareholders to assist them in deciding whether to accept or reject the Offer.

4.1.2 Requirements of the Listing Rules

This Report has not been prepared for the purpose of complying with the listing rules of the ASX, IDX or any other stock exchange.

4.2 Methodology for Assessment

Neither the ASX Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in Regulatory Guide 111: *Content of Expert Reports* ('RG 111'). RG 111 provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

RG 111 suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. In our opinion the Offer is a control transaction as defined by RG 111 and we have assessed the Offer to consider whether in our opinion it is fair and reasonable to GUF shareholders.

To meet the ASIC requirements, an expert seeking to determine whether the Offer is 'fair' and 'reasonable' should complete the steps set out below.

4.2.1 Step 1 - Assessment of Fairness

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium and assume a 100% ownership interest.

Having regard to the above, in our view, to assess whether the Share Consideration under the Offer is 'fair' it is appropriate to:

(a) Determine the value of a Cokal share immediately prior to the Offer on a controlling interest basis; and

(b) Compare the value determined in (a) with the value of 10.327 shares in the Merged Entity on a minority interest basis. Under RG 111 the Offer will be considered 'fair' to Cokal shareholders if the value of 10.327 shares in the Merged Entity is equal to or greater than the value of a Cokal share.

Having regard to the above, in our view, to assess whether the Cash Consideration under the Offer is 'fair' it is appropriate to:

(a) Determine the value of a Cokal share immediately prior to the Offer on a controlling interest basis; and

(b) Compare the value determined in (a) above with the value of the Cash Consideration to be received by Cokal shareholders for each Cokal share under the Offer. Under RG 111, the Offer will be considered 'fair' to Cokal shareholders if the value of the Cash Consideration to be received by Cokal shareholders is equal to or greater than the value of each Cokal share prior to the Offer.

The valuation work set out in this Report has been completed using publicly available information, in addition to information provided by the Directors of Cokal.

Our assessment of the fairness of the Offer is set out in Section 10.0 of this Report.

4.2.2 Step 2 - Assessment of Reasonableness

To assess whether the Offer is 'reasonable' it is appropriate to examine other significant factors to which Cokal shareholders may give consideration prior to forming a view on whether to accept or reject the Offer. This includes comparing the likely advantages and disadvantages of accepting the Offer with the position of Cokal shareholders if they do not accept the Offer, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Offer is set out in Section 11.0 of this Report.

4.2.3 Step 3 - Expert's Opinion

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept an offer in the absence of a higher bid.

This Report will conclude by providing our opinion as to whether or not the Offer is 'fair and reasonable'. While all relevant issues need to be considered before drawing an overall conclusion, we will assess the fairness and reasonableness issues separately for clarity.

In this Report we have not provided any taxation, legal or commercial advice in relation to the Offer. Other advisers have provided any advice required by Cokal in relation to those matters.

In the process of assessing the Offer, we have relied on certain economic, market and other conditions prevailing as at the date of this Report. We note that changes in these conditions may have a material impact on the results presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

This Report has been prepared in accordance with professional standard APES 225: Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited. This assignment is a Valuation Engagement as defined by APES 225. A Valuation Engagement means an engagement or assignment to perform a valuation and provide a valuation report where we determine an estimate of value of the Company by performing appropriate valuation procedures and where we apply the valuation approaches and methods that we consider to be appropriate in the circumstances.

5.0 Overview of Cokal

This section provides a background summary of Cokal and is structured as follows:

- Section 5.1 provides a brief overview of Cokal and its key assets;
- Section 5.2 describes the equity structure of Cokal;
- Section 5.3 summarises the share market performance of Cokal shares; and
- Section 5.4 summarises the historical financial information of Cokal.

5.1 Overview of Cokal

5.1.1 Background of Cokal

Cokal is an Australian listed company focused primarily on the exploration of metallurgical coal in Indonesia.

Cokal commenced business as Jack Doolan Capital Pty Ltd ('JDC'). In December 2010, JDC was acquired by the Australian listed company Altera Resources Ltd ('Altera') with the board of JDC assuming control of Altera. In February 2011, Altera was renamed Cokal.

Cokal holds interests in six coal exploration projects in Kalimantan, Indonesia. The Company's flagship project in Kalimantan is BBM Project. The company also has interests in two coal projects in Africa that are currently in the early stages of exploration.

A summary of the BBM Project is set out in Section 5.1.2. A summary of Cokal's other coal exploration projects is set out in Section 5.1.3.

5.1.2 Bumi Barito Mineral Project

Overview

Cokal has a 60% interest in the BBM Project. The BBM Project covers an area of approximately 14,980 ha immediately adjacent to BHP Billiton's Juloi Project, near the Barito River in Central Kalimantan, Indonesia.

The BBM Project has total JORC resources of 267 million tonnes ('Mt') (20 Mt measured, 23 Mt indicated and 224 Mt inferred) which is 90% coking coal and 10% semi-soft coking/pulverised coal injection ('PCI') coal.

A Mining License ('IUP') was granted to Cokal in May 2013. The IUP allows Cokal to develop a project with production of up to six million tonnes per annum ('Mtpa') over a period of 20 years, with two ten year extensions permitted. All approvals and government processes have been submitted to allow development of an operation of up to 6 Mtpa capacity.

Cokal announced on 24 February 2015 that the BBM Project port facilities have received both Construction and Operation Approval. The approval is for an initial 15 year period comprising a five year construction window and a ten year operational period. The approval also provides for the BBM Project to obtain future extensions to the operational period.

Subsequently on 13 August 2015, Cokal announced it has received the Borrow and Use of Forest Area Permit IPPKH, which allows for the construction and operation of the port, haul road and initial mine development areas for Cokal's initial mine plan of 2 Mtpa of coking coal from the BBM Project. The initial approved area is 1,242 hectares ('ha'), which is reviewed by the Mining Department and extended as required to meet the planned mine development. The issuance of this forest permit concludes the final approval process necessary to allow the Company to start construction and mining.

Coal has the potential to be economically extracted using both open pit and underground mining methods. The coal will then travel approximately 700 kilometres down the Barito River using barges and tugs designed specifically for the BBM Project.

Cokal has entered into a joint venture with Meratus Advance Maritime ('MAM') to manage the shallow river barges and tugs designed specifically for the BBM Project. MAM is part of the Meratus Group which has operated in Indonesian shipping since 1957 and has provided barging and shipping services to a number of major Kalimantan coal operations. Cokal holds a 50% interest in the joint venture with MAM.

Funding

Cokal management have advised that the Company has recently raised funding from the following sources for working capital and the BBM Project:

- **Blumont Group Limited (loans):**
  - 7 Nov 2013 US$2.0 million;
  - 2014-2015 US$1.4 million;
- **Platinum Partners ('Platinum') (loans):**
  - 31 Mar 2014 US$3.5 million;
- **Northrock Financial LLC (loans)[1]:**
  - 25 Aug 2014 US$5.65 million;
  - 30 Jan 2015 US$0.92 million; and
- **Cedrus International Limited ('Cedrus') (equity):**
  - 1 Jun 2015 US$2.5 million in Cokal shares at A$0.09/share[2]

In addition, on 9 February 2015, Cokal announced that it had signed a non-binding terms sheet with Cedrus and Platinum in relation to a US$110 million project finance facility for the BBM Project. Cokal management have informed us that their expectation was that the facility would sufficiently fund the construction and commissioning of Cokal's 2Mtpa BBM Project and Cokal's general working capital requirements during this phase of development.

The key terms of the non-binding terms sheet are as follows:

- Syndicated facility of US$110 million;
- 13% interest rate;
- 85 million options at an exercise price of A$0.13 and an 8-year exercise period;
- Marketing fee of 2.5% of gross sales from coal produced and sold from the initial 2 Mtpa phase of the BBM Project;
- Royalty of 1.35% of gross sales from coal produced and sold from the whole BBM Project (the initial phase and subsequent expansions);
- Security customary for a major project financing in Indonesia; and
- The loan term and repayment schedule is subject to negotiation.

5.1.3 Other Coal Exploration Projects

A summary of Cokal's other coal exploration projects is set out in Table 5.1 below.

[1] *Northrock Financial LLC is an associate of Platinum Partners who acquired the Platinum Partners loan*

[2] *The placement raised A$2.5 million before costs. The placement was consented to by Cakra*

Table 5.1: Summary of Cokal's Other Coal Exploration Projects

Project	Description
Borneo Bara Prima Project	Cokal has a 60% interest in the Borneo Bara Prima Project ('the BBP Project'). The BBP Project is located in the North Barito Basin in Central Kalimantan and covers an area of approximately 13,050 ha immediately adjacent to BHP Billiton's Maruwai Coal Project. Exploration activities to date have comprised an initial reconnaissance mapping programme which has identified the presence of multiple coal seams from outcrops. Initial laboratory results indicate that coal from the southern part of the BBP Project is suitable for the PCI and Anthracite markets and is a bright coal with a low in-situ ash, low sulphur content, ultra-low phosphorous and high energy.
Anugerah Alam Katingan	Cokal has a 75% interest in the Anugerah Alam Katingan Project ('the AAK Project'). The AAK Project is located in the North Barito Basin in Central Kalimantan and covers an area of approximately 5,000 ha. Initial geological mapping has identified five coal outcrops with coal seam thicknesses ranging from 1.2 metres to 1.8 metres. The coal outcrops occur within the same formations as the metallurgical coals of the BBM Project and the BBP Project. Laboratory test results show the coal has low ash and high specific energy, indicative of good quality anthracite export coal. The field descriptions of the coal also indicate a vitreous high rank coal. Further exploration activity is expected to define a wider distribution and consistency of coal within the concession area.
Anugerah Alam Manuhing	Cokal holds a 75% interest in the Anugerah Alam Manuhing Project ('the AAM Project'). The AAM Project comprises an area of approximately 10,000 ha located in Central Kalimantan, Indonesia. A total of eleven coal outcrops with coal seam thicknesses ranging from 0.42 metres to 4.2 metres were identified during initial geological mapping. High rank coal characterised by very low volatile matter content, very high carbon content and high specific energy has been identified form field descriptions and photographic evidence. The AAM Project is interpreted to consist of thermal and metallurgical coal of export quality. Further exploration and mapping within the tenement area is planned to further identify the coal potential.
Tambang Benua Alam Raya Project	Cokal is in the process of completing the acquisition of a 75% interest in the Tambang Benua Alam Raya Project ('the TBAR Project'), with Cakra holding the other 25% interest of this asset. The TBAR Project covers an area of approximately 18,850 ha adjacent to the south eastern boundary of the BBM Project in Central Kalimantan. The IUP which covers the TBAR Project is on the Indonesian Government's 'clean and clear' list, which means there are no overlapping exploration license issues and the title is in good standing. Over 80% of the lease covering the TBAR Project is either a production or a limited production forestry lease and is subject to the issuance of an exploration forestry permit. The first four weeks of geological surface mapping covered around 25% of the total tenement area and identified over 35 coal seam outcrops with thicknesses ranging from 1.75 metres to 1.85 metres. Initial laboratory test results indicate volatile matter values and low levels of impurities for the sampled coal, consistent with premium metallurgical coal product.

Project	Description
Silangkop Nusa Raya Project	Cokal owns 75.2% of Silangkop Nusa Raya Company ('SNR'), with Cakra holding the other 24.8% interest of this asset. The Company holds three exploration licenses covering an area of approximately 13,000 ha in West Kalimantan, near the Malaysian border. Although exploratory work for metallurgical coal in the area has been limited, surface samples of coal from surrounding areas have shown good coking coal properties and there is a possibility of opening a new area. Cokal is currently in the process of completing the purchase of Cakra's 24.8% interest.
Mozambique	Cokal holds an 80% interest a joint venture with the Mozambique Government to explore coal mining tenements in the country. No major work was conducted in Mozambique during the 2014 financial year or the 2015 year to date. We are instructed by Cokal management that this asset is not currently a priority for Cokal.
Manda Project (Tanzania)	The Manda Project is a joint venture with Tanzanian company, Tanzoz Resource Company ('Tanzoz'). Cokal holds a 50% interest in the Manda Project. The Manda Project is located in the south west of Tanzania. No major work was conducted in Tanzania during the 2014 financial year or the 2015 year to date. We are instructed by Cokal management that this asset is not currently a priority for Cokal.

Source: Cokal 2014 annual report and Cokal website

5.2 Equity Structure of Cokal

5.2.1 Equity and Options Currently on Issue

Cokal had 499,342,704 fully paid ordinary shares on issue as at 18 August 2015. The top 10 shareholders of Cokal ordinary shares as at 17 August 2015 are set out in Table 5.2 below.

Table 5.2: Top 10 Cokal Shareholders as at 17 August 2015

	Shareholder	Number of Shares	Percentage of Total Shares
1	Holdex Nominees Pty Ltd	60,057,034	*12.03%*
2	ABN AMRO Clearing Sydney Nominees Pty Ltd	47,158,826	*9.44%*
3	HSBC Custody Nominees (Australia) Ltd - Acct 3	40,050,598	*8.02%*
4	Gebrun Pty Ltd	35,000,000	*7.01%*
5	HSBC Custody Nominees (Australia) Ltd	34,517,132	*6.91%*
6	Patrick Joseph Hanna	25,000,000	*5.01%*
7	UBS Wealth Management Australia Nominees Pty Ltd	23,844,497	*4.78%*
8	Mr Peter Anthony Lynch and Mrs Laura Anne Lynch	21,052,000	*4.22%*
9	Citicorp Nominees Pty Ltd	12,617,880	*2.53%*
10	National Nominees Ltd	10,685,637	*2.14%*

Shareholder	Number of Shares	Percentage of Total Shares
Balance of Shareholders	189,359,100	*37.92%%*
Total	**499,342,704**	**100.00%**

Source: Cokal Management

We note that the above listing provides the details of the top 10 registered holders in the shares of Cokal. In some cases, the registered holders hold those shares as brokers or nominees for one or more beneficial holder. Section 6.9 of the Target's Statement provides a listing of the substantial holders based on their beneficial ownership in the Company.

Cokal also had approximately 66.15 million options on issue as at 14 August 2015. Share options issued and outstanding as at 14 August 2015 are shown in Table 5.3 below together with their associated exercise prices.

Table 5.3: Share Options Issued and Outstanding as at 14 August 2015

Number of Options	Expiry Date	Exercise Price
10,000,000	24/02/2019	0.126
25,000,000	06/02/2019	0.13
15,000,000	27/08/2018	0.20
5,000,000	05/09/2015	3,000,000 at 1.10 and 2,000,000 at 1.50
350,000	12/10/2016	0.75
4,000,000	11/07/2017	0.214
6,800,000	11/07/2017	0.25

Source: Cokal Management

5.3 Share Market Performance of Cokal

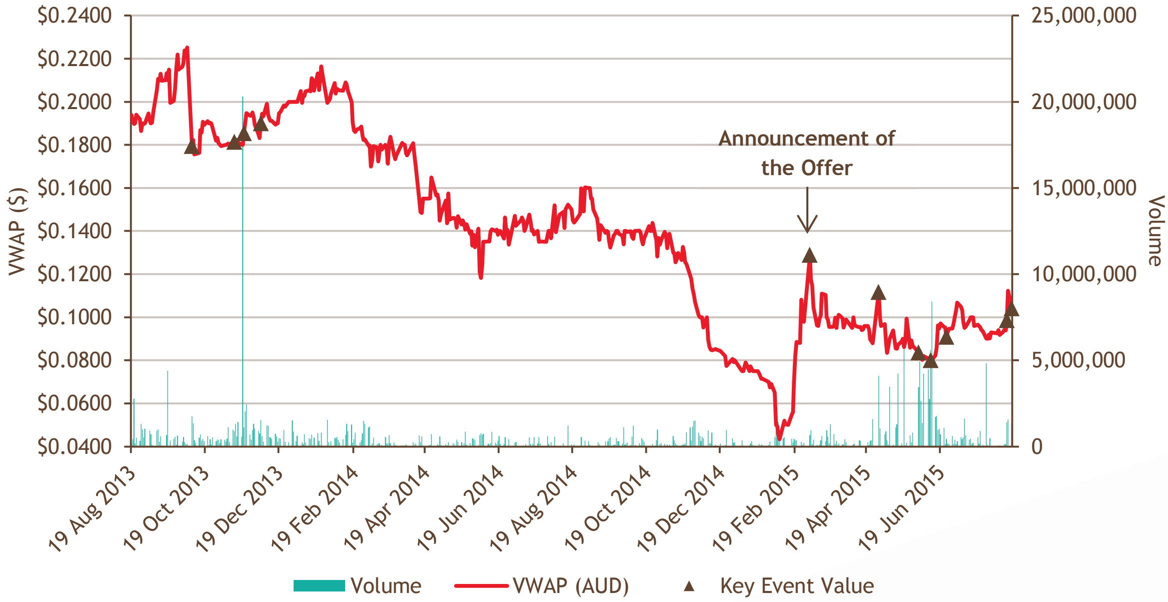
This section sets out an analysis of the share market performance of Cokal shares by considering the following:

- The most recent price of Cokal shares on the ASX (Section 5.3.1); and
- The liquidity of Cokal shares (Section 5.3.2).

5.3.1 Cokal Share Price Movements

Cokal shares are listed on the ASX. Figure 5.1 shows Cokal's daily volume-weighted average share price ('VWAP') and the volume of shares traded each day over the period from 19 August 2013 to 17 August 2015 inclusive.

Figure 5.1: Daily VWAP and Volume Traded for Cokal from 19 August 2013 to 17 August 2015



Source: Capital IQ as at 18 August 2015

Over the period graphed in Figure 5.1, Cokal's daily VWAP shows a period low of A$0.0434 on 6 February 2015 and a period high of A$0.2253 on 4 October 2013.

In addition to the share price and trading data, we have also provided additional information in this Report to assist readers to understand possible reasons for movements in Cokal's share price and volume of shares traded over the time period analysed. The references in Figure 5.1 correspond to the references in Table 5.4 below. Additional announcements are annotated below for information purposes.

Table 5.4: Summary of Selected Cokal Announcements over the Period 19 August 2013 to 17 August 2015

Date	Announcement
08/10/2013	Blumont's proposed A$124 million takeover bid for Cokal being restructured due to fall in Blumont's share price. Discussions in relation to a US$77 million funding package for the BBM Project continue and, in the interim, Blumont has made available a US$8 million loan facility with US$4 million due by 1 November 2013 with the balance on mutual agreement. The loan is repayable within 3 years with interest of 5% per annum, payable quarterly in arrears, capitalising and repayable at maturity
12/11/2013	Cokal receives an initial advance of $2 million from Blumont Group Limited under the US$8 million facility agreement announced on 8 October 2013. The funds will be used to continue the development of the BBM Project.
20/11/2013	Cokal announced that it has received the final tranche of the A$9.6 million in funding from Blumont Group Ltd by way of a private placement. The shares were issued at a price of $0.16.
04/12/2013	Cokal announces it has received a conditional proposal for a debt financing facility of US$150 million from an international consortium, including Platinum Partners
31/03/2014	Cokal accepts Platinum Proposal which includes a US$3.5 million bridging loan to progress the BBM Project while the facility is being finalised
09/04/2014	Cokal fully draws the US$3.5 million Platinum Bridging Loan and is working to finalise a project funding facility
11/08/2014	Cokal extends Platinum Bridging Loan and secures additional loan funds of US$5.65 million from Northrock Financial LLC, a fund managed by Platinum Partners

Date	Announcement
30/01/2015	Platinum extends the bridging loan to 6 August 2015 and total loan for the project development varied to US$10.065 million. Platinum Partners granted 25 million options with an exercise price of 13 Australian cents and an exercise period of four years.
09/02/2015	Cedrus joins with Platinum Partners to provide a non-binding term sheet to Cokal in relation to a US$110 million project finance facility
03/03/2015	Cakra made an offer to acquire Cokal for either $0.15 per share or shares in Cakra (at an implied scrip consideration of A$0.19 per share).
29/04/2015	Cakra and Cokal entered into a Bid Implementation Agreement.
01/06/2015	Cokal announced that it expects to receive A$ 2.5 million from Cedrus Investments Ltd in a private placement. Cokal will issue the placement in two tranches: • Tranche 1 - 11.11 million shares at $0.09 per share on 3 June 2015; and • Tranche 2 – 16.67 million shares at $0.09 per share on 15 June 2015. Cakra advised that it has entered into an underwriting agreement for a US$100 million rights issue to fund its acquisition of Cokal.
11/06/2015	Cokal issued Tranche 1 of private placement to Cedrus Investments Ltd.
24/06/2015	Cokal issued Tranche 2 of private placement to Cedrus Investments Ltd.
13/08/2015	Cokal received the Borrow and Use of Forest Area Permit IPPKH for an initial operational area of 1,242 ha in the BBM Project, which allows for the construction and operation of the port, haul road and initial mine development areas.
17/08/2015	Cokal announced that it has received the Bidder's Statement from Cakra in relation to the Offer.

Source: Cokal ASX Announcements

In Table 5.5 below, we have set out Cokal's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to:

- 27 February 2015, being the date Cokal entered into a trading halt pending the announcement that it had received an offer from Cakra; and
- 17 August 2015, being a recent date and a date closer to the date of this Report.

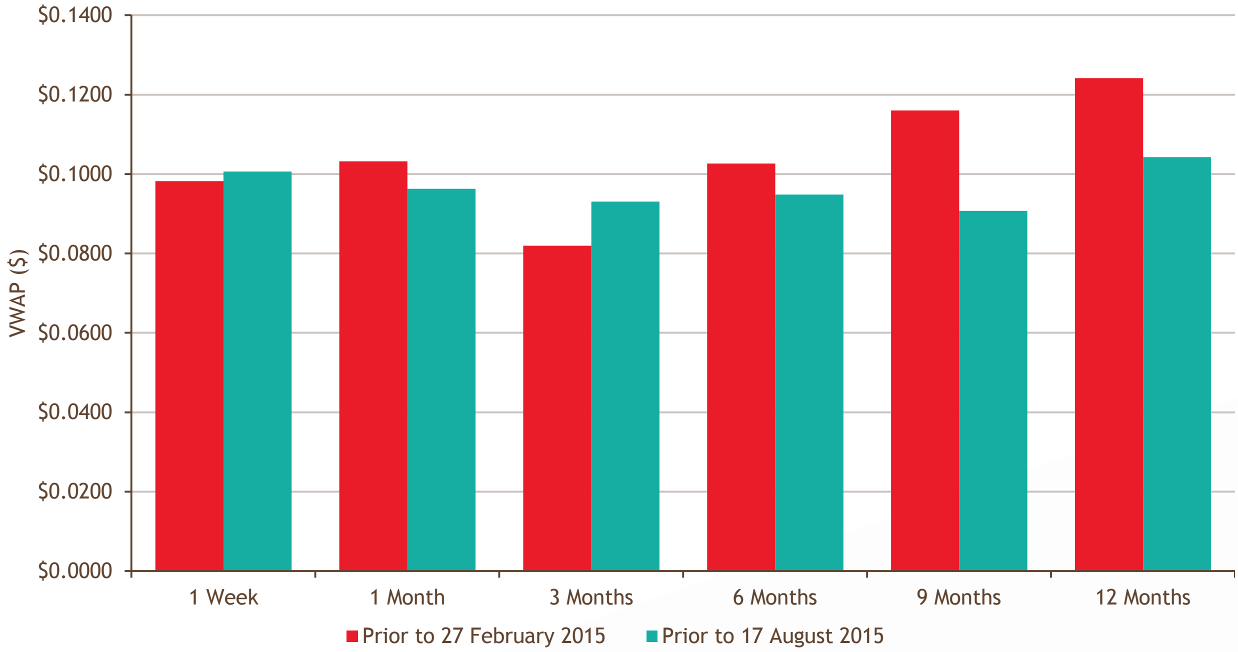
Table 5.5: Cokal VWAP over Specified Periods

VWAP Period	Prior to 27 February 2015 ($)	Prior to 17 August 2015 ($)
1 Week	$0.0982	$0.1006
1 Month	$0.1032	$0.0963
3 Months	$0.0820	$0.0931
6 Months	$0.1027	$0.0948
9 Months	$0.1160	$0.0907
12 Months	$0.1241	$0.1042

Source: Capital IQ as at 18 August 2015

The information presented in Table 5.5 above is shown graphically in Figure 5.2 below.

Figure 5.2: Cokal's VWAP over Specified Periods



Source: Capital IQ as at 18 August 2015

5.3.2 Liquidity of Cokal Shares

The rate at which shares are traded is generally referred to as the 'liquidity' of the shares. Changes in liquidity may impact the trading price of shares, particularly depending on the number of shares required to be bought and/or sold and the time period over which the shareholder needs to buy and/or sell those shares. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the share or a shift in value of the company to which the shares relate as a whole.

Table 5.6 below summarises the monthly liquidity of Cokal shares from 1 August 2014 to 17 August 2015. Liquidity has been summarised by considering the following:

- Volume of Cokal share trades per month;
- Value of total trades in Cokal shares per month;
- Volume of shares traded per month as a percentage of total shares outstanding at the end of the month; and
- Volume weighted average price per month.

Table 5.6: Liquidity of Cokal Shares on the ASX

Month	Volume	Turnover ($)	Shares Outstanding[1]	Volume per Shares Outstanding	Monthly VWAP[2] ($)
August 2015 (to 17th)	3,429,440	364,180	499,342,700	0.69%	$0.1062
July 2015	13,039,520	1,245,200	499,342,700	2.61%	$0.0955
June 2015	46,847,130	3,895,440	482,940,590	9.70%	$0.0832
May 2015	21,013,320	1,865,990	471,564,930	4.46%	$0.0888
April 2015	9,492,170	912,450	471,564,930	2.01%	$0.0961

Month	Volume	Turnover ($)	Shares Outstanding[1]	Volume per Shares Outstanding	Monthly VWAP[2] ($)
March 2015	8,434,230	871,500	471,513,590	1.79%	$0.1033
February 2015	9,132,010	507,570	471,487,930	1.94%	$0.0556
January 2015	1,917,320	141,600	471,487,930	0.41%	$0.0739
December 2014	7,257,040	654,600	471,487,930	1.54%	$0.0902
November 2014	8,681,570	1,033,370	471,487,930	1.84%	$0.1190
October 2014	5,856,850	810,060	471,383,200	1.24%	$0.1383
September 2014	5,204,470	738,060	471,103,930	1.10%	$0.1418
August 2014	3,527,930	532,280	471,103,930	0.75%	$0.1509
Total	**143,833,000**	**13,572,300**	**476,600,940**	**30.18%**	**$0.0944**

Source: Capital IQ as at 18 August 2015

1 Weighted average number of shares outstanding over the period analysed

2 Calculated as turnover divided by volume

Assuming a weighted average number of 476,600,940 ordinary Cokal shares on issue over the period, approximately 30.18% of total shares on issue were traded over the period from 1 August 2014 to 17 August 2015. We note that share trading volumes were higher than usual in the period May 2015 to July 2015. In our view, this indicates that Cokal's shares display a relatively low to moderate level of liquidity.

5.4 Historical Financial Information

This section sets out the historical financial information of Cokal. As this Report contains only summarised historical financial information, we recommend that any user of this Report also read and understand the additional notes and financial information contained in Cokal's annual reports.

Cokal's financial statements for the 12 month periods ended 30 June 2012, 2013 and 2014 and for the 6 month period ended 31 December 2014 were audited or reviewed by Ernst & Young. BDO CFQ has not performed any audit or review of any type on the historical financial information of Cokal. We make no statement as to the accuracy of the information provided.

We note Cokal has changed their functional and presentation currencies from Australian dollar to US dollar effective 1 July 2014. Cokal's financial statements for the 6 month period ended 31 December 2014 is presented in US dollars. To aid comparability, we have presented Cokal's financial statements for the 6 month period ended 31 December 2014 in Australian dollars sourced from Capital IQ, which adopted an exchange rate of US$0.82/A$.

5.4.1 Statements of Comprehensive Income

Table 5.7 summarises the consolidated statement of comprehensive income for Cokal for the 12 month periods ended 30 June 2012, 2013 and 2014, and for the 6 month period ended 31 December 2014.

Table 5.7: Statements of Comprehensive Income

	Audited 12 Months Ended 30-Jun-2012 ($)	Audited 12 Months Ended 30-Jun-2013 ($)	Audited 12 Months Ended 30-Jun-2014 ($)	Reviewed 6 Months Ended 31-Dec-2014 ($)
Interest income	1,078,240	591,402	79,811	50,682
Other income [1]	-	1,584,371	-	-
Pre-tenure exploration expenses	(596,209)	(138,417)	-	-

	Audited 12 Months Ended 30-Jun-2012 ($)	Audited 12 Months Ended 30-Jun-2013 ($)	Audited 12 Months Ended 30-Jun-2014 ($)	Reviewed 6 Months Ended 31-Dec-2014 ($)
Employee benefits expenses	(3,730,884)	(3,622,621)	(3,310,768)	(1,119,978)
Depreciation expenses	(84,900)	(184,125)	(256,807)	(130,197)
Finance costs	(25)	(86)	(633,062)	(2,088,234)
Legal expenses	(266,087)	(152,520)	(106,390)	(244,177)
Unsuccessful exploration expenses derecognised [2]	(138,417)	(596,209)	-	(2,444,100)
Administration and consulting expenses	(1,600,204)	(3,714,495)	(1,843,556)	(1,639,188)
Other expenses	(976,731)	(489,039)	(393,401)	-
Loss before income tax expense	**(6,315,217)**	**(6,721,739)**	**(6,464,173)**	**(7,615,192)**
Income tax expense	-	-	-	-
Net loss for the year [3]	**(6,315,217)**	**(6,721,739)**	**(6,464,173)**	**(7,615,192)**

Source: Cokal Annual Reports for the years ended 30 June 2012, 2013 and 2014, Half Year Report for the 6 months ended 31 December 2014 and Capital IQ

Regarding Cokal's statements of comprehensive income, we note the following:

1. Other income of $1.6 million in FY2013 comprises the sale of Cokal's Australian tenements to XMC Australia Pty Ltd, a wholly owned subsidiary of Xuzhou Coal Mining Group Corporation of $1.3 million and consultation fees of $0.3 million;

2. Cokal derecognised $0.1 million, $0.7 million and $2.4 million of the carrying amount of the exploration and evaluation asset in FY2012, FY2013 and in the 6 month period ended 31 December 2014 respectively, which is unlikely to be recovered in full from successful development or by sale; and

3. Cokal has generated a net loss in each of the last three and a half years ended 31 December 2014.

5.4.2 Statements of Financial Position

Table 5.8 summarises the consolidated statement of financial position for Cokal as at 30 June 2012, 2013, 2014 and 31 December 2014.

Table 5.8: Statements of Financial Position

	Audited As at 30-Jun-2012 ($)	Audited As at 30-Jun-2013 ($)	Audited As at 30-Jun-2014 ($)	Reviewed As at 31-Dec-2014 ($)
Current Assets				
Cash and cash equivalents [1]	15,341,001	916,509	2,752,958	4,387,888
Short term deposits	14,287,098	1,858,000	1,955,259	1,975,642
Accounts receivable	562,397	159,900	203,860	208,245
Other current assets	181,162	100,117	60,704	349,504
Total Current Assets	**30,371,658**	**3,034,526**	**4,972,781**	**6,921,278**
Non-Current Assets				
Plant and equipment [2]	808,770	954,616	948,498	2,008,327
Exploration and evaluation assets [3]	33,306,527	55,729,090	62,811,658	75,300,613
Other non-current assets	218,796	266,762	232,023	237,947

	Audited As at 30-Jun-2012 ($)	Audited As at 30-Jun-2013 ($)	Audited As at 30-Jun-2014 ($)	Reviewed As at 31-Dec-2014 ($)
Total Non-Current Assets	**34,334,093**	**56,950,468**	**63,992,179**	**77,546,886**
Total Assets	**64,705,751**	**59,984,994**	**68,964,960**	**84,468,164**
Current Liabilities				
Accounts payable	1,426,885	2,151,569	849,116	1,859,568
Interest bearing loans	-	-	3,757,381	11,181,758
Total Current Liabilities	**1,426,885**	**2,151,569**	**4,606,497**	**13,041,325**
Non-Current Liabilities				
Deferred liability	276,750	230,625	138,375	123,882
Interest bearing loans [4]	-	-	3,311,972	4,365,815
Total Non-Current Liabilities	**276,750**	**230,625**	**3,450,347**	**4,489,697**
Total Liabilities	**1,703,635**	**2,382,194**	**8,056,844**	**17,531,022**
Net Assets	**63,002,116**	**57,602,800**	**60,908,116**	**66,937,142**
Equity				
Issued capital	73,003,471	73,003,471	81,937,141	99,957,868
Reserves	2,547,998	3,870,421	4,706,240	5,117,193
Accumulated losses	(12,549,353)	(19,271,092)	(25,735,265)	(38,137,919)
Total Equity	**63,002,116**	**57,602,800**	**60,908,116**	**66,937,142**

Source: Cokal Annual Reports for the years ended 30 June 2012, 2013 and 2014, Half Year Report for the 6 months ended 31 December 2014 and Capital IQ

Regarding Cokal's statements of financial position, we note the following:

1. Cash and cash equivalents and short term deposits have decreased 94% as at 30 June 2013, primarily due to the absence of any capital raisings in 2013 to fund the continued exploration of Cokal's coal tenements;

2. Plant and equipment increased significantly in the 6 month period ended 31 December 2014 to $1.9 million primarily due to additions to capital work-in-progress;

3. Exploration and evaluation assets increased over the period from $33.3 million in 2012 to $75.3 million as at 31 December 2014, primarily as a result of expenditure incurred to develop the BBM Project. Cokal is likely to incur significant expenditure in the future in relation to the development of the BBM Project. We note Cokal has derecognised unsuccessful exploration expenses totalling $3.2 million over the last three and a half years ended 31 December 2014; and

4. Interest bearing loans as at 31 December 2014 comprise:

   - A loan facility agreement with Blumont Group Limited, a significant shareholder, for US$8 million. Under this facility Cokal had drawn down US$3.4 million (or A$3,572,534) as at 31 December 2014; and

   - Two short term loan agreements with Platinum Partners, another significant shareholder, for US$3.5 million and US$5.65 million for working capital.

Based on Cokal's latest Quarterly Report released in July 2015, the Company held US$2.98 million of cash as at 30 June 2015, having incurred US$2.05 million in operating costs and raised US$1.82 million from an equity raising.

5.4.3 Statements of Cash Flows

Table 5.9 summarises the consolidated statement of cash flows for Cokal for the 12 month periods ended 30 June 2012, 2013, and 2014 and for the 6 month period ended 31 December 2014.

Table 5.9: Statements of Cash Flows

	Audited 12 Months Ended 30-Jun-2012 ($)	Audited 12 Months Ended 30-Jun-2013 ($)	Audited 12 Months Ended 30-Jun-2014 ($)	Reviewed 6 Months Ended 31-Dec-2014 ($)
Cash Flows from Operating Activities				
Payments to suppliers and employees	(4,662,549)	(5,833,288)	(6,217,546)	(1,513,755)
Interest received	813,785	591,402	79,811	50,682
Interest paid	(25)	(86)	(536,769)	(1,099,845)
Net cash inflow/(outflow) from operating activities operating activities [1]	**(3,848,789)**	**(5,241,972)**	**(6,674,504)**	**(2,562,918)**
Cash Flows from Investing Activities				
Payments for plant and equipment	(373,819)	(329,971)	(250,689)	(1,046,753)
Deposits maturing after three months	(14,287,098)	12,429,097	(97,259)	-
Proceeds from sale of tenements [2]	-	1,620,000	-	-
Payments for exploration and evaluation assets	(14,626,598)	(22,853,680)	(7,082,568)	(2,564,633)
Security deposit payments	(11,759)	(47,966)	34,739	-
Net cash inflow/(outflow) from investing activities	**(29,299,274)**	**(9,182,520)**	**(7,395,777)**	**(3,611,386)**
Cash Flows from Financing Activities				
Proceeds from issue of shares and options [3]	31,277,231	-	9,609,127	-
Transaction costs on share issue	(4,863)	-	(675,457)	-
Proceeds from borrowings	-	-	6,973,060	7,393,403
Net cash inflow/(outflow) from financing activities	**31,272,368**	**-**	**15,906,730**	**7,393,403**
Net increase/(decrease) in cash and cash equivalents	**(1,875,695)**	**(14,424,492)**	**1,836,449**	**1,219,099**
Cash and cash equivalents at beginning of year	17,216,696	15,341,001	916,509	2,752,958
Net foreign exchange differences	-	-	-	415,831
Cash and cash equivalents at end of year	**15,341,001**	**916,509**	**2,752,958**	**4,387,888**

Source: Cokal Annual Reports for the years ended 30 June 2012, 2013 and 2014, Half Year Report for the 6 months ended 31 December 2014 and Capital IQ

Regarding Cokal's statements of cash flows, we note the following:

1. Cash flows from operating activities have been negative in each of the last three and a half years ended 31 December 2014;
2. Proceeds from the sale of tenements in FY2013 relates to the sale of Cokal's Australian tenements to XMC Australia Pty Ltd; and
3. In FY2014, $9.6 million was raised from Blumont Group Limited by way of a private placement at a price of $0.16 per share.

Based on Cokal's latest Quarterly Report released in July 2015, the Company held US$2.98 million in cash as at 30 June 2015.

6.0 Overview of Cakra

6.1 Overview of Cakra

Cakra was established on 19 September 1990 under the name PT Ciptojaya Kontrindoreksa and commenced its commercial operations in the field of property development, specifically the development of middle to low income housing. Cakra subsequently changed its core business into plantation and agriculture in 1998 and listed on the IDX in 1999.

In 2011 Cakra changed its main business from agriculture and plantation into mining, processing and trading of diversified minerals. Cakra sold the ownership of its subsidiary PT Horizon Agri Industri, which engaged in agricultural and plantation activities, for IDR 750 billion. The proceeds from this transaction were used to purchase an 88% stake in PT Persada Indo Tambang, an iron ore mining company located in Solok Selatan, West Sumatra, for an amount of IDR 500 million. Following a ban on the export of certain raw materials from Indonesia by the Indonesian Minister of Energy and Mineral Resources, Cakra shifted its focus to constructing processing plants with a view to increase its production and sales. To add value to its downstream assets, Cakra has been actively seeking acquisition targets with assets that can be quickly developed to production.

Cakra made the following acquisitions and investments in in mining and downstream projects in 2013 and 2014:

- Acquisition of 100.0% of the shares in Dunestone Development S.A., a mineral commodity trading company on 12 December 2013;
- Acquisition of 55.0% shares in PT Takaras Inti Lestari, a zircon sand producer on 28 March 2014;
- Participation in a joint venture in the refining and smelting of nickel ore namely PT Cakra Baoli Ferronickel, on 25 June 2014, with Zhejiang Jinfeng New Energy Technology Co. Ltd. Cakra and Zhejiang Jinfeng New Energy Technology Co. Ltd have 50.1% and 49.9% interest respectively in the joint venture;
- Acquisition of 55.0% shares in PT Murui Jaya Perdana, a zircon sand producer on 22 August 2014;
- Acquisition of 100.0% of the shares in Twin Pine Management, company with interests in three coking coal tenements on 8 December 2014; and
- Participation in a joint venture in the refining and smelting of iron ore namely PT Cakra Smelter Indonesia, on 18 December 2014.

Cakra is domiciled in Central Jakarta and has operations in the province of West Sumatra and Central Kalimantan.

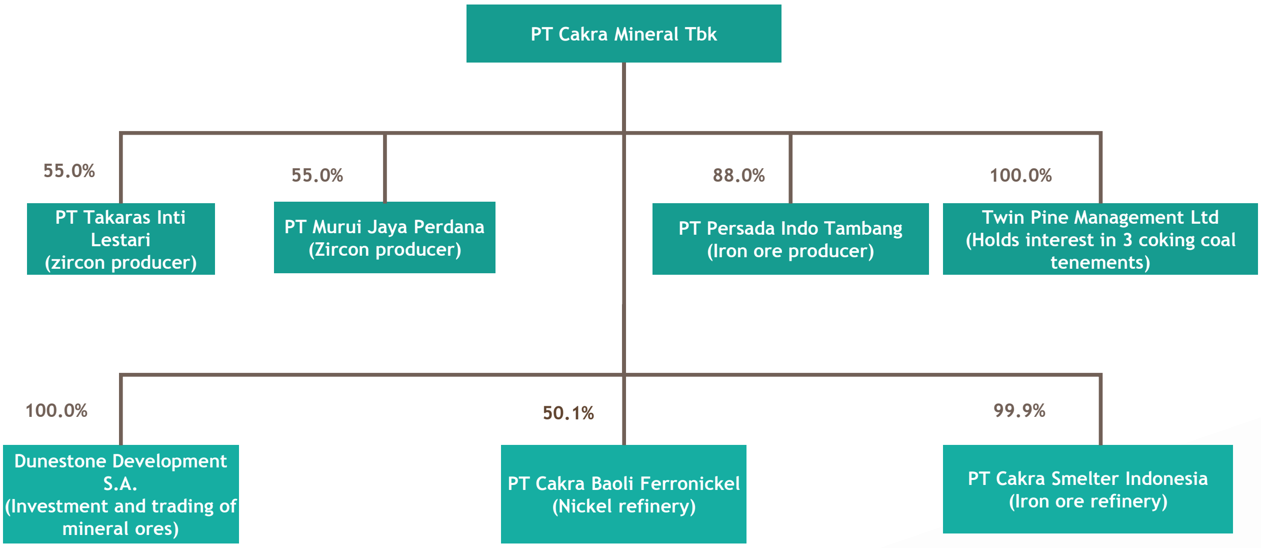
6.1.1 Information about Cakra

This section is based on information obtained from the Bidder's Statement, IDX announcements and Cakra's company website. We have provided this section to Cakra management to review and they confirmed that it was factually accurate.

6.1.2 Corporate Structure

The corporate structure of Cakra is set out in Figure 6.1 below.

Figure 6.1: Corporate Structure



Source: The Bidder's Statement

6.1.3 Overview of Cakra Subsidiaries

This section sets out a summary of Cakra's operations.

PT Takaras Inti Lestari (55.0%)

Cakra acquired a 55% stake in PT Takaras Inti Lestari on 28 March 2014 via the conversion of advanced payments from Dunestone Development S.A. of US$ 1,650,000 (IDR 18.2 billion). PT Takaras Inti Lestari has a zircon sand tenement and is located approximately 1.5 hours from the city of Palangkaraya, with approximately 0.5 million metric tonnes of zircon sand resources. PT Takaras Inti Lestari obtained an export permit in 2014 and is able to export minerals after the implementation of raw mineral export ban.

PT Murui Jaya Perdana (55.0%)

Cakra acquired a 55% stake in PT Murui Jaya Perdana on 22 August 2014 via the conversion of advanced payments from Dunestone Development S.A. of US$ 550,000 (IDR 6.3 billion). PT Murui Jaya Perdana has a zircon sand tenement and is located in the Kapuas region, with approximately 5.4 million metric tonnes of zircon sand resources. In early 2009, PT Murui Jaya Perdana purchased a zircon sand separation facility in Manyuluh approximately 150 kilometres from the zircon sand tenement, which allows processed zircon to be easily distributed and trucked to the Banjarmasin port for exporting.

The combined zircon sand production of PT Takaras Inti Lestari and PT Murui Jaya Perdana was approximately 2,904 metric tonnes in 2014, significantly below the total production capacity of 18,000 metric tonnes. The underutilisation of capacity was primarily due to lack of working capital and the raw mineral export ban.

PT Persada Indo Tambang (88.0%)

Cakra acquired an 88.0% stake in PT Persada Indo Tambang on 5 April 2012 for a consideration of IDR 500 million. At the time of acquisition, PT Persada Indo Tambang held a Mining Business Permit for Operations and Productions over approximately 150.8 ha in Nagari Sungai Kunyit, Kecamatan Sangir Balai Janggo, Sumatera Barat and approximately 5.5 million metric tonnes of iron ore resources. Iron ore production in 2011 and 2012 was 121,900.25 metric tonnes and 49,822.00 metric tonnes respectively.

Subsequently, the Indonesian government banned export of raw mineral ores in January 2014, causing PT Persada Indo Tambang's production of iron ore to decrease to nil in 2014. As at 31 December 2014, Cakra did not have plans to extend its Mining Business Permit for Operations and Productions held by PT Persada Indo Tambang which is due to expire in 27 April 2015. PT Persada Indo Tambang subsequently submitted an application letter for extension dated 21 January 2015 and is in the process of extending the mining permit. Notwithstanding that there is an export ban of raw mineral ores, the extension of the mining permit is consistent with Cakra's business model to develop assets to production to add value to its downstream processing plants.

Twin Pine Management Ltd (100.0%)

Twin Pine Management was 100% acquired by Cakra on 8 December 2014 for a cash consideration of US$ 0.2m (IDR 2.5 billion). Twin Pine Management is domiciled in the British Virgin Islands and has interests in three coking coal tenements, namely PT Tambang Benua Alam Raya (25% stake), PT Silangkop Nusa Raya (24.8% stake) and PT Ketungau Nusa Raya (24.8% stake). Cokal holds the remaining interest in PT Tambang Benua Alam Raya and PT Silangkop Nusa Raya.

PT Tambang Benua Alam Raya is located in Murung Raya Regency, Central Kalimantan Province, Indonesia, adjacent to BHP Billiton's Juloi tenement. It has approximately 250 million tonnes of metallurgical coal resource.

Dunestone Development S.A. (100.0%)

On 2 January 2012, Cakra intended to acquire 100% shares in Brooksvale Capital Ltd from Rami Sadek M. Kuwatly with cash consideration of IDR 579 billion. Prior to the completion of the acquisition, the full amount of consideration was held in escrow as due diligence on Brooksvale Capital Ltd was being carried out. Rather than acquire Brooksvale Capital Ltd, on 12 December 2013 Cakra acquired 100% shares in Dunestone Development S.A. from Rami Sadek M. Kuwatly instead and the full amount of monies held in escrow (i.e. the funds that were to be used to acquire Brooksvale Capital Ltd) were used to fund the acquisition.

Dunestone Development S.A. is domiciled in the British Virgin Islands and participates in the investment and trading of mineral ores. As Dunestone Development S.A. was determined to have a fair value of IDR 36.5 billion, Cakra recorded goodwill of IDR 542.5 billion.

Dunestone Development S.A. appointed Harun Abidin as its agent on 12 December 2012 to purchase companies operating in the mineral resources sector. Through Harun Abidin, Dunestone Development made advance payments to PT Takaras Inti Lestari, PT Murui Jaya Perdana, Zhongrui Mining Industry (HK) Co. Ltd., PT Katingan Surya Harapan and PT United Mineral Kalimantan of the amounts US$ 1,650,000, US$ 550,000, US$ 715,000, US$ 25,000 and US$ 25,000 respectively and signed a sales and purchase agreement with each target company.

The sales and purchase agreements require the target companies to sell all natural resources produced to Dunestone Development S.A. If the target companies fail to deliver the minimum quantity of minerals specified in the sales and purchase agreements, Harun Abidin is required to repay the advance payments or arrange the conversion of advance payments into shares in the target company. IDR 0.50 billion (IDR 0.48 billion) of third party receivables as at 31 December 2014 (31 March 2015) relate to amounts owing from Harun Abidin.

Through Dunestone Development S.A., Cakra acquired 55% stake in PT Takaras Inti Lestari and PT Murui Jaya Perdana in FY2014 via the conversion of advanced payments. The acquisitions allow Cakra to produce and sell zircon sands.

As at 31 March 2015, Dunestone Development S.A. retains its rights to convert its advanced payments into 55% stake in Zhongrui Mining Industry (HK) Co. Ltd., PT Katingan Surya Harapan and PT United Mineral Kalimantan, should these companies fail to deliver the minimum quantity of minerals. We are informed by Cakra management that PT Katingan Surya Harapan and PT United Mineral Kalimantan are also exposed to the raw material export ban and are reliant on the start-up of Cakra's proposed smelter operation to enable them to undertake production. We are informed by Cakra management that Zhongrui Mining Industry (HK) Co Ltd is progressing an iron sand business and Cakra is not considering construction of a smelter for that commodity. Cakra is considering the future of its investment in that company.

Cakra's products are sold through several "spot" off-take agreements to reputable Chinese industrial users and manufacturers. No long term contracts for the sale of Cakra's products have been entered into. Each spot contract consists of 100 – 300 metric tonnes of sales and is expected to generate approximately US$ 330,000 revenue over the course of the contract.

PT Cakra Baoli Ferronickel (joint venture interest - 50.1%)

Cakra entered into a joint venture agreement with Zhejiang Jinfeng New Energy Technology Co. to form PT Cakra Baoli Ferronickel on 25 June 2014. PT Cakra Baoli Ferronickel was established for the purpose of building a refinery for the refining and smelting of nickel ore into ferronickel.

On 15 September 2014, PT Cakra Baoli Ferronickel contracted Xinaier New Energy Equipment Company Limited to construct a Ferro Nickel Smelting Plant with a capacity of 37,000 tonnes per year. The agreement was subsequently amended to increase the plant's capacity to 48,000 – 50,000 tonnes per year. The 30 hectare site for the plant is located in Kolawe in North Sulawesi. Construction is expected to complete on 30 June 2017. No contracts with respect to funding construction have been entered into as yet.

PT Cakra Smelter Indonesia (joint venture interest – 99.9%)

Cakra entered into a joint venture agreement to form PT Cakra Smelter Indonesia on 18 December 2014. Cakra's joint venture partner is Extend Harmony Group. PT Cakra Smelter Indonesia was established for the purpose of building a refinery for the refining and smelting of iron ore into pig iron.

On 18 December 2014, PT Cakra Smelter Indonesia contracted ShanXi SuoEr Technology Company to construct a Pig Iron Smelting Plant with a capacity of 150,000 tonnes per year. The agreement was subsequently amended to increase the plant's capacity to 200,000 tonnes per year. Construction is expected to complete on 30 June 2016 and all raw iron ore input is expected to be supplied by PT Persada Indo Tambang. No contracts with respect to funding construction have been entered into as yet.

We note one of the key risks in relation to Cakra's business model is the absence of firm off-take contracts or funding arrangements for the construction of the processing plants, resulting in uncertainty as to whether the construction of the plants will be completed and whether processed minerals will be sold at market prices. The mismatch between the planned capacity for the processing plants and Cakra's production of raw minerals from its exploration assets will have to be addressed subsequent to the construction of the plants. We understand Cakra's plan is to use the best cost supply, whether that be externally supplied or from its own mineral assets.

Refer to Section 14.2 of the Bidder's Statement for further discussion on risks in relation to Cakra's business.

6.2 Equity Structure of Cakra

This section sets out the equity structure of Cakra.

6.2.1 Equity Currently on Issue

Cakra had 5,106,021,090 fully paid ordinary shares on issue as at 17 August 2015. The holders of Cakra ordinary shares as at 17 August 2015 are set out in Table 6.1 below.

Table 6.1: Top 10 Cakra Shareholders as at 17 August 2015

	Shareholder	Number of Shares	Percentage of Total Shares
Series A Shares			
1	Redstone Resources Pte Ltd	3,780,349,146	74.04%
2	Credit Suisse Singapore Trust	850,151,390	16.65%
3	KG Investment Asia Ltd	254,469,300	4.98%
4	Public	212,651,254	4.16%
Series B Shares (shares without pre-emptive rights)			
5	Public	8,400,000	0.16%
	Total	**5,106,021,090**	**100.00%**

Source: Capital IQ as at 18 August 2015, Cakra

Regarding Cakra's shareholders, we note in April 2012, Redstone Resources Pte Ltd acquired 80% stake or 4.04 billion shares in Cakra from Citra Group Pte Ltd at price of IDR 275 per share (or IDR 1.11 trillion). Redstone Resources Pte Ltd is a Singapore based company that specialises in mining investments. Redstone Resources Pte Ltd is owned by Hakiki Suryo and Kwok Wai Chor Valentine through a British Virgin Islands company, Aspire Horizon. Kwok Wai Chor Valentine is one of PT Persada Indo Tambang's iron ore buyers and the purpose of Redstone's investment is to secure iron ore supply produced by PT Persada Indo Tambang.

If the Proposed Transaction and the Rights Issue are implemented, the shareholder mix of Cakra will change significantly. Refer to Section 11.4 of the Bidder's Statement for additional detail relating to the potential shareholder mix of the Merged Entity under different scenarios related to the Rights Issue and the Offer.

6.3 Share Market Performance of Cakra

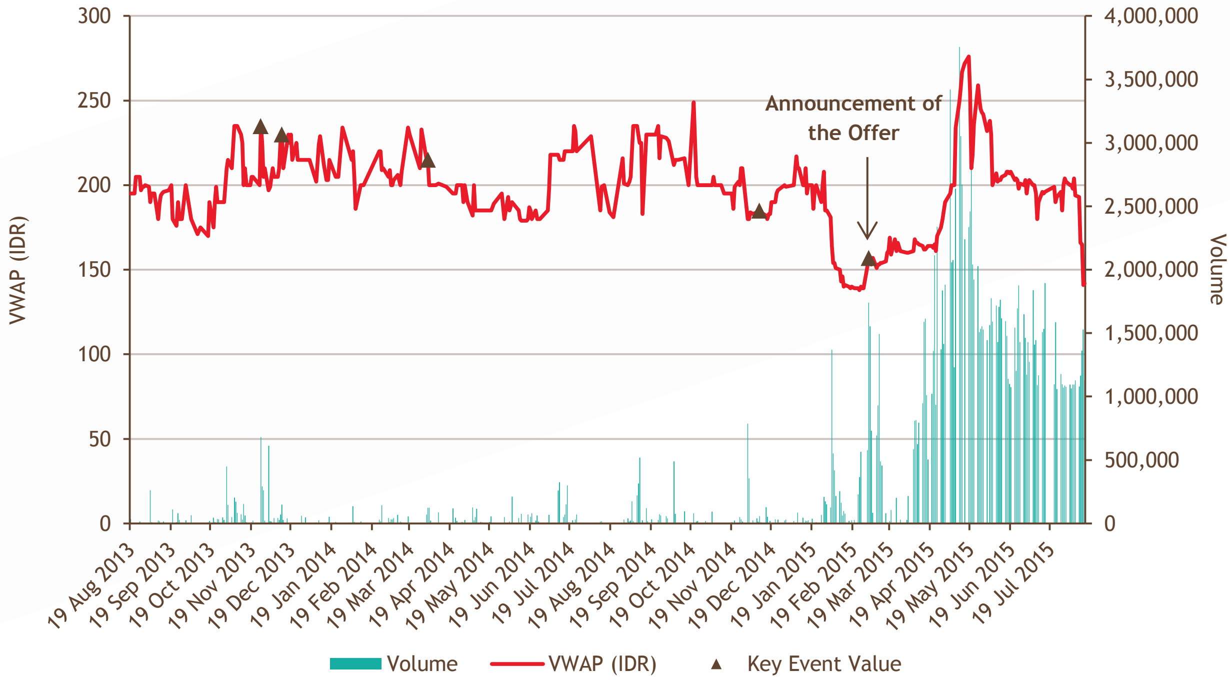
This section sets out an analysis of the share market performance of Cakra shares by considering the following:

- The most recent price of Cakra shares on the IDX (Section 6.3.1); and
- The liquidity of Cakra shares (Section 6.3.2).

6.3.1 Cakra Share Price Movements

Cakra shares are listed on the Indonesia Stock Exchange. Figure 6.2 shows Cakra's daily VWAP and the volume of shares traded each day over the period from 19 August 2013 to 17 August 2015 inclusive.

Figure 6.2: Daily VWAP and Volume Traded for Cakra from 19 August 2013 to 17 August 2015



Source: Capital IQ as at 18 August 2015

Over the period graphed in Figure 6.2, Cakra's daily VWAP shows a period low of IDR 138 on 24 February 2015 and a period high of IDR 276 on 18 May 2015.

In addition to the share price and trading data, we have also provided additional information in this Report to assist readers to understand possible reasons for movements in Cakra's share price and volume of shares traded over the time period analysed. The references in Figure 6.2 correspond to the references in Table 6.2 below.

Table 6.2: Summary of Selected Cakra Announcements over the Period 19 August 2013 to 17 August 2015

Date	Announcement
26/11/2013	Cakra agreed to acquire Dunestone Developments S.A from Rami Sadek M. Kuwatly for US$50 million.
12/12/2013	Cakra cancelled the acquisition of Brooksvale Capital Ltd. from Rami Sadek M. Kuwatly.
02/04/2014	PT Takaras Inti Lestari announced that it expects to receive funding from Cakra and another investor.
10/12/2014	Cakra signed a sale and purchase of shares agreement to acquire Twin Pine Management Ltd. for US$ 0.2 million.
03/03/2015	Cakra made an offer to acquire Cokal for approximately A$ 89.5 million.
01/04/2015	Cakra signed a deed to acquire 80% stake in PT Global Kalimantan Mining for IDR 16 billion.
01/06/2015	Cakra entered into an underwriting agreement for a rights issue of approximately US$100 million, which will be utilised to fund the Offer. Cakra subsequently updated the maximum amount to be raised in the rights issue to US$112 million.
17/08/2015	Cakra issues the Bidder's Statement in relation to the Offer.

Source: Cakra IDX announcements

In Table 6.3 below, we have set out Cakra's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to:

- 3 March 2015, being the date that Cakra announced that it had made an offer to Cokal; and
- 17 August 2015, being a recent date and a date closer to the date of this Report.

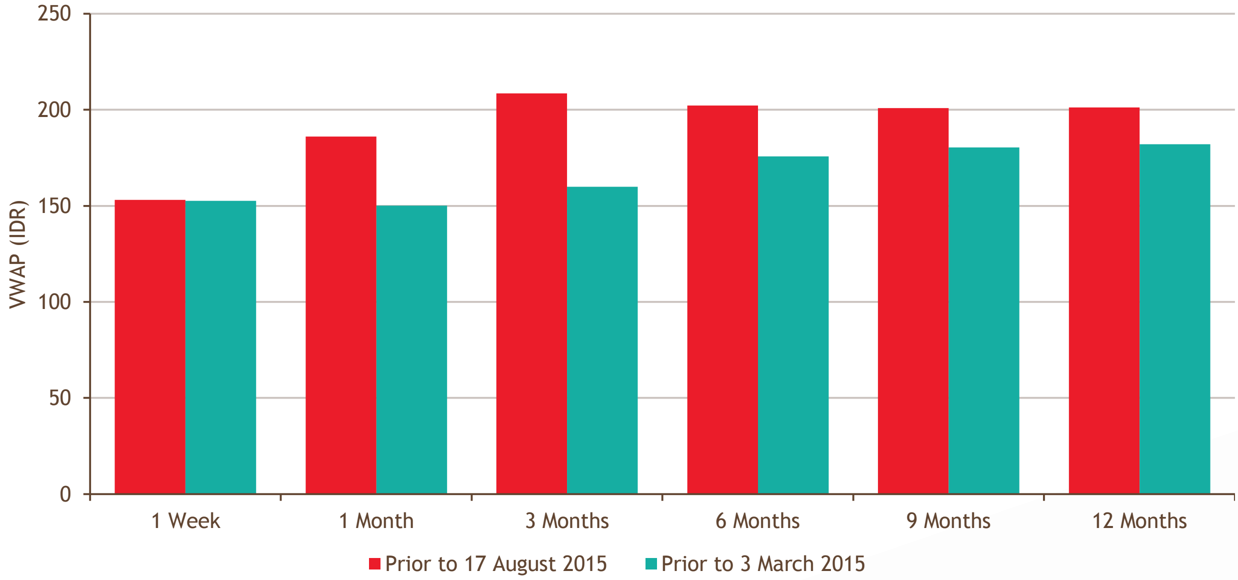
Table 6.3: Cakra VWAP over Specified Periods

VWAP Period	Prior to 3 March 2015 (IDR)	Prior to 17 August 2015 (IDR)
1 Week	152.62	153.15
1 Month	150.16	185.99
3 Months	159.87	208.41
6 Months	175.72	202.09
9 Months	180.33	200.85
12 Months	181.97	201.21

Source: Capital IQ as at 18 August 2015

The information presented in Table 6.5 above is shown graphically in Figure 6.3 below.

Figure 6.3: Cakra's VWAP over Specified Periods



Source: Capital IQ as at 18 August 2015

6.3.2 Liquidity of Cakra Shares

The rate at which shares are traded is generally referred to as the 'liquidity' of the shares. Changes in liquidity may impact the trading price of shares, particularly depending on the number of shares required to be bought and/or sold and the time period over which the shareholder needs to buy and/or sell those shares. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the share or a shift in value of the company to which the shares relate as a whole.

Table 6.4 below summarises the monthly liquidity of Cakra shares from 1 August 2014 to 17 August 2015. Liquidity has been summarised by considering the following:

- Volume of Cakra share trades per month;
- Value of total trades in Cakra shares per month;
- Volume weighted average price per month; and
- Number of shares traded per month as a percentage of total shares outstanding at the end of the month.

Table 6.4: Liquidity of Cakra Shares on the Indonesia Stock Exchange

Month	Volume	Turnover (IDR)	Shares Outstanding[1]	Volume per Shares Outstanding	Monthly VWAP[2] (IDR)
August 2015 (to 17th)	11,742,700	2,093,542,000	5,106,021,090	0.23%	178.28
July 2015	25,012,900	4,900,941,800	5,106,021,090	0.49%	195.94
June 2015	31,856,200	6,626,943,200	5,106,021,090	0.62%	208.03
May 2015	43,426,300	10,311,889,300	5,106,021,090	0.85%	237.46
April 2015	23,817,000	4,037,838,500	5,106,021,090	0.47%	169.54
March 2015	9,199,300	1,419,945,800	5,106,021,090	0.18%	154.35
February 2015	4,588,100	698,843,400	5,106,021,090	0.09%	152.32
January 2015	868,900	170,889,000	5,106,021,090	0.02%	196.67

Month	Volume	Turnover (IDR)	Shares Outstanding[1]	Volume per Shares Outstanding	Monthly VWAP[2] (IDR)
December 2014	1,613,800	293,336,300	5,106,021,090	0.03%	181.77
November 2014	236,200	47,604,200	5,106,021,090	0.00%	201.54
October 2014	842,100	182,163,700	5,106,021,090	0.02%	216.32
September 2014	1,750,600	395,030,000	5,106,021,090	0.03%	225.65
August 2014	72,700	14,159,100	5,106,021,090	0.00%	194.76
Total	**143,284,100**	**29,099,584,300**	**5,106,021,090**	**2.81%**	**203.09**

Source: Capital IQ as at 18 August 2015

1 *Weighted average number of shares outstanding over the period analysed*

2 *Calculated as turnover divided by volume*

Assuming a weighted average number of 5,106,021,090 ordinary Cakra shares on issue over the period, approximately 2.81% of total shares on issue were traded over the period from 1 August 2014 to 17 August 2015. In our view, this indicates that Cakra's shares display a very low level of liquidity.

6.4 Historical Financial Information

This section sets out the historical financial information of Cakra. As this Report contains only summarised historical financial information, we recommend that any user of this Report also read and understand the additional notes and financial information contained in Cakra's annual reports.

Cakra's financial statements for the 12 month periods ended 31 December 2012, 2013 and 2014 were audited by Kosasih, Nurdiyaman, Tjahjo & Rekan (member of Crowe Horwath International). BDO CFQ has not performed any audit or review of any type on the historical financial information of Cakra. We make no statement as to the accuracy of the information provided.

Cakra prepares its financial statements in accordance with Indonesian Financial Accounting Standards ('PSAK'), which are set out below. In order to aid comparison to Cokal's financial statements, Cakra has had its financial information converted to comply with Australian Accounting Standards ('AIFRS') for inclusion in the Bidder's Statement. Refer to Section 7.17 of the Bidder's Statement for Cakra's historical financial statements presented in accordance with AIFRS, in US dollars.

6.4.1 Statements of Comprehensive Income

Table 6.5 summarises the consolidated statement of comprehensive income for Cakra for the 12 month periods ended 31 December 2012, 2013 and 2014 and for the 3 month period ended 31 March 2015.

Table 6.5: Statements of Comprehensive Income

	Audited 12 Months Ended 31-Dec-2012 (IDR '000)	Audited 12 Months Ended 31-Dec-2013 (IDR '000)	Audited 12 Months Ended 31-Dec-2014 (IDR '000)	Unaudited 3 Months Ended 31-Mar-2015 (IDR '000)
Sales [1]	24,523,650	46,233,485	30,592,100	15,934,796
Cost of Goods Sold [6]	(19,929,460)	(31,466,953)	(38,439,101)	(8,540,313)
Gross Profit [2]	**4,594,189**	**14,766,533**	**(7,847,001)**	**7,394,483**
Operating Expenses				
Sales Expenses	(118,974)	(3,753,197)	(1,423,475)	(15,700)
General and Administrative Expense [6]	(10,537,273)	(9,179,746)	(25,069,150)	(2,205,345)
Gain on Purchase of Subsidiary [5]	3,976,157	-	217,284,103	-
Idle Capacity [6]	(3,592,995)	(1,457,759)	(3,695,150)	(229,858)

	Audited 12 Months Ended 31-Dec-2012 (IDR '000)	Audited 12 Months Ended 31-Dec-2013 (IDR '000)	Audited 12 Months Ended 31-Dec-2014 (IDR '000)	Unaudited 3 Months Ended 31-Mar-2015 (IDR '000)
Impairment Losses on Mineral Assets [3]	-	-	(4,111,338)	-
Impairment Losses on Goodwill [4]	-	-	(453,063,738)	-
Other Income (Expense) [7]	1,205,744	54,427	(3,500,917)	(65,405)
Operating Income	**(4,473,152)**	**430,257**	**(281,426,665)**	**4,878,176**
Interest Income	167,308	274,827	117,045	172,404
Interest Expense	(11,057)	(14,830)	(355,715)	(314,656)
Profit Before Tax	**(4,316,902)**	**690,254**	**(281,665,335)**	**4,735,923**
Income Tax	359,022	(432,529)	-	-
Profit (Loss) After Tax	**(3,957,879)**	**257,725**	**(281,665,335)**	**4,735,923**
Controlling Interest	(3,548,538)	21,003	(268,200,693)	2,022,237
Non-Controlling Interest	(409,342)	236,722	(13,464,643)	2,713,687

Source: Cakra Annual Reports for the years ended 31 December 2012, 2013 and 2014, Cakra Interim Report for the period ended 31 March 2015

Regarding Cakra's statements of comprehensive income, we note the following:

1. Cakra commenced production and sales of iron ore in FY2012 after acquiring 88% stake in PT Persada Indo Tambang at the end of 2011. Sales increased by 88.5% to IDR 46.2 billion in FY2013 after acquiring a quota. We are informed by Cakra management that the increase in sales and operating costs in the 3 months to 31 March 2015 (when compared on an annualised basis) was due to the sale in 2015 of 4-5 months of zircon stock, which was not allowed to be exported under regulations in 2014 and those restrictions on Cakra's stock were lifted in 2015. Further, all remaining iron ore inventory was shipped in one final shipment in 2015. These one-off transactions have resulted in a relatively higher sales and operating cost value to be recorded for the first 3 months of the 2015 calendar year, however, we are informed by Cakra management that these values cannot be annualised to provide an indication of the likely performance for 2015;

   Cakra's iron ore sales declined to IDR 6.5 billion in FY2014 due to the Indonesian government banning the export of raw mineral ores and Cakra's lack of working capital. In the same year Cakra acquired a 55% stake in two zircon producing subsidiaries, PT Takaras Inti Lestari and PT Murni Jaya Perdana, and commenced sales of zircon. Zircon sales in FY2014 amounted to IDR 24.1 billion;

2. Gross margin decreased significantly in FY2014 from 32% to -26% in FY2014 due to lack of economies of scale in the production of zircon sand;

3. Cakra wrote off the full amount (IDR 4.1 billion) of its mining properties in development in FY2014 as it did not have plans to extend its Mining Business Permit for Operations and Productions held by its subsidiary PT Persada Indo Tambang, which was due to expire on 27 April 2015. Cakra has not impaired its producing mining properties;

4. Cakra recorded goodwill of IDR 542.5 billion from the acquisition of Dunestone Development S.A. on 12 December 2013. The goodwill was subsequently written down in FY2014, resulting in an impairment loss of IDR 453.1 billion;

5. Cakra recorded gains from the purchases of subsidiaries in FY2012 and FY2014 of IDR 4.0 billion and IDR 217.3 billion respectively as the consideration paid for the acquisitions are lower than the fair value of the net assets acquired. Consideration paid for the acquisition of these subsidiaries and the fair value of net assets acquired as at acquisition date are set out in Table 6.6 below;

Table 6.6: Gain on Purchase of Subsidiaries

Subsidiaries	PT Persada Indo Tambang	PT Takaras Inti Lestari	PT Murui Jaya Perdana	Twin Pine Management
Acquisition Date	5 April 2012	28 March 2014	22 August 2014	8 December 2014
Acquisition Stake	88%	55%	55%	100%
Consideration Paid (IDR'000)	500,000	18,150,000[1]	6,325,000[1]	2,500,000
Fair Value of Net Assets (IDR'000)[2]	4,476,157	48,103,866	90,187,566	105,967,672
Gain on Purchase	**3,976,157**	**29,953,866**	**83,862,566**	**103,467,672**

Source: Cakra Annual Reports for the years ended 31 December 2012 and 2014

1 *Cakra acquired 55% of PT Takaras Inti Lestari and PT Murui Jaya Perdana through the conversion of advance payments from Dunestone Development S.A. to PT Takaras Inti Lestari and PT Murui Jaya Perdana at nominal value.*

2 *Fair value of net assets reflects the proportion of interest acquired by Cakra.*

6. Depreciation expense for fixed assets is allocated to loss from idle capacity, cost of goods sold and general and administrative expenses; and

7. Other expenses of IDR 3.5 billion in FY2014 primarily relate to losses on foreign currency exchange and bad debts written off.

6.4.2 Statements of Financial Position

Table 6.7 summarises the consolidated statement of financial position for Cakra as at 31 December 2012, 2013, 2014, and 31 March 2015.

Table 6.7: Statements of Financial Position

	Audited As At 31-Dec-2012 (IDR '000)	Audited As At 31-Dec-2013 (IDR '000)	Audited As At 31-Dec-2014 (IDR '000)	Unaudited As At 31-Mar-2015 (IDR '000)
Current Assets				
Cash and Cash Equivalents	91,735	8,745,936	1,722,152	3,654,896
Trade Receivables	-	14,534,819	13,371,836	15,754,539
Other Receivables - Related Party	-	-	75,615	1,216,780
Other Receivables - Third Party [1, 2]	593,267,561	570,911,855	215,482,737	214,994,662
Inventories	14,022,482	7,677,843	19,564,954	20,777,804
Advances and Prepayments	604,528	37,142,000	12,031,200	13,344,211
Total Current Assets	**607,986,306**	**639,012,452**	**262,248,493**	**269,742,893**
Non-Current Assets				
Project Advances [3]	-	-	354,645,000	354,645,000
Investment in Associates [4]	-	-	105,967,672	105,967,672
Deferred Tax Assets	343,547	423,479	423,479	423,479
Fixed Assets	9,843,107	6,951,897	17,587,587	16,675,163
Mineral Properties [5]	15,856,369	4,111,338	203,942,995	203,626,110
Goodwill	-	542,492,994	89,429,257	89,429,257
Restricted Funds [6]	579,000,000	-	-	-
Other Assets	200,000	2,099,336	206,967	206,967
Total Non-Current Assets	**605,243,023**	**556,079,043**	**772,202,957**	**770,973,647**
Total Assets	**1,213,229,329**	**1,195,091,495**	**1,034,451,450**	**1,040,716,540**
Current Liabilities				
Other Payables - Related Party [7]	-		1,719,444	2,748,139
Other Payables - Third Party [7]	7,793,005	668,757	7,797,346	7,574,800

	Audited As At 31-Dec-2012 (IDR '000)	Audited As At 31-Dec-2013 (IDR '000)	Audited As At 31-Dec-2014 (IDR '000)	Unaudited As At 31-Mar-2015 (IDR '000)
Tax Payable	2,218,511	2,512,649	3,833,220	3,803,167
Employee Benefit Liabilities	284,578	-	-	-
Unearned Revenue	7,427,141	-	983,162	2,003,721
Accrued Expenses	1,259,625	5,010,628	793,621	629,299
Finance Lease	-	88,200	390,904	338,367
Total Current Liabilities	**18,982,860**	**8,280,233**	**15,517,697**	**17,097,494**
Non-Current Liabilities				
Other Payables - Related Party	21,210,739	128,236	22,792	22,792
Finance Lease	-	139,650	376,724	326,094
Employee Benefit Liabilities	-	-	74,709	74,709
Provision for Environmental Liabilities	210,000	314,649	697,601	697,601
Total Non-Current Liabilities	**21,420,739**	**582,535**	**1,171,826**	**1,121,196**
Total Liabilities	**40,403,599**	**8,862,768**	**16,689,523**	**18,218,690**
Net Assets	**1,172,825,730**	**1,186,228,727**	**1,017,761,927**	**1,022,497,850**
Equity				
Capital Stock [8, 9]	1,263,150,000	1,275,455,273	1,275,455,273	1,275,455,273
Share Issuance Cost	(61,054,487)	(61,054,487)	(61,054,487)	(61,054,487)
Retained Earnings (Deficit)	(31,390,827)	(31,369,824)	(299,570,516)	(297,548,279)
Equity Attributable to Controlling Interests	1,170,704,687	1,183,030,962	914,830,270	916,852,506
Non-Controlling Interests	2,121,043	3,197,765	102,931,657	105,645,344
Total Equity	**1,172,825,730**	**1,186,228,727**	**1,017,761,927**	**1,022,497,850**

Source: Cakra Annual Reports for the years ended 31 December 2012, 2013 and 2014, Cakra Interim Report for the period ended 31 March 2015

Regarding Cakra's statements of financial position, we note the following:

1. IDR 365.1 billion of third party receivables as at 31 December 2012 and 2013 relate to amounts receivable from Cakra's divestment of shares in its subsidiary, PT Horizon Agro Industry, to PT Rajawali Agro Andalan Nusantara. PT Rajawali Agro Andalan Nusantara settled IDR 181.8b in FY2014, reducing the receivables outstanding to IDR 183.3b, which were due on 29 June 2015.

   IDR 228.0 billion and IDR 205.5 billion of third party receivables as at 31 December 2012 and 2013 respectively relate to promissory notes issued to PT Horizon Agro Industry. PT Horizon Agro Industry settled IDR 175.3 billion in FY2014, reducing the receivables outstanding to IDR 30.2 billion, which was due on 29 June 2015. Cakra management have confirmed that majority of this amount remains outstanding as at the date of this Report;

2. IDR 0.50 billion (IDR 0.48 billion) of third party receivables as at 31 December 2014 (31 March 2015) relate to advance payments to Zhongrui Mining Industry (HK) Co. Ltd., PT Katingan Surya Harapan and PT United Mineral Kalimantan via Harun Abidin, appointed agent Dunestone Development S.A. Dunestone Development S.A. has rights to convert its advanced payments into 55% stake in these companies, should these companies fail to deliver the minimum quantity of minerals stated in the sales and purchase agreements;

3. Cakra has deposited the following amounts into an account in PT Bank Sinarmas Tbk as advance payment to contractors:

   — IDR 181.8 billion, or 25% of the full contract price of US$ 60.0m, for the construction of a Pig Iron Smelting Plant; and

- IDR 172.8 billion, or 25% of the full contract price of US$ 58.0m, for the construction of a Ferro Nickel Smelting Plant;

4. Investment in associates of IDR 106.0 billion as at 31 December 2014 and 31 March 2015 relates to Twin Pine Management's interests in three coking coal tenements;

5. Mineral properties increased from IDR 4.1 billion as at 31 December 2013 to IDR 203.9 billion as at 31 December 2014 from the acquisition of 55% stake in PT Takaras Inti Lestari and PT Murui Jaya Perdana;

6. Prior to the completion of the intended acquisition of Brooksvale Capital Ltd in FY2012, the full amount of consideration of IDR 579 billion was held in escrow as due diligence on Brooksvale Capital Ltd was being carried out.

   Subsequently in FY2013 Cakra acquired 100% shares in Dunestone Development S.A. from Rami instead and the full amount of monies held in escrow were used to fund the acquisition, resulting in a decline in restricted funds to nil;

7. Third party payables increased from IDR 0.7 billion as at 31 December 2013 to IDR 7.8 billion as at 31 December 2014 primarily due to working capital borrowings of IDR 5.8 billion by PT Takaras Inti Lestari from PT Alam Nusa Zenta. Maximum amount loanable is IDR 10.0 billion with a maturity date of 14 May 2015. The debt bears an interest of 18% per annum and is secured by corporate guarantee from PT Takaras Inti Lestari, all its assets, as well as all proceeds from its mines.

   Other payables as at 31 March 2015 include related party borrowings of IDR 2.6 billion from Aspire Horizon Ltd and third party borrowings of IDR 1.3 billion from PT Tata Arta;

8. Shares increased from IDR 1,263.1 billion as at 31 December 2012 to IDR 1,275.5 billion as at 31 December 2013 due to warrants being exercised at IDR 250 per share, increasing the number of Series A shares by 49,221,090; and

9. Redstone Resources Pte. Limited, a Singapore based investment firm, acquired 80% interest (4,045,432,280 shares) in Cakra for a consideration of IDR 1.1 trillion (IDR 275 per share) on 2 April 2012.

6.4.3 Statements of Cash Flows

Table 6.8 summarises the consolidated statement of cash flows for Cakra for the 12 month periods ended 31 December 2012, 2013 and 2014 and for the 3 month period ended 31 March 2015.

Table 6.8: Statements of Cash Flows

	Audited 12 Months Ended 31-Dec-2012 (IDR '000)	Audited 12 Months Ended 31-Dec-2013 (IDR '000)	Audited 12 Months Ended 31-Dec-2014 (IDR '000)	Unaudited 3 Months Ended 31-Mar-2015 (IDR '000)
Cash Flows from Operating Activities				
Proceeds from Customers	24,315,691	24,271,525	33,471,558	12,339,242
Payments to Suppliers	(23,053,734)	(24,498,595)	(31,344,006)	(8,825,708)
Payments to Directors and Employees	(4,106,212)	(5,696,977)	(5,004,860)	-
Other Operating Payments	(4,742)	(53,755)	(1,554,799)	-
Payments for Financial Expenses	138,705	(14,830)	(355,715)	(142,252)
Income Tax Paid	-	-	(521,091)	(30,053)
Net Cash Inflow/(Outflow) from Operating Activities	**(2,710,293)**	**(5,992,632)**	**(5,308,913)**	**3,341,229**
Cash Flows from Investing Activities				
Interest Received	-	274,827	117,045	-
Proceeds from Other Receivables [1]	-	22,480,000	357,145,000	(1,141,165)
Advance Payments for Projects [2]	-	-	(354,645,000)	-

	Audited 12 Months Ended 31-Dec-2012 (IDR '000)	Audited 12 Months Ended 31-Dec-2013 (IDR '000)	Audited 12 Months Ended 31-Dec-2014 (IDR '000)	Unaudited 3 Months Ended 31-Mar-2015 (IDR '000)
Disposal of Fixed Assets	6,335	-	606,338	-
Acquisition of Fixed Assets	(842,229)	(42,064)	(569,032)	(44,773)
Disposal of Shares of Subsidiary [3]	1,147,238	-	-	-
Acquisition of Shares of Subsidiaries [4]	(500,000)	(578,999,049)	(2,156,182)	-
Receipt of Restricted Funds [5]	(579,000,000)	579,000,000	-	-
Net Cash Inflow/(Outflow) from Investing Activities	**(579,188,656)**	**22,713,713**	**498,169**	**(1,185,938)**
Cash Flows from Financing Activities				
Finance Lease Payments	-	(129,650)	(816,172)	-
Receipts from Related Parties	4,482,967	-	-	-
Payments to Related Parties [6]	(5,838,427)	(21,082,503)	(1,447,868)	-
Capital Contribution by Non-Controlling Interests of Subsidiaries	-	840,000	51,000	-
Additional Paid-In Capital [7]	-	12,305,273	-	-
Debt Repayment	(6,917,989)	-	-	(222,546)
Proceeds from Loan Repayments	9,084,540	-	-	-
Net Cash Inflow/(Outflow) from Financing Activities	**811,091**	**(8,066,880)**	**(2,213,040)**	**(222,546)**
Net Increase/(Decrease) in Cash and Cash Equivalents	**(581,087,858)**	**8,654,201**	**(7,023,784)**	**1,932,745**
Cash and Cash Equivalents at Beginning of Year	579,502,599	91,735	8,745,936	1,722,152
Cash and Cash Equivalents from Acquisition of Subsidiaries [8]	1,676,994	-	-	-
Cash and Cash Equivalents at End of Year	**91,735**	**8,745,936**	**1,722,152**	**3,654,896**

Source: Cakra Annual Reports for the years ended 31 December 2012, 2013 and 2014, Cakra Interim Report for the period ended 31 March 2015

Regarding Cakra's statements of cash flows, we note the following:

1. Proceeds of other receivables of IDR 22.5 billion and IDR 357.1 billion in FY2013 and FY2014 respectively primarily relate to repayments from PT Rajawali Agro Andalan Nusantara and PT Horizon Agro Industry;

2. Advance payments for projects of IDR 354.6 billion relate to deposit for the construction of Pig Iron Smelting Plant and Ferro Nickel Smelting Plant;

3. Cash inflows from disposal of shares of subsidiary of IDR 1.1 billion in FY2012 relate to the consideration received from the disposal of PT Horizon Agro Industry;

4. Payments for acquisition of shares of subsidiaries of IDR 0.5 billion, IDR 579.0 billion and IDR 2.2 billion relate to the acquisition of PT Persada Indo Tambang in FY 2012, Dunestone Development S.A. in FY2013 and Twin Pine Management in FY2014 respectively;

5. Outflow to and inflow from restricted funds of IDR 579.0 billion in FY2012 and FY2013 respectively relate to monies held in escrow for the acquisition of Brooksvale Capital Ltd and subsequently withdrawn for the acquisition of Dunestone Development S.A.;

6. Payments to related parties of IDR 21.1 billion in FY2013 relate to partial settlement of amounts owing to shareholders of PT Persada Indo Tambang;

7. Additional paid-in capital of IDR 12.3 billion in FY2013 relate to monies received from the exercise of warrants; and

8. Cash and cash equivalents from acquisition of subsidiaries of IDR 1.7 billion in FY2012 relate to cash held by PT Persada Indo Tambang at the time it was acquired by Cakra.

7.0 Valuation of Cokal Prior to the Offer

This section sets out our valuation of Cokal shares on a controlling interest basis and is structured as follows:

- Section 7.1 sets out our view of the most appropriate methodology to adopt to value each Cokal share;
- Section 7.2 sets out our calculation of the value of each Cokal share using the asset based valuation methodology;
- Section 7.3 sets out our calculation of the value of each Cokal share using the market based valuation methodology; and
- Section 7.4 sets out our view of the most appropriate value to adopt for each Cokal share for the purpose of this Report.

7.1 Valuation Methodology

Table 7.1 below summarises our view of the most appropriate valuation methodologies to apply when calculating the value per Cokal share. A summary of each of the methodologies listed in Table 7.1 is contained in Appendix C.

Table 7.1: Common Valuation Methodologies

Methodology	Appropriate?	Explanation
Discounted cash flow ('DCF')	✓ Incorporated in ABV analysis	The DCF valuation methodology requires projections of the forecast earnings of Cokal. Cokal has prepared a financial model which sets out forecast financial information for the Open Pit BBM Project. We are of the view that a DCF valuation of the Open Pit BBM Project is appropriate to incorporate into the value of Cokal for the purposes of this Report.
Capitalisation of maintainable earnings ('CME')	×	Cokal does not currently generate a maintainable earnings stream suitable for use in a CME valuation of the Company. It is our view that there are more appropriate valuation methodologies other than the CME methodology which can be adopted for the purpose of valuing Cokal in this Report.
Asset based valuation ('ABV')	✓	In our view it is appropriate to adopt the ABV methodology for the purpose of valuing Cokal in this Report. The assets and liabilities of Cokal can be identified and it is possible to determine the fair value of these identifiable assets and liabilities with a reasonable degree of accuracy.
Market based valuation ('MBV')	✓ Cross-check	The shares of Cokal are listed on the ASX and there has been a recent private placement in Cokal shares. In our view it is appropriate to have regard to the MBV methodology in this Report. We note that the MBV methodology provides a valuation of Cokal shares on a minority interest basis.
Industry metrics	✓ Incorporated in ABV analysis	Resource and reserve based metrics are often used to assess value in the coal mining industry given the volatility associated with the earnings of coal mining companies. We are of the view that this methodology is appropriate to apply to the Residual Coal Deposits and incorporated into the value of Cokal for the purposes of this Report.

Source: BDO CFQ Analysis

With reference to Table 7.1 above, in our view it is appropriate to adopt the ABV methodology to value Cokal. We have adopted the MBV methodology as a cross-check to our ABV of Cokal in this Report.

7.2 Asset Based Valuation of Cokal

In this section, we have set out our asset based valuation of Cokal. In broad terms, the value attributable to Cokal has four components:

- The DCF value associated with the planned open put operations of the BBM Project ('the Open Pit BBM Project') and the volumes of coal explicitly expected to be mined over the forecast period (refer to Appendix E);
- The value of the residual coal deposits ('Residual Coal Deposits') not forecast to be explicitly mined in the BBM Project (refer to Appendix F);
- The value of Cokal's other assets and liabilities, cash, debtors, creditors, provisions and borrowings (refer to Section 7.2.1) (based on updated balances of Cokal's statement of financial position as at 31 May 2015). BDO CFQ has not performed any audit or review work on the historical financial information of Cokal. Accordingly, we make no statement as to the accuracy of the information provided however we have no reason to believe that the information is false or misleading; and
- The value of Cokal's options (refer to Section 7.2.2).

7.2.1 Value of Other Assets and Liabilities

We have been provided with Cokal's statement of financial position as at 31 May 2015 which sets out Cokal's other assets and liabilities. In order to determine an appropriate value for Cokal's other assets and liabilities, we have considered the values set out in Cokal's statement of financial position. We have also made enquiries of the Directors and management of Cokal in relation to any material adjustments required to reflect the fair market value of these assets and liabilities in order to arrive at updated balances for the key categories as at 18 August 2015 for the purposes of this Report. We are instructed that there are no material adjustments or changes to the values of Cokal's other assets and liabilities as at the date of this Report.

Having regard to the information provided to us by management of Cokal, we have adopted the following values for other assets and liabilities for the purpose of the analysis set out in this Report (values in A$ based on an exchange rate of US$ 0.74/A$[3]):

- Cash and cash equivalents $3.36 million;
- Receivables and sundry assets $1.06 million;
- Payables $1.1 million;
- Debt $18.5 million; and
- Other $0.14 million liability (comprising various other receivables and payables).

Having regard to the above we have adopted a value for other assets and liabilities of approximately negative $15.32 million.

7.2.2 Value of Cokal's Options

As noted in Section 5.2, Cokal has 66.15 million options on issue at the date of this Report with various exercise prices and expiry dates. The value of Cokal's options was calculated using the Black-Scholes option pricing model.

The share price required to be adopted to value these options is the final valuation of Cokal in this Report. This resulted in circularity as the value of Cokal relies on the value of the options. We used an iterative calculation process to overcome this circularity and value the options.

7.2.3 Asset Based Valuation of Cokal on a Controlling Interest Basis

Table 7.2 below summarises our asset based valuation of Cokal on a controlling interest basis.

[3] Average USD/AUD exchange rate for 1 month to 26 August 2015 www.rba.gov.au

Table 7.2: Asset Based Valuation of Cokal

	Section Reference	Low Value (A$ Millions)	High Value (A$ Millions)
The BBM Project	Appendix E	87.0	117.3
The Residual Coal Resources	Appendix F	19.8	34.5
Other assets and liabilities	Section 7.2.1	(15.3)	(15.3)
Asset based value of Cokal - controlling interest basis		**91.4**	**136.6**
Value of Cokal's options	Section 7.2.2	(5.0)	(8.5)
Value of Cokal attributable to ordinary shareholders		**86.4**	**128.0**
Number of Cokal shares on issue (millions)		499.3	499.3
Value per Cokal share - controlling interest basis ($/share)		**0.1731**	**0.2564**

Source: BDO CFQ Analysis

With reference to Table 7.2 above, our asset based valuation equates to a value range of $0.1731 to $0.2564 per Cokal ordinary share on a controlling interest basis.

7.3 Market Based Valuation of Cokal

To form a view on the MBV of Cokal we have had regard to:

- Recent share trading data; and
- Significant transactions in Cokal shares.

7.3.1 Recent Share Trading Data

As part of our market based valuation of Cokal we have considered the recent performance of Cokal shares on the ASX. Table 7.3 below sets out the VWAP of Cokal shares traded on the ASX for the one week, one month, three months, six months, nine months and 12 months prior to:

- 27 February 2015, being the date Cokal entered into a trading halt pending the announcement that it had received an offer from Cakra; and
- 17 August 2015, being a recent date and a date closer to the date of this Report.

Table 7.3: Cokal VWAP over Specified Periods

VWAP Period	Prior to 27 February 2015 ($)	Prior to 17 August 2015 ($)
1 Week	$0.0982	$0.1006
1 Month	$0.1032	$0.0963
3 Months	$0.0820	$0.0931
6 Months	$0.1027	$0.0948
9 Months	$0.1160	$0.0907
12 Months	$0.1241	$0.1042

Source: Capital IQ as at 18 August 2015

Table 7.3 above shows that for some VWAP periods, Cokal's share price has decreased and for other VWAP periods it has increased in the period between the unsolicited takeover offer being announced to the ASX and 17 August 2015.

7.3.2 Recent Share Placement

On 1 June 2015, Cokal announced a private placement of 27,777,778 shares at a price of $0.09 per share for gross proceeds of $2.5 million. The securities are to be issued to Cedrus Investments Ltd in two tranches:

- On 11 June 2015, Cokal issued 11,111,111 shares for gross proceeds of $1.0 million in its first tranche; and
- 16,666,667 shares for gross proceeds of $1.5 million were issued in the second tranche on 24 June 2015.

The transaction is not subject to shareholders' approval.

7.3.3 Market Based Valuation of Cokal on Minority Interest Basis

Having regard to the information set out in Section 7.3.1 and 7.3.2 above, it is our view that the value of each Cokal share adopting a market based valuation methodology is in the range of $0.095 to $0.1250 on a minority interest basis. In forming this view we had regard to the following:

- The one week, one month, three months, six months and nine months VWAPs prior to 27 February 2015 are in the range of $0.0820 to $0.1241. These VWAPs are broadly within our adopted valuation range;
- The one week, one month, three months, six months, nine months and twelve months VWAPs prior to 17 August 2015 are in the range of $0.0907 to 0.1042. These VWAPs are broadly within our adopted valuation range; and
- On 1 July 2015, approximately 27.8 million Cokal shares were purchased at $0.09 via placement.

7.3.4 Market Based Valuation of Cokal on Controlling Interest Basis

The value of Cokal determined above is calculated on a minority interest basis. We note that a minority interest in a company is generally regarded as being less valuable than that of a controlling interest as a controlling interest may provide the owner with the following:

- Control over the operating and financial decisions of the company;
- The right to set the strategic direction of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over the appointment of staff and setting of financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. Empirical research suggests that control premiums are typically within the range of 20% to 40% which is consistent with recent transactions in Australia (refer to Appendix D for our research regarding control premiums).

For the purposes of this Report, in our view it is appropriate to adopt a control premium of 30% (mid-point of the range summarised above) to calculate the value of Cokal on a controlling interest basis. Applying a control premium of 30% would increase our valuation range to $0.1235 to $0.1625 per Cokal ordinary share on a controlling interest basis.

7.4 Value per Cokal Ordinary Share Prior to the Offer

Table 7.4 below summarises our valuation per Cokal ordinary share on a controlling interest basis using the ABV and MBV methodologies.

Table 7.4: Value per Cokal Ordinary Share on a Controlling Interest Basis

	Low Value	High Value
Value per Cokal share - ABV Methodology	$0.1731	$0.2564
Value per Cokal share – MBV methodology	$0.1235	$0.1625

Source: BDO CFQ analysis

With reference to Table 7.4 above, we note that our valuation of Cokal using the MBV methodology is lower than the valuation range using an ABV.

In our view, for the purpose of the analysis set out in this Report it is appropriate to adopt a value in the range of $0.14 to $0.24 per Cokal ordinary share on a controlling interest basis. Cokal has 499,342,704 shares on issue as at 18 August 2015. This implies a value in the range of A$69.9m to A$119.8m. In relation to this valuation range we note that:

- When considering both the ABV and MBV of each entity in the context of this Report, it is important to note that:
  - The ABV methodology applied in this Report considers the value of the BBM Project without specifically adjusting for matters relating to short term financing arrangements. The valuations of the assets adopted in our asset based valuation assume that any funds required for development of the BBM Project can be obtained by the entity as required. The valuations of the assets do not specifically consider the price at which, or the means by which, the funds will be obtained (i.e. the valuations of the assets assume a level of funding appropriate for a potential acquirer rather than potential funding specific to Cokal);
  - The BBM Project will require significant funding if it is to be developed as intended;
  - While Cokal are of the view that they have a number of alternatives available to continue the development of the assets currently held, including the raising of capital, it is our view that those alternatives are likely to be dilutive to the value of the Cokal interests held by the current Cokal shareholders. In other words, while the arrangement may not necessarily alter the value of the asset in its entirety, the arrangement may alter the value of the interests held by Cokal shareholders on a per share basis;
  - While the asset valuations completed as part of the ABV consider the value of the assets in their entirety, the valuations do not specifically consider any dilution in value that may flow through to the current shareholders as the relevant entity secures the funding required to develop and hold the assets. On the other hand, the MBV adopted in this Report assumes that, in the absence of any other more reliable information, the market trading prices of the subject securities incorporates all material matters which will impact the equity value. Having regard to our comments directly above, it is our view that both the MBV and ABV should be considered in this Report; and
  - While it is our view that both the ABV and the MBV are important considerations in this Report, it is reasonable to assume, in the absence of any other information, that the financing matters mentioned above assist to reasonably explain the difference between our ABV analysis compared to our MBV analysis;
- With regard to the MBV valuation, we note that Cokal shares display a relatively low level of liquidity which ordinarily reduces the reliability of ASX share trading data; and
- With regard to the private placement to Cedrus Investments Ltd, we note that placements are often priced at a discount to market.

For completeness we note that Cokal has yet to prove that it can generate sustainable positive operating cash flows. In our view, the value of Cokal may increase or decrease materially over short time periods depending on the ability to meet certain milestones. We regard an investment in Cokal as speculative and shareholders should consider that there is a risk that the share price may move materially.

8.0 Valuation of Cakra

As per the terms of the Offer, Cokal shareholders who accept the Offer have the option to receive 10.327 shares in the Merged Entity for every Cokal share held prior. To determine a value for the Merged Entity, in our view it is appropriate to separately consider the value of Cakra before combining with a valuation of Cokal. This section sets out our valuation of Cakra and is structured as follows:

- Section 8.1 sets out our view of the most appropriate methodology to adopt to value each Cakra share;
- Section 8.2 sets out our calculation of the value of each Cakra share having regard to several valuation metrics; and
- Section 8.3 sets out our conclusion on the value to adopt for each Cakra share for the purpose of the analysis set out in this Report.

Our valuation of the Merged Entity is set out in Section 9.0 of this Report.

8.1 Valuation Methodology

To determine a value for Cakra we have considered the valuation methodologies set out in Appendix C of this Report. Our views on the factors impacting the selection of the valuation methodology are discussed in more detail below.

8.1.1 Cakra's Income Generating Ability

The ability to apply an earnings based valuation methodology (such as a DCF or CME) is dependent on the incoming generating ability of Cakra.

Since 2011, Cakra has acquired 5 companies including:

- 88% interest in PT Persada Indo Tambang, a producing iron ore asset;
- 55% interest in PT Takaras Inti Lestari, a producing zircon sands asset;
- 55% interest in PT Murui Jaya Perdana, a producing zircon sands asset;
- 100% interest in Twin Pine Management, a company with interests in coking coal assets;
- 100% interest in Dunestone Development S.A., a trading business; and

Cakra has also entered into 2 joint venture agreements including:

- 50.1% interest in PT Cakra Baoli Ferronickel, a nickel ore processor; and
- 99.9% interest in PT Cakra Smelter Indonesia, an iron ore processor.

Having regard to the summary financial information set out in Section 6.4 of this Report, the assets owned by Cakra do not currently generate an earnings stream that is suitable for use in a CME valuation methodology. We have also not received any forecast future cash flows that are suitable for use in a DCF valuation methodology.[4]

Having regard to the information available as at the date of this Report, we are unable to adopt an earnings based approach (earnings based approaches include methodologies such as a DCF or CME valuation methodology) to value Cakra for the purpose of the analysis set out in this Report.

[4] The DCF methodology relies on the ability to forecast future cash flows with a reasonable degree of certainty over a sufficiently long period of time.

8.1.2 Value of Assets and Liabilities Recorded in Financial Statements

As set out in Section 6.1 of this Report, Cakra divested a significant portion of its operating assets in 2011 and reinvested the funds in new companies. Cakra state in the financial statements that the acquisitions of those new companies over the previous 4-year period were recorded in the financial statements as at the date of acquisition at fair value. We have considered Cakra's net asset value as a measure of value for the purposes of the analysis set out in this Report.

This methodology has certain limitations as any changes in fair value may not necessarily be reflected in the financial statements, depending on the accounting requirements related to those changes.[5] We provide no opinion or assurance on the gains, impairments and/or carrying value of any assets or liabilities of Cakra.

8.1.3 Transactions in Cakra Shares

As discussed in Section 6.4.2 of this Report, there have been a number of transactions in Cakra shares, including the following:

- Redstone Resources Pte Ltd's acquisition of an 80% stake or 4.04 billion shares in Cakra from Citra Group Pte Ltd at price of IDR 275 per share (or IDR 1.11 trillion) in April 2012. In relation to this acquisition, we note:
  - Redstone Resources Pte Ltd's acquisition was almost immediately after Cakra's acquisition of 88% stake in PT Persada Indo Tambang, but prior to Cakra's acquisition of and investment in its other subsidiaries and joint ventures (refer Section 8.1.1);
  - Since Redstone Resources Pte Ltd's acquisition, the Indonesian government has banned the export of raw mineral ores; and
  - We consider this transaction to relate to a majority acquisition of shares in Cakra;
- Exercise of warrants at a price of IDR 250 per share on 1 February 2013, resulting in an increase in the number of Series A shares by 49,221,090. The shares issued represented approximately 0.97% of the total Cakra shares outstanding prior to the completion of the exercise of warrants; and
- Credit Suisse Singapore Trust's acquisition of 15.47% interest or 789,699,241 shares in Cakra from PT Kurnia Cemerlang and the public in April 2014. Pricing information regarding the transaction is not disclosed.

In our view, it is difficult to infer a value for Cakra having regard to the above transactions given the length of time that has elapsed between the above transactions and the date of this Report. The mix of Cakra's investments and assets has changed materially over the period discussed above and there have also been changes in the Indonesian regulatory environment. We have not considered these transactions including Cakra's shares in forming a view on the value of Cakra.

8.1.4 Price of Cakra Shares on the IDX

The shares of Cakra are listed on the IDX. As there is a readily observable market for the trading of IDX shares (albeit a market recognised as being illiquid), it is possible to refer to the traded prices of Cakra shares on the IDX for the purpose of determining the value of Cakra in this Report.

8.1.5 Conclusion

Having regard to the information available to us, we have set out calculations for Cakra after considering:

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[5] The International Financial Reporting Standards ('IFRS') allows the recognition of a gain from bargain purchase in the profit and loss statement when the price paid in an acquisition is less than the fair value of the net assets acquired. However, IFRS does not allow inventories to be recorded at net realisable value (fair value less costs to complete and sell) if it is above cost, with the exception of inventories of producers of agricultural and forest products and minerals and mineral products, nor to commodity broker-traders. Long-lived assets can be revalued under IFRS if the company chooses to use the revaluation model for the entire asset class.

- Book value of assets and liabilities recorded in financial statements. In our view, adopting book value has a number of limitations and does not provide a sufficiently reliable indication of value on its own and in the circumstances. Notwithstanding this and in the absence of any other more reliable information to conclude on value, we have set out some calculations in relation to Cakra which refer to book value to provide Cokal shareholders with as much information as possible; and

- The traded price of Cakra shares on the IDX.

8.2 Value of Cakra Shares

8.2.1 Prices Paid to Acquire Businesses or Cost of Establishment

As set out in Section 6.0 of this Report, in 2011 Cakra divested its subsidiary PT Horizon Agri Industri for IDR 750 million. Since this divestment, Cakra has acquired a number of businesses and invested in several projects as summarised in Table 8.1 below.

Table 8.1: Summary Book Value of Cakra Investments Having Regard to Acquisition Price or Investment Made

Business	Date	Brief Description	Acquisition Price / Funds Invested (IDR million)	Gain from Bargain Purchase[1]/ (Impairment of Goodwill) Recognised in Accounts (IDR million)	Book Value[2]
PT Persada Indo Tambang	05/04/2012	Iron ore producer	500	3,976	4,476
Dunestone Development S.A.	12/12/2013	Investment and trading of mineral ores	579,000	(453,604)[3]	125,396
PT Takaras Inti Lestari	28/03/2014	Zircon producer	18,150	29,954	48,104
PT Cakra Baoli Ferronickel	25/06/2014	Joint venture in construction of nickel ore refinery	181,800	-	181,800
PT Murui Jaya Perdana	22/08/2014	Zircon producer	6,325	83,863	90,188
Twin Pine Management	08/12/2014	Holds interest in 3 coking coal tenements	2,500	103,468	105,968
PT Cakra Smelter Indonesia	18/12/2014	Joint venture in construction of iron ore refinery	172,845	-	172,845
Total			**961,120**	**(232,343)**	**728,777**

Source: Bidder's Statement, Cakra Annual Reports for the years ended 31 December 2012, 2013 and 2014, Cakra Interim Report for the period ended 31 March 2015 and BDO CFQ analysis

1 *A gain from bargain purchase is recognised in the profit and loss statement when the purchase price is less than the fair value of the net assets acquired.*

2 *Calculated as acquisition price plus any gain from bargain purchase or impairment of goodwill recognised from the date of acquisition to 31 March 2015.*

3 *Goodwill recognised on the acquisition of Dunestone Development S.A. was IDR 542,493 million, which was subsequently impaired by IDR 453,064 million in FY2014, resulting in a goodwill of IDR 89,429 million.*

With reference to Table 8.1 above and Cakra's statement of financial position set out in Table 6.9, we note:

- Cakra has a net asset value excluding non-controlling interests as at 31 March 2015 of IDR 916.9b, or IDR 179.56 per share;
- A significant portion of the net asset value comprises the investments summarised in Table 8.1 above;
- Cakra appear to actively assess the value of acquisitions against fair value and have made a number of adjustments to account for gains and impairment;
- Cakra has made the majority of its investments over the previous 4-year period; and
- The majority of Cakra's investments appear to be tested for impairment regularly.

8.2.3 Price of Cakra Shares on the IDX

Methodology

In this section we have considered the value Cakra having regard to the MBV methodology and specifically, the trading prices of Cakra shares on the IDX. To form a view on an appropriate value to adopt having regards to Cakra's IDX trading values, we have considered several matters including:

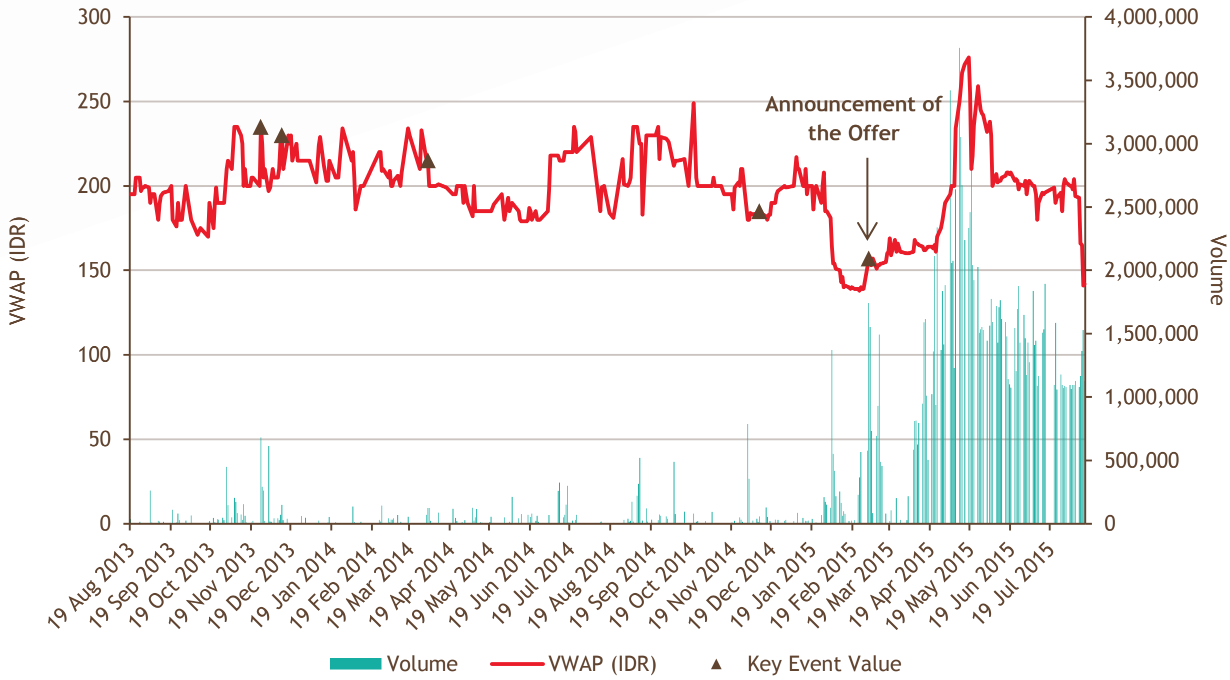
- Cakra's daily VWAP over the 24 month period prior to 17 August 2015;
- Cakra's VWAP across various timeframes prior to 17 August 2015;
- Liquidity of Cakra shares; and
- When the Offer consideration may be received by Cokal shareholders that accept the Offer.

These matters are discussed in further detail directly below.

Daily Share Price over Previous 24 Months

Figure 8.1 below shows the daily VWAP of Cakra shares over the 24-month period from 19 August 2013 to 17 August 2015.

Figure 8.1: Daily VWAP and Volume Traded for Cakra from 19 August 2013 to 17 August 2015



Source: Capital IQ as at 18 August 2015

With reference to Figure 8.1 above, we note that over the 24 months prior to 17 August 2015, Cakra shares traded in the range of IDR 138 to IDR 276 per share.

Further information in relation to the share trading data and liquidity of Cakra is set out in Section 6.3 of this Report.

VWAP

We have set out information relating to the market value of Cakra shares across various timeframes prior to 17 August 2015 in Table 8.2.

Table 8.2: Cakra's VWAP prior to 17 August 2015

Timeframe	Period included in VWAP	VWAP (IDR)
1 Week	11 Aug 2015 to 17 Aug 2015	153.15
1 Month	18 Jul 2015 to 17 Aug 2015	185.99
3 Months	18 May 2015 to 17 Aug 2015	208.41
6 Months	18 Feb 2015 to 17 Aug 2015	202.09
9 Months	18 Nov 2014 to 17 Aug 2015	200.85
12 Months	18 Aug 2014 to 17 Aug 2015	201.21

Source: Capital IQ as at 18 August 2015 and BDO CFQ Analysis

Liquidity

As set out in Section 6.3.2 of this Report, assuming a weighted average number of 5,106,021,090 ordinary Cakra shares on issue over the period, approximately 2.81% of total shares on issue were traded over the period from 1 August 2014 to 17 August 2015. In our view, this indicates that Cakra's shares display a very low level of liquidity.

One reason for the low liquidity is that the 'free float' of Cakra shares is approximately 4.3% (refer to Section 6.2 of this Report for more detail). If the total volume of Cakra shares traded is compared to the total number of free floating shares (as opposed to the total number of issued shares, most of which are held by the major shareholders), the implied turnover of shares in Cakra is much higher at 64.8%.

In our view, lower levels of liquidity reduce the ability to rely on market trading data to infer a value for a company.

Timing of Receipt of the Offer Consideration

Cokal shareholders are not expected to receive the Offer consideration until after the Offer closes on 15 November 2015. It is also possible that the conditions of the Offer will not be met by 15 November 2015 and that the Offer may need to be extended.

Given the uncertainty around when Cokal shareholders would be able to realise any value for their shares, it is possible that Cakra's share price may change materially from the price of Cakra shares as at the date of this Report. The price of Cakra shares in the future will be dependent upon many factors, including the performance of its current investments in the period.

Having regard to the above, in order to appropriately consider the potential volatility in Cakra's share price in the period until completion of the Offer, in our view it is appropriate to consider the traded prices of Cakra shares over a relatively longer historical period.

8.3 Value Adopted for Cakra

In determining the valuation range to adopt for our valuation of Cakra, we have considered a number of matters including the following:

- In the 24-month period ending 17 August 2015, the daily close price has recorded a low of IDR 138 and a high of IDR 276 with the higher values being recorded in the periods closest to 18 May 2015;

- The market for Cakra shares exhibits a low level of liquidity;

- As at 31 March 2015, Cakra had net assets of IDR 916.9 billion, or IDR 179.56 per share in its statement of financial position;

- The total value we have estimated having regard to prices paid by Cakra to acquire its businesses and invest in projects is approximately IDR 961.1 billion (refer Section 8.2.1 for additional information). This equates to approximately IDR 188.23 per Cakra share. Having regard to fair value adjustments at the time of acquisition and subsequent impairments, the value of these acquisitions and investments is approximately IDR 728.8 billion (approximately IDR 142.73 per Cakra share); and

- Cakra has not yet demonstrated a track record of generating sustainable positive operating cash flows.

Having regard to the information set out above, for the purposes of providing information on the Merged Entity we have adopted Cakra's net asset value of IDR 916.9 billion. Based on an IDR/USD exchange rate of IDR 13,672/US$[6], this equates to a net asset value of Cakra of US$67 million.

In our view, adopting book value has a number of limitations and does not provide a sufficiently reliable indication of value on its own and in the circumstances. Notwithstanding this and in the absence of any other more reliable information to conclude on value, we have set out some calculations in relation to Cakra which refer to book value to provide Cokal shareholders with as much information as possible.

We recommend Cokal shareholders use caution when considering the value of Cakra. The majority of Cakra's investments are in the mining/resource industry and are yet to prove that they can generate sustainable positive operating cash flows. In our view, the value of Cakra may increase or decrease materially over short time periods depending on the ability to meet certain milestones, the market conditions of the resource industry and any regulations imposed by the government.

As discussed in Section 8.2.3, the shares of Cakra display a very low level of liquidity. We regard an investment in Cakra as highly speculative. Cokal shareholders should consider that there is a significant risk that the value and share price of Cakra may move materially before they may be able to sell and realise the proceeds of their shares in the Merged Entity.

[6] IDR/USD exchange rate adopted is the 1-month average rate to 26 August 2015 www.rba.gov.au

9.0 Value of the Merged Entity Following the Offer (Basis of Share Consideration)

This section sets out our valuation of the Merged Entity immediately following the Offer, if it is approved. This section is structured as follows:

- Section 9.1 sets out our view of the most appropriate methodology to value the Merged Entity assuming the Offer is approved; and
- Section 9.2 sets out our calculation of the value of a share in the Merged Entity.

9.1 Valuation Methodology

In our view, the ABV methodology (notwithstanding its limitations in the circumstances as set out in Section 8.0) and an MBV (having regard to any relevant information able to be derived from the Rights Issue) are the most appropriate methodologies to apply in order to calculate the value of shares in the Merged Entity immediately following the Offer, assuming that the Offer is approved and implemented.

In our view, it is not appropriate to apply the DCF or CME valuation methodologies to determine a value of the Merged Entity for reasons which include the following:

- The DCF methodology relies on projections which predict the future cash flows of a company. Due to the nature and stage of development of both Cokal's and Cakra's projects, in our view, overall future cash flows of the Merged Entity cannot be determined with the appropriate level of certainty or accuracy at the current time. In our view, the DCF methodology is not appropriate for calculating the value of the Merged Entity's shares; and
- The business activities of Cokal and Cakra do not generate a material earnings stream at the current time and it is expected that material earnings will not be generated in the short term following the Offer. Neither Cokal nor Cakra generate and report maintainable earnings suitable for use in a CME valuation of the Merged Entity's shares.

To determine a value for the Merged Entity's net assets, in our view it is appropriate to add:

- the value of Cokal from Section 7.0 above;
- the value of Cakra from Section 8.0 above; and
- make adjustments for other assets and liabilities expected to be held by the Merged Entity immediately following the Offer.

Our asset based valuation of the Merged Entity is set out in Section 9.2 below.

As set out in Section 3.3 of this Report, a condition of the Offer is that a fully underwritten rights issue is to be completed by Cakra. As the Rights Issue participants are funding the Offer and in effect making an investment in the Merged Entity, in our view, it is appropriate to consider the Rights Issue for the purpose of determining the value of shares in the Merged Entity for the purpose of the analysis set out in this Report. We have considered the appropriateness of implying a value for the Merged Entity shares based on the Rights Issue in Section 9.3 below.

9.2 Asset Based Valuation of the Merged Entity

To determine a value for ordinary shares in the Merged Entity following the Offer using the ABV methodology, we have had regard to the following:

- The value of Cokal's contribution (set out in Section 9.2.1);
- The value of Cakra's contribution (set out in Section 9.2.2); and
- Adjustments to the value of the Merged Entity as a result of the Offer (set out in Section 9.2.3).

9.2.1 *Value of Cokal Contribution*

As set out in Section 7.4 of this Report, we have calculated the value of Cokal on a controlling interest basis to be within the range of A$69.9m to A$119.8m. Based on an exchange rate of US$0.74/A$[7], this equates to a value of Cokal on a controlling interest basis in the range of US$51.7 million to US$88.6 million.

9.2.2 *Value of Cakra Contribution*

As set out in Section 8.3 of this Report, we have calculated the value of Cakra on a controlling interest basis to be US$67 million.

9.2.3 *Adjustments as a Result of the Offer*

In addition to the value of Cokal and Cakra, we have included an adjustment for a net increase in cash of US$11.2 million (based on a 60% Scrip and 40% Cash Scenario). As shown in the pro forma balance sheet set out in section 13.3 of the Bidder's Statement and associated notes, this increase relates to cash obtained from the Rights Issue less the consideration paid for Cokal and the related acquisition costs. The shareholding in the Merged Entity under the 60% Scrip and 40% Cash Scenario is set out in Table 9.1 below.

When considering the shareholding set out in Table 9.1 below and the net cash adjustment discussed above, Cokal shareholders should be aware that as at the date of this Report, these numbers are uncertain for reasons which include:

- The terms of the Rights Issue have not been finalised. For example, the share price of Cakra at which the shares under the Rights Issue will be issued is not set but rather, it is noted in the Bidder's Statement as an amount 'up to IDR 300';
- The price to be paid by Cakra to acquire the Cokal shares held by a nominee is not yet certain but rather, 'a fixed amount to be agreed between the parties' (as set out in section 11.3 of the Bidder's Statement); and
- We understand that the adjustment discussed above will ultimately also depend on the mix of scrip and cash taken up by Cokal shareholders. The adjustment set out in section 13.3 of the Bidder's Statement and associated notes assumes a split of 60% scrip and 40% cash.

Table 9.1: Shareholding in Merged Entity under 60% Scrip and 40% Cash Scenario

	Number of Shares
Shares held by existing Cakra shareholders	5,106,021,090
Shares held by Cokal shareholders accepting the Share Consideration	3,094,027,263
Shares held by Rights Issue participants	2,011,993,827
Total number of shares	**10,212,042,180**

Source: Section 13 of the Bidder's Statement and BDO CFQ Analysis

9.2.4 *Asset Based Valuation the Merged Entity - Control Value*

Table 9.2 below summarises our calculation of the value of the Merged Entity having regard to the above assumptions.

[7] USD/AUD Exchange Rate adopted is the 1-month average to 26 August 2015 www.rba.gov.au

Table 9.2: Equity Value of the Merged Entity

	Section Reference	Low US$ Millions	High US$ Millions
Value of Cakra - controlling interest basis	8.3	67.0	67.0
Value of Cokal - controlling interest basis	7.4	51.7	88.6
Add: Cash to be raised in Rights Issue	9.2.3	11.2	11.2
Value of Merged Entity – controlling interest basis		**129.9**	**166.8**

Source: BDO CFQ Analysis

9.2.5 Asset Based Valuation of Shares in the Merged Entity - Minority Interest Basis

An asset based valuation typically calculates the value of a company on a controlling interest basis. As the valuation of the Merged Entity set out in this section is on a controlling interest basis, we have applied a minority discount to calculate the value on a minority interest basis. In Appendix D of this Report we have discussed the reasons why a minority discount is applied to a controlling interest and set out in more detail the factors to consider in selecting a control premium. In summary, empirical research suggests that control premiums are typically within the range of 20% to 40%. The inverse of this range to apply for a minority discount is 16.7% to 28.6%.[8]

In forming a view on an appropriate minority discount to apply to the Merged Entity, we have also considered that the liquidity in the market for Cakra shares on the IDX is low (as discussed in Section 6.3.2 of this Report). There is no guarantee that this will change materially if the Offer is accepted. In our view, it is appropriate to increase the discount beyond a typical minority discount to allow for the potential lack of marketability.[9]

For the purposes of this Report, in our view it is appropriate to adopt a minority discount for the low end of our valuation range of 40% and a minority discount for the high end of our valuation range of 20%.

Table 9.3 below summarises our calculation of the value of a share in the Merged Entity on a minority interest basis having regard to the above assumptions.

Table 9.3: Value of a Share in the Merged Entity on a Minority Interest Basis Based on Above Assumptions

	Section Reference	Low	High
Value of Merged Entity – controlling interest basis (US$ Millions)	9.2.4	129.9	166.8
Less minority interest discount	7.3.4	40%	20%
Value of Merged Entity - minority interest basis		**77.9**	**133.4**
Number of shares on issue in the Merged Entity (Millions)	9.2.3	10,212	10,212

8 Calculated as: 1 – 1/(1 + control premium)

9 There have been a number of empirical studies completed to examine the quantum of discounts for lack of marketability ('DLOM'). Empirical studies in relation to the determination of DLOM fall into two categories, namely, restricted stock studies (which compare the price of securities which are restricted from trading for a specified period with their publicly traded counterparts) and IPO studies (which compare pre-IPO securities prices with the eventual IPO price). The restricted stock studies conclude illiquidity discounts in the range of 13% to 45% and the IPO studies indicate marketability discounts of between 32% and 75%.

	Section Reference	Low	High
Value per share in the Merged Entity - minority interest basis (US$/Cakra share)		**0.0076**	**0.0131**
Value per share in the Merged Entity – minority interest basis (IDR/Cakra share)[1]		104	179
Implied value of Share Consideration per Cokal share[2] (A$/Cokal share)		**0.11**	**0.18**

Source: BDO CFQ Analysis

1. *Value per share in the Merged Entity in IDR is based on an exchange rate of IDR 13,672/US$ as at the date of this Report(1-month average IDR/USD rate as at 26 August 2015 www.rba.gov.au)*
2. *Implied value of the Share Consideration = IDR/Cakra share (minority interest basis) converted to AUD at IDR 10,016/A$ (1-month average rate IDR/A$ to 26 August 2015 www.rba.gov.au) x 10.327 Cakra shares per Cokal share being offered under the Share Consideration*

The calculated range of the value per share in the Merged Entity on a minority interest basis is IDR 104 to IDR 179. This implies a value of the Share Consideration in the range of A$0.11 to A$0.18 per Cokal share.

9.3 Market Based Valuation of the Merged Entity

As set out in Section 3.3 of this Report, a condition of the Offer is a fully underwritten rights issue to be completed by Cakra. The Rights Issue is for a maximum of 5,000,000,000 Cakra shares at a price of up to IDR 300 per Cakra share to raise IDR 1,500 billion. Ordinarily, it is our view that a transaction such as the Rights Issue could be considered for the purpose of cross-checking the value of the Merged Entity shares in circumstances where it results in the purchase of a material parcel of shares.

Given a number of uncertainties in the Bidder's Statement in relation to the Rights Issue (such as the issue price of Cakra shares which has not yet been finalised, as discussed in Section 9.2.3), it is our view that the terms of the Rights Issue are not suitably advanced at the current time for us to consider in this Report.

9.4 Conclusion on the Value of Shares in the Merged Entity

In our view, the most relevant measure of value of the Merged Entity shares for Cokal shareholders who accept the Offer is the price that they may be able to sell their shares in the Merged Entity (received as a result of the Offer) either immediately or in the short term. However, as at the date of this Report, there is limited objective information that provides an indication of the price that a share in the Merged Entity may trade at and the likely liquidity of the Merged Entity.

As shown in Table 9.2, our estimated value of the Merged Entity is based on an ABV methodology. Notwithstanding our estimated value of a share in the Merged Entity on a minority basis the range of IDR 104 to IDR 179 as shown in Table 9.3 above, it is our view that it is not appropriate for us to draw valuation conclusions on the Merged Entity in this Report having regard to this information alone.

We consider that <u>the value of the Merged Entity is not able to be determined</u> with a sufficient degree of accuracy and reliability as at the date of this Report.

In particular, we note that:

- There is limited information available to us to value Cakra; and
- There are a number of uncertainties inherent in the Merged Entity which arise as a result of the Rights Issue not yet being finalised.

There is also no guarantee that shares in the Merged Entity will trade at these values.

We recommend that Cokal shareholders use caution when considering the value of the Merged Entity. The majority of the Merged Entity's investments are in the mining/resource industry and are yet to prove that they can generate sustainable positive operating cash flows. In our view, the value of the Merged Entity may increase or decrease materially over short time periods depending on the ability to meet certain milestones, the market conditions of the resource industry and any regulations imposed by the government.

Further, as discussed in Section 9.2.5, there is no guarantee that the liquidity of the shares in the Merged Entity will be materially different from the low liquidity levels observed for the shares in Cakra. We regard any investment in the Merged Entity as highly speculative and shareholders should consider that there is a risk that the share price may move materially before shareholders are able to sell and realise the proceeds of their shares in the Merged Entity.

It is important to note that the decision to hold shares in the Merged Entity for a longer period of time is a separate investment decision to be made having regard to each shareholder's individual circumstances and view on the medium and longer term prospects of the Merged Entity.

10.0 Assessment of the Fairness of the Offer

We have assessed the fairness of the Share Consideration and the Cash Consideration separately as follows:

Share Consideration

(a) Determine the value of a Cokal share immediately prior to the Offer on a controlling interest basis; and

(b) Compare the value determined in (a) with the value of 10.327 shares in the Merged Entity on a minority interest basis.

Under RG 111 the Offer will be considered 'fair' to Cokal shareholders if the value of 10.327 shares in the Merged Entity is equal to or greater than the value of a Cokal share.

Cash Consideration

(a) Determine the value of a Cokal share immediately prior to the Offer on a controlling interest basis; and

(b) Compare the value determined in (a) above with the value of the Cash Consideration to be received by Cokal shareholders for each Cokal share under the Offer.

Under RG 111, the Offer will be considered 'fair' to Cokal shareholders if the value of the Cash Consideration to be received by Cokal shareholders is equal to or greater than the value of each Cokal share prior to the Offer.

This section sets out our opinion on the fairness of the Offer to Cokal Shareholders and is set out as follows:

- Section 10.1 sets out our assessment of the value of Share Consideration under the Offer to Cokal Shareholders;
- Section 10.2 sets out our assessment of the value of Cash Consideration under the Offer to Cokal Shareholders;
- Section 10.3 sets out our assessment of the value of Cokal shares immediately prior to the offer; and
- Section 10.4 sets out our assessment of the fairness of the Offer.

10.1 Value of the Share Consideration Offered per Cokal Share

As per the terms of the Offer, the consideration offered to Cokal shareholders is 10.327 shares in the Merged Entity for every Cokal share held.

Section 9.2.5 of this Report sets out our analysis in relation to the value of a share in the Merged Entity on a minority interest basis. As outlined in Section 9.2.5, in our view, there is insufficient information to form an opinion on the value of a share in the Merged Entity at the date of this Report.

We are unable to conclude on the value of the Share Consideration offered per Cokal share.

10.2 Value of the Cash Consideration Offered per Cokal Share

Under the terms of the Offer, Cokal shareholders will receive $0.16 per Cokal share if they select the Cash Consideration.

10.3 Value of a Cokal Share Immediately Prior to the Offer

For the purpose of assessing the fairness of the Offer, we calculated the value of a Cokal share to be within the range of $0.14 to $0.24 on a controlling interest basis (refer Section 7.0 of this Report for our valuation of Cokal).

10.4 Assessment of the Fairness of the Offer

Table 10.1 below sets out our assessment of the Share Consideration and the Cash Consideration under the Offer.

Table 10.1: Fairness of the Offer

	Low ($)	High ($)
Value of the Share Consideration offered per Cokal share	Not determinable	Not determinable
Value of the Cash Consideration offered per Cokal share	0.16	0.16
Value of a Cokal share	0.14	0.24

Source: BDO CFQ analysis

After considering the information summarised above and set out in detail in the balance of this Report, in our view:

- We are unable to form a view on the value of the Share Consideration under the Offer and therefore offer no opinion regarding whether or not the Share Consideration is fair or not fair to Cokal shareholders as at the date of this Report; and
- The value of the Cash Consideration offered per Cokal share is within the range of value of a Cokal share immediately prior to the Offer. After considering the information summarised above and set out in detail in the balance of this Report, in our view the Cash Consideration under the Offer is Fair to Cokal shareholders as at the date of this Report.

11.0 Assessment of the Reasonableness of the Offer

This section is set out as follows:

- Section 11.1 outlines the advantages and disadvantages of the Share Consideration under the Offer to Cokal shareholders;
- Section 11.2 outlines the advantages and disadvantages of the Cash Consideration under the Offer to Cokal shareholders;
- Section 11.3 considers the position of Cokal shareholders that reject the Offer; and
- Section 11.4 provides our assessment of the reasonableness of the Offer.

11.1 Share Consideration

11.1.1 Advantages of the Offer - Share Consideration

Table 11.1 below outlines the potential advantages to Cokal Shareholders of accepting the Share Consideration under the Offer.

Table 11.1: Potential Advantages of the Offer - Share Consideration

Advantage	Explanation
Diversification	Cakra will be a more diversified company relative to Cokal on a stand-alone basis. Existing Cokal shareholders will gain exposure to Cakra's investments in other businesses within the iron mining, zircon mining and mineral processing sectors. Cakra's projects are discussed in further detail in Section 6.1 of this Report. When reading this section we note that Cokal shareholders should be aware that: - A number of Cakra's investments are early stage and speculative investment opportunities; and - There is limited transparency in relation to the exact nature of assets held by a number of Cakra's investments.
Retain exposure to Cokal's coal assets	If the Offer is approved, Cokal shareholders will continue to have an interest (albeit a significant reduction and an indirect interest through the shareholding in Cakra) in Cokal's portfolio of coal projects in Indonesia and Africa. If 100% of Cokal shareholders accept the Share Consideration under the Offer, the maximum indirect interest of Cokal shareholders in the Merged Entity is expected to be 50.2%.[10]
Expanded management expertise	Following the Offer, the Merged Entity will consist of management from Cakra (who have experience in developing and operating mineral assets in Indonesia) and Cokal (who have Australian mining experience). The directors of Cakra are of the view that the combined experience is likely to increase the technical expertise of the management of the Merged Entity. This may enhance the Merged Entity's ability to operate in the mining industry in Indonesia.
Possible cash inflow from the Rights Issue	In the event that there is surplus cash remaining in Cakra after it has applied the available cash proceeds from the Rights Issue towards the consideration for the Offer, Cokal shareholders accepting the Share Consideration may benefit from any effective investment allocation of the cash.

[10] This calculation is based on Cakra having 5,106,021,090 ordinary shares on issue, Cakra issuing 5,156,712,104 to Cokal shareholders (499,342,704 Cokal shares x scrip ratio of 10.327) and no shares being issued under the Cakra Rights Issue (which we understand will be the case if 100% of Cokal shareholders take the scrip option under the Offer).

Advantage	Explanation
The Merged Entity may realise cost synergies	The directors of Cakra are of the view that the Merged Entity may be able to reduce overhead expenses by minimising the duplication of various back office functions and services. While we have considered this information as part of our analysis of the Merged Entity, we have not assigned a specific value to any potential synergies that may be realised in future.
Rollover relief may be available	If, as a result of the Offer, Cakra becomes the holder of 80% or more of Cokal shares and Cokal shareholders would otherwise have made a capital gain in respect of the disposal of their Cokal shares under the Offer, some Cokal shareholders may be entitled to capital gains tax ('CGT') scrip-for-scrip roll-over relief. If applicable, no taxable gain will arise as a consequence of accepting the offer. Refer to section 9 of the Target's Statement and section 15 of the Bidder's Statement for further information. We strongly recommend that Cokal shareholders obtain their own professional advice in relation to the potential tax consequences that may apply to their Cokal shares.

Source: BDO CFQ analysis

11.1.2 Disadvantages of the Offer - Share Consideration

Table 11.2 below outlines the potential disadvantages to Cokal shareholders of accepting the Share Consideration under the Offer. This section assumes that each of the conditions of the Offer are either met or waived.

Table 11.2: Potential Disadvantages of the Offer - Share Consideration

Disadvantage	Explanation
Value of Share Consideration is not determinable	As set out in Section 10.0, based on the information available, we are unable to form an opinion in relation to the value of the Share Consideration.
Dilution of shareholders	Prior to the Offer, Cokal shareholders owned 100% of the Company. If the Offer is accepted by 100% of Cokal shareholders, the maximum percentage of the Merged Entity held by Cokal shareholders (and therefore the maximum exposure that Cokal shareholders can have to the Cokal assets) will be 50.2% of the Merged Entity. Cokal shareholders may prefer to retain a 100% interest in Cokal's business operations and projects rather than shares in Cakra, a diversified company with multiple early stage projects.
Cokal will share any benefits of its assets with Cakra shareholders	If the Offer is accepted, Cokal shareholders will hold a diluted interest in Cokal assets and will share any development or exploration upside in Cokal's asset portfolio with the shareholders of Cakra.

Disadvantage	Explanation
Change of risk exposure	Cokal shareholders will be exposed to a materially different risk profile if the Offer is accepted. Cokal is an emerging resource explorer with a large portfolio of projects primarily in the coal bearing regions of Indonesia, whilst Cakra is a resource explorer, producer and processor with a portfolio of projects in iron, zircon and coal resources. Cokal shareholders may or may not wish to be exposed to the risk profile of the Merged Entity's projects. Further, Cakra is incorporated and operates in Indonesia and is therefore subject to a number of risks, including economic, social and political volatility, potential difficulties in enforcing agreements, potential difficulties in protecting rights and interest in assets, and changes in governmental policies and legislations. The Merged Entity will retain these risks. We recommend that Cokal shareholders read in detail the risk factors set out in section 14 of the Bidder's Statement to understand the potential risks that the Merged Entity's businesses may be exposed to.
Low liquidity and price volatility of Cakra shares	The historical liquidity of trading in Cokal and Cakra shares are set out in Sections 5.3 and 6.3 respectively. The information discussed in these sections indicates that Cokal shares have greater liquidity than Cakra shares. In addition, Cakra shares are listed on the IDX. The Indonesian capital markets are generally less liquid and more volatile than those in countries with more developed capital markets. There is no guarantee that there will be any change in the liquidity or volatility of shares in the Merged Entity compared to that of Cakra at the current time. If the Offer is successful, Cokal shareholders may not be able to sell their shares in the Merged Entity at market value due to the decreased liquidity of the underlying securities. In considering this point, Cokal shareholders should also refer to Section 14.3 and 17.15 of the Bidder's Statement in relation to the steps that need to be followed in order to transact in Cakra shares which are listed on the IDX.

Disadvantage	Explanation
Uncertainty in relation to the financial position of the Merged Entity	The pro forma financial information set out in section 13.3 of the Bidder's Statement indicates that Cakra has a current ratio of 3.19x (current assets/current liabilities = US$38.0m/US$11.9m). However, in our view there is uncertainty in relation to two material components of the current asset balance as follows: ▪ Trade and other receivables of US$18.5 million. We understand a significant portion of this amount has been owing since 2012 and has been deferred several times in the past. It may be that Cakra is unable to collect this receivable within the time frames required to meet cash commitments of the Merged Entity; and ▪ Net cash assumed from the Rights Issue and acquisition of Cokal of US$11.2 million (assuming the 60% and 40% Cash Scenario). Under the Rights Issue mechanism (which is not yet final), as the percentage of Cokal shareholders accepting the Share Consideration increases, the amount of cash available to Cakra to fund the Merged Entity will decrease. While the Rights Issue mechanism has not yet been finalised, we understand that there may not be material amounts of cash raised, if any, from the Rights Issue and retained in the Merged Entity if a larger proportion (approximately 80% or above) of Cokal shareholders accept the Share Consideration. If US$29.7 million relating to the issues described above (US$18.5 million receivables + US$11.2 million cash) of current assets are excluded from the calculation of the current ratio, the ratio would decrease from 3.19x to 0.70x. A current ratio below 1.0x is indicative of a business that will have difficulty meeting its current liabilities as and when they fall due. In our view, there is a material risk that Cakra is not sufficiently capitalised and does not hold sufficient cash reserves post the transaction.
Availability of funding	Cakra's current operations are not generating material cash flows (refer Section 6.4 above for additional discussion) and there is no guarantee that the merged Entity will be able to obtain debt / equity financing as needed. If the Merged Entity is unable to obtain suitable financing, it may be required to reduce the scope of its operations and scale back its exploration, development and production programs. Any reductions in the scope of the Merged Entity's operations are likely to have a negative effect on the share price of the Merged Entity. We note that Cakra are currently proposing to complete the Rights Issue, however, the terms of the Rights Issue have not yet been finalised. The amount of cash available in the Merged Entity following the Rights Issue is dependent on the final pricing of the Rights Issue as well as the proportion of Cokal shareholders accepting the Cash Consideration compared with those accepting the Share Consideration. There is no guarantee of the amount of cash, if any, will remain within the Merged Entity following the Rights Issue and the Offer. The Rights Issue mechanism proposed means that the larger the proportion of Cokal shareholders that accept Share Consideration, the lesser the amount of cash returned in Cakra post the transaction.
Increased currency risk	Cokal shareholders who accept the Offer and reside outside Indonesia will encounter increased currency risk in relation to their investment in Cakra as it trades in Indonesia in Indonesian Rupiah rather than in Australian dollars.

Source: BDO CFQ analysis

11.1.3 Other Considerations in relation to the Share Consideration

Ability to Select a Ratio of Cash and Scrip

While Cokal shareholders who accept the Offer must do so for their entire shareholding, they have the option of selecting the Share Consideration for either their entire shareholding in Cokal or only for part of their shareholding. This provides them with a flexibility to select the proportion of their shareholding which they wish to monetise under the Cash Consideration compared to the proportion of exposure they wish to have in the Merged Entity going forward.

Change to Securities Laws and Listing Rules

Cakra is a company incorporated in Indonesia that trades on the IDX. Cokal is a company incorporated in Australia and trades on the ASX. Cokal shareholders who accept the Offer should be aware of the differences that will arise from holding an investment in an Indonesian company that trades on the IDX relative to their current investment in Cokal share which trade on the ASX.

We recommend that Cokal shareholders refer to Schedule 1 of the Bidder's Statement for a comparison of relevant companies and securities laws and listing rules in Indonesia and Australia. The matters covered in Schedule 1 include:

- A two board structure in Indonesia – a board of Directors and a board of Commissioners (with separate functions), compared to the board of directors in Australia;
- In Indonesia, amendments to the company constitution in Indonesia can be implemented by a two-thirds majority at a General Meeting of shareholders. In Australia, amendments to the company constitution require a special resolution (at least 75% of the votes to be cast by members entitled to vote);
- A number of differences exist in relation to the issue of securities, takeovers and compulsory acquisition thresholds between the two jurisdictions;
- A number of differences exist in relation to the appointment and removal of directors and the disclosure of transactions with related parties; and
- Franking credits do not exist in Indonesia.

Tax Considerations

We have not provided any taxation advice in this Report. Cokal shareholders should obtain their own professional advice in relation to the impact of the Offer on their own circumstances.

For completeness, we note that Cokal shareholders who accept the Offer should be aware that there are likely to be different tax considerations in relation to the Cash Consideration compared to the Share Consideration. We recommend that Cokal shareholders read Section 15 of the Bidder's Statement which provides details about the Australian taxation considerations for Cokal shareholders including:

- Income tax and capital gains tax implications;
- Tax considerations for Cokal shareholders who are Australian residents and hold their shares in Cokal:
  - As trading stock; or
  - On revenue account; or
  - On capital account
- Tax considerations for Cokal shareholders who are not Australian residents; and
- Potential scrip for scrip rollover relief.

Timing of Receipt of Cakra Shares as Consideration

If a Cokal shareholder accepts the Offer we note the following:

- As set out in section 17.21 of the Bidder's Statement, Cokal shareholders who accept the Offer will receive the consideration on or before the earlier of:
  - 1 month after they accept the Offer or if the Offer is conditional that that time, 1 month after the contract resulting from the acceptance becomes unconditional; and
  - 21 days after the end of the offer period;
- As set out in the Bidder's Statement, the Offer is open for acceptance until 15 November 2015 unless extended; and
- Where additional documents required along with the acceptance form are not provided to Cakra along with the acceptance of the Offer (e.g.: a power of attorney), the receipt of consideration will be delayed and will occur in line with the process outlined in section 17.21 of the Bidder's Statement.

Cokal shareholders who accept the Offer should be aware that they will not be able to withdraw their acceptance of the Offer or otherwise dispose of their Cokal shares except in limited circumstances as set out in section 17.11 of the Bidder's Statement. These circumstances include if the Offer is revoked or the Offer is extended by more than one month and remains subject to one or more conditions set out in section 17.16 of the Bidder's Statement.

In practical terms, the above matters mean that in forming a view on whether to accept or reject the Offer, Cokal shareholders should also take into account the period of time before they may be issued shares in the Merged Entity and the restrictions on transacting in Cokal shares following acceptance but prior to shares in the Merged Entity being received.

For completeness, we also note our comments in Section 8.3 of this Report. Specifically:

- Our view that the majority of Cakra's investments are in the construction or mining/resource industry and are yet to prove that they can generate sustainable positive operating cash flows;
- Our view that the value of such companies may increase or decrease materially over short time periods depending on the ability to meet certain milestones. We regard any investment in the Merged Entity as highly speculative; and
- Our view that shareholders should consider that there is a risk that the share price may move materially within short periods of time and before shareholders are able to sell and realise the proceeds of their shares in the Merged Entity.

Ability to Trade Shares Listed on the IDX

Cakra shares will be listed on the IDX rather than the ASX. As previously noted in Table 9.2 of this Report and section 14.3 of the Bidder's Statement, the Indonesian capital market is generally less liquid and subject to more volatility than more developed capital markets. In our view, this creates an additional risk for Cokal shareholders accepting the Share Consideration. Cokal shareholders should refer to Section 17.15 of the Bidder's Statement in relation to the steps that need to be followed in order to transact in Cakra shares.

11.2 Cash Consideration

11.2.1 Advantages of the Offer - Cash Consideration

Table 11.3 below outlines the potential advantages to Cokal shareholders of accepting the Cash Consideration under the Offer. This section assumes that each of the conditions of the Offer are either met or waived.

Table 11.3: Advantages to Cokal Shareholders of Accepting the Offer - Cash Consideration

Advantages	Explanation
The offer is Fair	As set out in Section 10.0, in our view the Cash Consideration under the Offer is fair to the Cokal shareholders as at the date of this Report. In accordance with RG 111, a transaction is considered reasonable if it is fair.

Advantages	Explanation
The current offer price is known	Should the Offer proceed, Cokal shareholders who accept the offer have certainty that they will receive A$0.16 for each Cokal share held. Although Cokal shares are listed on the ASX, there is limited liquidity relative to the certainty of a cash price. Cokal shareholders will no longer be exposed to the ongoing risks associated with holding an investment in Cokal. While the value of the Cash Consideration under the Offer is certain, we note that it may be possible, assuming sufficient liquidity, for Cokal shareholders to sell their shares on the ASX at prices that are in excess of the A$0.16 per share under the Cash Consideration of the Offer, particularly, in circumstances where the Offer is declared unconditional.
No brokerage commissions	As outlined in section 17.27 of the Bidder's Statement, Cokal shareholders will not incur any brokerage or commission costs under the Offer if their Cokal shares are in certificated form in the shareholder's name and they are delivered directly to Cakra before 15 November 2015.
The Offer is the only proposal before the Company	We are informed by Cokal that the Offer is the only offer that is available to the Company as at the date of this Report. We understand that prior to the Offer, Cokal was in discussions with a number of third parties who expressed interest in exploring control transactions with Cokal, however, none of those discussions progressed to a firm offer.

Source: BDO CFQ analysis

11.2.2 Disadvantages of the Offer - Cash Consideration

Table 11.4 below outlines the potential disadvantages to Cokal Shareholders of accepting the Cash Consideration under the Offer.

Table 11.4: Disadvantages to Cokal Shareholders of Accepting the Offer – Cash Consideration

Disadvantages	Explanation
The offer price is at the lower end of our valuation range	The Offer is being completed at $0.16 for each Cokal share, at the lower end of our valuation range of $0.14 to $0.24 per Cokal share.
No exposure to any potential upside in the future value of Cokal	If the Offer is accepted for only the Cash Consideration, Cokal shareholders will no longer hold any shares in Cokal. Accordingly, Cokal shareholders will have no exposure to any potential upside in the value of Cokal as part of the Merged Entity going forward.
No exposure to any future offers	If the Offer is accepted, Cokal shareholders may no longer be able to benefit from any superior future offers from Cakra or any other party. There is no guarantee that a future offer will be forthcoming.

Source: BDO CFQ analysis

11.3 Potential Position of Cokal Shareholders who Reject the Offer

Table 11.5 below outlines the potential position of individual Cokal shareholders who reject the Offer.

Table 11.5: Potential Position of Cokal Shareholders who Reject the Offer

Position of Shareholders	Explanation
The Offer may not become unconditional	The Offer is conditional on Cakra acquiring a minimum of 90% of all Cokal shares on issue and other conditions as set out in the Bidder's Statement. If any condition is not met, and Cakra does not waive the condition, the Offer will not proceed.
Continued shareholding in Cokal	Cokal shareholders who reject the Offer will continue to hold shares in Cokal. Cokal shareholders will continue to be exposed to the risks and opportunities associated with Cokal's portfolio of projects primarily in the coal bearing regions of Indonesia.
Change in liquidity	If Cakra acquires a significant parcel of Cokal shares, then the 'free float' of shares available to trade will be reduced. This may have the effect of reducing the liquidity of Cokal shares on the ASX and make it more difficult for a Cokal shareholder to efficiently exit their investment in future.
Cokal will require funding	Cokal requires substantial funding to develop its BBM Project. It is in the process of negotiating an extension on the US$10 million loan due to be repaid in August 2015. In circumstances where the extension is not granted, or if Cokal is unable to secure alternative funding on reasonable terms, this would be likely to have significant adverse consequences for Cokal and its shareholders.
Compulsory acquisition	If Cakra obtains a relevant interest in at least 90% of Cokal shares then it will be entitled, in certain circumstances, to acquire the remaining Cokal shares not already held. For completeness we note that Cakra have indicated in Section 10 of the Bidder's Statement that it intends to proceed with a compulsory acquisition of outstanding Cokal shares and any fully paid ordinary shares in Cokal which come into existence within the period of 6 weeks after Cakra gives the compulsory acquisition notice and subsequently apply for a delisting of Cokal from the ASX.
Prospect of a superior offer or alternative transaction	It is possible that Cokal shareholders who do not accept the Offer may receive a superior offer to the offer proposed by Cakra. We understand that no other offers have been received as at the date of this Report.

Source: BDO CFQ analysis

11.4 Assessment of the Reasonableness of the Offer

After considering the advantages and disadvantages of the Offer summarised above and set out in more detail in Section 11.0 of this Report, it is our view that, in the absence of a superior offer or any other information, the Cash Consideration under the Offer is Reasonable to Cokal shareholders as at the date of this Report.

We are unable to form a view on whether the Share Consideration is Reasonable based on the incomplete information available (e.g. the Rights Issue has not been finalised).

12.0 Sources of Information

This Report has been prepared using information obtained from the following sources:

- Cokal ASX announcements;
- Cokal annual report for the years ended 30 June 2012, 2013 and 2014;
- Cakra IDX announcements;
- Cakra annual report for the year ended 31 December 2012, 2013 and 2014;
- Cakra interim report for the 3 months ended 31 March 2015;
- Cokal company website (www.cokal.com.au);
- Cakra company website (www.ckra.co.id);
- Definitive Feasibility Study for the BBM Project prepared by PT Resindo Resources Indonesia, dated February 2014;
- The Financial Model which sets out forecast financial information relating to the BBM Project prepared by Cokal management;
- Capital IQ;
- Australian Bureau of Statistics;
- Australian Coal Association;
- World Coal Association;
- World Energy Council;
- Indonesia Investments;
- World Steel Association;
- U.S. Geological Survey;
- International Monetary Fund;
- Iluka Resources;
- Zircon Industry Association;
- DERA Rohstoffinformationen;
- IBISWorld;
- Various transaction documents including the Bid Implementation Agreement, Underwriting Agreement and draft Bidder's Statement;
- Various other research publications and publicly available data as sourced throughout this Report; and
- Various discussions and other correspondence with Cokal and Cakra directors, management and their advisers.

13.0 Indemnities, Representations & Warranties

Cokal has agreed to our usual terms of engagement in addition to the indemnities and representations set out below.

13.1 Indemnities

In connection with BDO CFQ's engagement to prepare this Report, Cokal agrees to indemnify and hold harmless BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates (together 'BDO Persons'), to the full extent lawful, from and against all losses, claims, damages, liabilities and expenses incurred by them. Cokal will not be responsible, however, to the extent to which such losses, claims, damages, liabilities or expenses result from the negligent acts or omissions or wilful misconduct of any BDO Persons.

Cokal agrees to indemnify BDO Persons in respect of all costs, expenses, fees of separate legal counsel or any other experts in connection with investigating, preparing or defending any action or claim made against BDO Persons, including claims relating to or in connection with information provided to or which should have been provided to BDO CFQ by Cokal (including but not limited to the directors and advisers of Cokal) as part of this engagement.

Cokal has acknowledged that the engagement of BDO CFQ is as an independent contractor and not in any other capacity including a fiduciary capacity.

13.2 Representations & Warranties

Cokal recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDO Persons will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Cokal, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

14.0 Experience, Disclaimers and Qualifications

BDO CFQ has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDO CFQ holds a Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDO CFQ and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Steven Sorbello and Mark Whittaker have prepared this Report with the assistance of staff members. Mr Sorbello and Mr Whittaker are directors of BDO CFQ and have extensive experience in corporate advice and the provision of valuation and business services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations.

BDO CFQ has been engaged to provide an independent expert's report to the shareholders of Cokal Limited. This Report has been prepared to provide information to non-associated Cokal shareholders prior to accepting or rejecting the Offer. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement, or letter without the prior written consent of BDO CFQ.

BDO CFQ takes no responsibility for the contents of other documents supplied in conjunction with this Report. BDO CFQ has not audited or reviewed the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or a review of any of the entities mentioned in this Report. However we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions, which may or may not occur. Accordingly, BDO CFQ cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved.

With respect to any taxation implications of the Offer, it is strongly recommended that Cokal shareholders obtain their own taxation advice, tailored to their own particular circumstances.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete. This Report is current as at 28 August 2015.

BDO Corporate Finance (QLD) Ltd

Steven Sorbello
Director

Mark Whittaker
Director

Appendix A - Industry Information: Overview of the Coal Industry

This section of this Report is set out as follows:

- Section A.1 provides a brief overview of coal; and
- Section A.2 provides a brief overview of the coal industry in Indonesia.

The information presented in this appendix has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe to.

A.1 Coal Overview

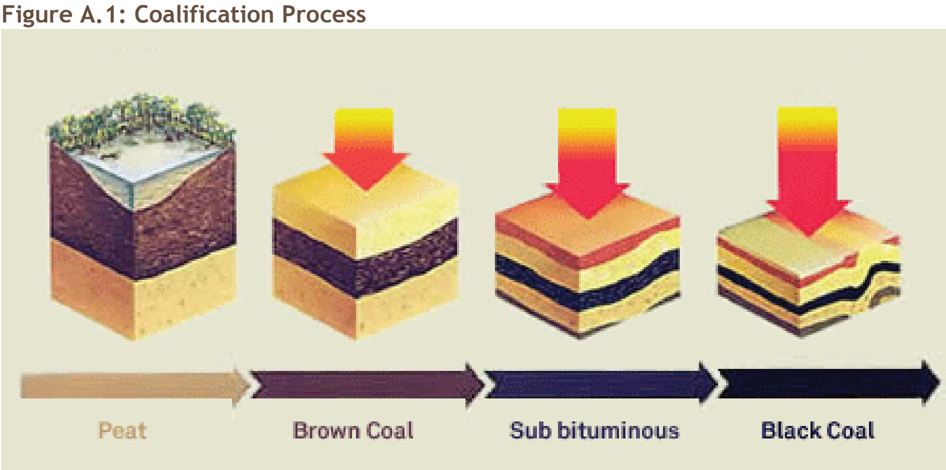
A.1.1 Coal Properties and Uses[11]

Coal is combustible, sedimentary, organic rock formed from ancient vegetation that has been compressed and transformed by the combined effects of microbial action, pressure, and heat over millions of years. This process is known as 'coalification'.

Peat, the precursor of coal, is initially converted into lignite or brown coal and is considered to have low organic 'maturity'. Over many more millions of years, the continuing effects of temperature and pressure progressively change the lignite and increase its maturity, transforming it into the range known as sub-bituminous coals. As this process continues, further chemical and physical changes take place until these coals become blacker, harder, and more mature, at which point they are classified as bituminous or hard coals. Under the right conditions and after a sufficient period of time, progressive increases in organic maturity will ultimately lead to anthracite.

Figure A.1 below illustrates the coalification process.

Figure A.1: Coalification Process



Source: Australian Coal Association

The degree of coalification undergone by a coal, as it matures from peat to anthracite, has an important bearing on its physical and chemical properties, and is typically referred to as the 'rank' of the coal.

Lower rank coals, such as lignite and sub-bituminous coal are typically softer, friable materials with a dull, earthy appearance. They have low energy content due to high moisture levels and low carbon content.

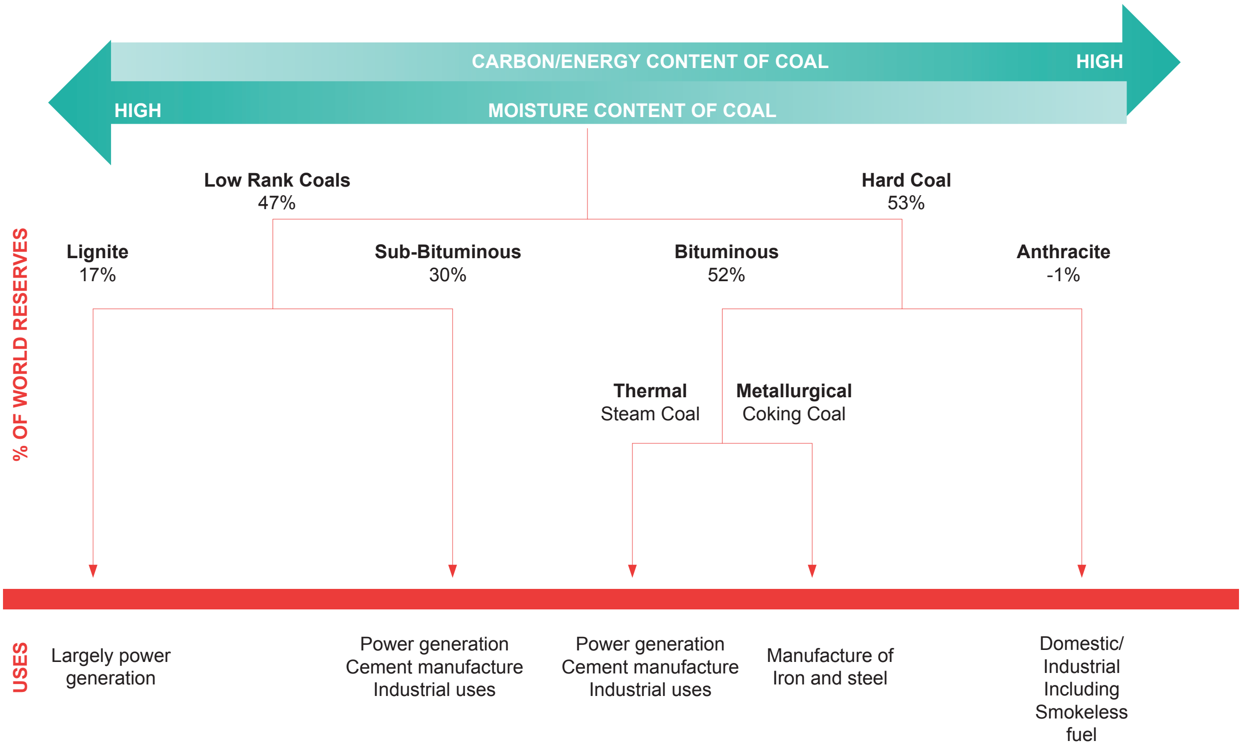
Sub-bituminous coal is generally unlikely to be of sufficient energy or combustion characteristic to satisfy export markets. Further, sub-bituminous coal is difficult to stockpile and/or transport due to its tendency to self-combust and its high moisture content. Accordingly, sub-bituminous coal is typically consumed at the point at which it is mined.

[11] Information sourced from Australian Coal Association, World Coal Association and World Energy Council

Higher rank coals, such as bituminous coal and anthracite, are typically harder and stronger and tend to have a black vitreous lustre. Higher rank coals have high energy content due to low moisture levels and high carbon content. Anthracite is the type of coal with the highest carbon content and the lowest moisture level and is therefore the type of coal with the highest energy content.

Figure A.2 below illustrates the coal classification spectrum.

Figure A.2: Coal Classification Spectrum



Source: World Coal Association

The world market for coal primarily consists of higher rank coals, including thermal coal and coking coal.

Coking (or Metallurgical) coal, due to its high carbon content and coking characteristics, is generally used for the production of metallurgical coke, which is used as a reductant in the production of iron and steel. Coking coal is further categorised in order of its level of carbon content as follows:

- Hard coking coal (which has the highest carbon content) is more favoured in the production of coke and therefore trades at a premium to lower grade coking coals; and
- Semi-soft coking coals and PCI (which has lower carbon content) are predominantly used for blending with hard coking coal where they are used as an auxiliary fuel source to increase the effectiveness of blast furnaces, ultimately resulting in lower production costs.

Thermal (or steam) coal, which generally contains less carbon than all types of coking coal, is used in the generation of electricity.

The markets for coking coal and thermal coal generally have different demand determinants and operate independently.

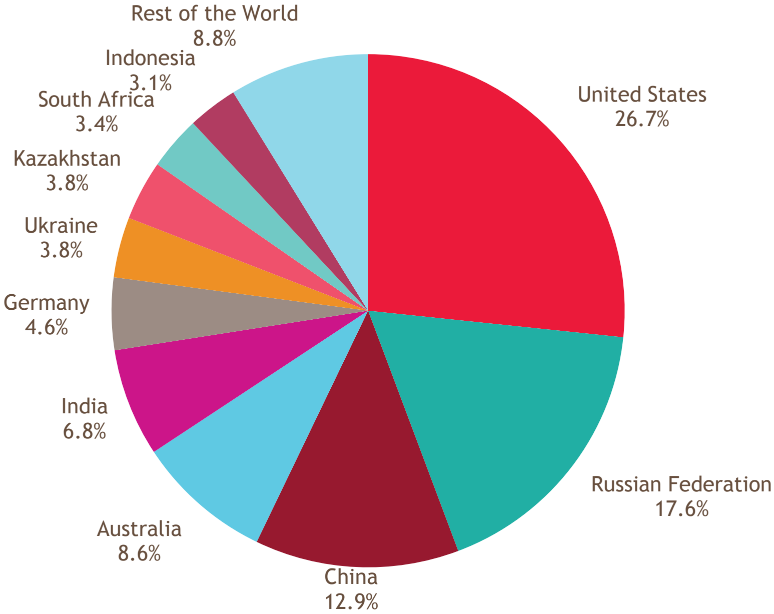
A.1.2 Global Coal Reserves

As at the end of 2014, it is estimated that there are over 892 billion metric tonnes of proved coal reserves worldwide.[12] Approximately 72.4% of the world's proven recoverable coal reserves are located in the following five countries:

- United States (26.6%);
- Russian Federation (17.6%);
- China (12.8%);
- Australia (8.6%); and
- India (6.8%).

Figure A.3 below shows the geographic spread of proven coal reserves by country as at the end of 2014.

Figure A.3: Global Proven Coal Reserves by Country



Source: BP Statistical Review of World Energy June 2015

A.1.3 Global Coal Consumption

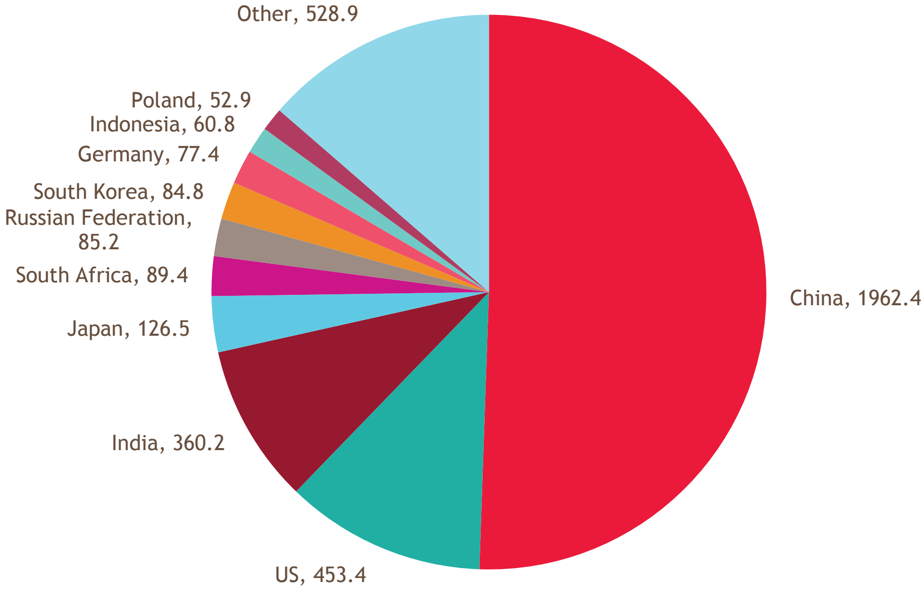
Coal's share of global primary energy consumption was 30.0% in 2014. The five largest users of coal – China, the United States, India, Japan and South Africa – account for approximately 77% of total global coal use. The biggest market for coal is in Asia-Pacific which accounted for 71.5% of global coal consumption in 2014.

Global coal consumption grew by 0.4% in 2013, well below the ten year average of 2.9%. The weak growth in consumption was driven by a decline in the growth of consumption in China (+0.1%), the largest user of coal accounting for more than half the global consumption. OECD consumption fell by 1.5%, whereas non-OECD consumption grew by 1.1%.

Figure A.4 below sets out coal consumption in 2014 by the top coal users.

[12] Proved reserves include reserves that are not only considered to be recoverable but that can also be recovered economically. This means that proved reserves take into account what current mining technology can achieve and the economics of recovery. Proved reserves will therefore change according to the price of coal. If the price of coal is low, proved reserves will decrease.

Figure A.4: Coal Consumption in 2014 (million tonnes)



Source: BP Statistical Review of World Energy June 2015

A.1.4 Coal Prices[13]

Most coal traded in international markets is bought and sold pursuant to term contract arrangements between the world's major producers (such as BHP Billiton, Xstrata, Rio Tinto and Vale) and the world's major buyers (such as Indian, Chinese, Korean and Japanese steel mills). The term contract arrangements set out a number of key terms including:

- The benchmark prices at which coal will be traded;
- The volume of coal to be traded;
- The energy content of the coal to be traded;
- The method and cost of transportation; and
- Any other specifications as required.

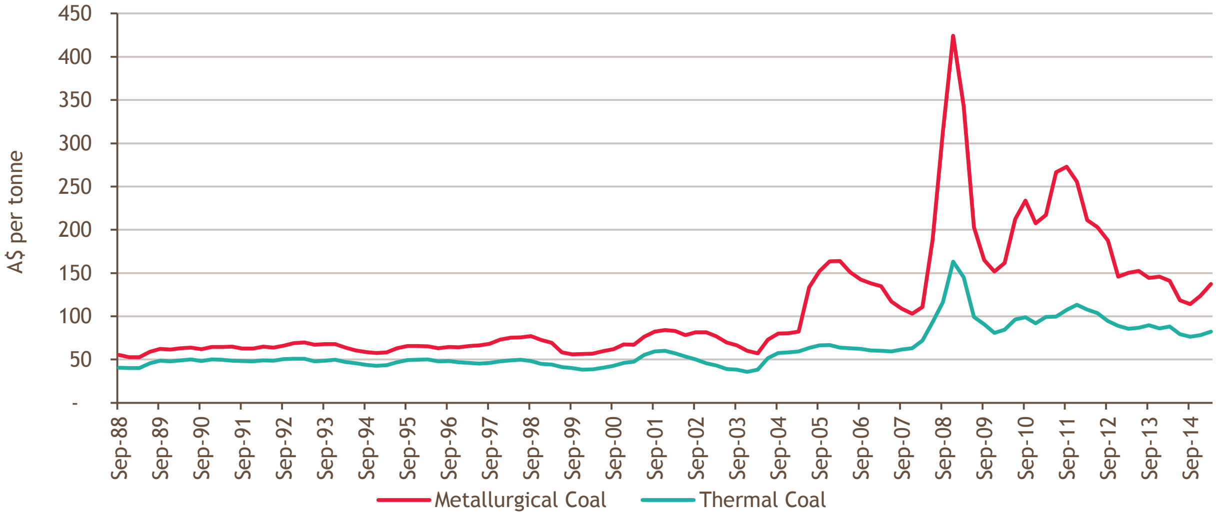
Existing term contracts generally serve as the reference point when negotiating updated term contract arrangements.

The benchmark prices negotiated and agreed between the major producers and buyers generally determine the price at which subsequent coal contracts will settle at following adjustments for the specific energy specifications of the coal.

Figure A.5 below shows the average export price for thermal coal and metallurgical coal from the quarter ended September 1988 to the quarter ended March 2015 in A$ per tonne.

13 Information primarily sourced from Office of the Chief Economist, Australian Department of Industry and Science

Figure A.5: Average Export Price of Coal (September 1988 – March 2015)



Source: Resources and Energy Quarterly, Australian Department of Industry and Science

Figure A.5 above shows that the average spot price of thermal and metallurgical coal has been highly volatile over the last ten years.

Reasons for the observed spike in coal prices include disruptions in supply and the surge in demand for coal from India and China. However, prices decreased significantly in 2009 following the impact of the global financial crisis on the demand for power generation and steel. Coal prices recovered in 2010 and 2011 as supply disruptions in Australia, Indonesia and South Africa limited export growth at a time of strong import demand. However, coal prices (in terms of US$) trended downward throughout most of 2013 and the first half of 2014 and 2015, reflecting surplus supply, lower demand and lower production costs that reduced the price required for operations to remain viable. Coal prices in terms of A$ per tonne in Figure A.5 above appear to have increased in the first half of 2015 due to a significantly weaker Australian dollar.

Despite announcements from several companies for plans to close capacities or reduce output, analysts from the Bureau of Resources and Energy Economics expect the global coal supply overhang to persist in the near term until demand growth recovers and announced production cuts materialise. Furthermore, China's efforts to reduce the use of coal in response to concerns about deteriorating air quality may lower China's imports, placing downward pressure on prices.

A.2 Indonesian Coal Industry Overview

This section provides a summary of the Indonesian coal industry. Refer to Section 6 of the Bidder's Statement for more details on the Indonesian mining industry.

A.2.1 Summary

Indonesia is one of the world's largest producers and exporters of coal. Since 2005, Indonesia has been the leading exporter of thermal coal. A significant portion of this exported thermal coal consists of medium and low quality for which demand primarily comes from China and India.

According to information presented by the Indonesian Ministry of Energy, Indonesian coal reserves are estimated to last around 83 years if the current rate of production is sustained. Indonesia currently ranks 9th in terms of global proven coal reserves, containing approximately 3.1% of total proven global coal reserves according to World Energy Resources. Approximately 60% of Indonesia's total coal reserves consist of the lower quality (sub-bituminous) coal that contains less than 6100 cal/gram.

A.2.2 Locations

There are numerous smaller pockets of coal resources on the islands of Sumatra, Java, Kalimantan, Sulawesi and Papua, however the three largest regions of Indonesian coal resources are:

1) South Sumatra;

2) South Kalimantan; and

3) East Kalimantan.

These major coal regions are set out in Figure A.5 below.

Figure A.5: Major Coal Regions in Indonesia

Source: Indonesia Investments Website

A.2.3 Regulatory Changes

A major concern for investors in Indonesia's coal sector is uncertainty in the regulatory framework. The following regulatory changes have been observed in recent years:

- The domestic market obligation ('DMO') requires local mining companies to sell a certain portion of their output to local buyers to supply the needs of Indonesia's economy. The specific percentage is set each year by ministerial decree, as is a floor price for these sales;

- The divestment rule is of particular interest to foreign investors. Government Regulation 24/2012 requires tenement holders with foreign ownership to ensure that at least 51% of the mining company is within Indonesian ownership 10 years after production commences. The holder could be the government, a state-owned enterprise or a private company. This rule affects metal mining more than the coal sector, where most foreign participation is in the form of minority holdings;

- Indonesia’s thermal coal exports are estimated to have declined by 1.7% to 416 million tonnes in 2014. Exports were constrained by the introduction of export licencing in October 2014. Following the implementation of these regulations, all exporters must provide documented evidence clearing them to undertake production before they can ship any coal. Many companies failed to obtain a licence before the policy was implemented, contributing to a backlog in shipments; and

- The Indonesian government intends to curb shipments of all raw materials (except for coal), instead requiring the mining sector to add value to the products before export takes place. Initially, the plan was to ban raw mineral exports from 2014 onwards. Recently, however, the government has stated that it will be more flexible towards this ban and expressed that some exports can continue under certain conditions.

A.2.4 Outlook

The commodities boom of the 2000s triggered by accelerated economic growth in emerging economies generated significant profits for the global coal industry. However, profitability declined with the outbreak of the global financial crisis in 2008 when commodity prices dropped. Notwithstanding the bounce in global coal prices from the latter half of 2009 until the beginning of 2011, reduced global economic activity has lessened demand for coal, resulting in a downward trend of coal prices in Indonesia starting from early 2011.

The coal market continued to weaken in recent years. The World Bank forecasts commodity prices to stay weak in 2015 and coal prices will on average be 17% lower than in 2014 across all three main markets - U.S, Europe and Asia. The Department of Industry (Australia) forecasts Indonesia’s export of thermal coal to decline by a further 3.1% to 403 million tonnes in 2015, as a result of continued efforts to reduce production in response to the weak coal prices. While there are approximately 960 coal mining companies in Indonesia, approximately 900 of these companies produce only about 20% of the nation’s total output.

As coal is crucial for Indonesia’s sustainable economic development, the government is concerned about the low prices in the industry. As the industry is not ready to cut production rates significantly to rebalance supply and demand, the Indonesian government intervenes by making changes in regulations and policies, which are expected to have great impact on coal mining industry in the near future. To secure domestic supplies, the Indonesian Ministry of Energy and Mineral Resources requires coal producers to reserve a specific amount of their production for domestic consumption. In addition, the government uses export tax to discourage coal exports.

Appendix B – Industry Information: Overview of the Iron Ore and Zircon Sands Industries

This section of this Report is set out as follows:

- Section B.1 provides a brief overview of the iron ore industry; and
- Section B.2 provides a brief overview of the zircon sands industry.

The information presented in this appendix has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe to.

B.1 Iron Ore Industry

B.1.1 Overview

Iron ore comprises rocks or deposits that contain compounds from which metallic iron can be extracted. Iron is the world's most used metal with approximately 98% of world iron ore production being used to make steel, which consists almost entirely of iron with the addition of small amounts of carbon and other metals to form different alloys by changing the proportion of these elements. Steel is a primary input for the production of items such as automobiles, structural engineering products (i.e. beams and steel rods), and other general industrial applications.

The majority of iron ore comprises the following iron oxide minerals:

- Hematite, which contain approximately 70 percent iron;
- Goethite, which contain approximately 63 percent iron;
- Limonite, which contain approximately 60 percent iron; and
- Magnetite, which contain approximately 72 percent iron.

Commercial development of iron ore deposits are largely constrained by the position of the iron ore relative to its market and the cost of establishing proper transportation infrastructure such as ports and railways. There are three main categories of iron ore exports:

- Fines: fines are the smallest size category and typically have a granular size less than 9.50mm.They are the most heavily traded category of iron ore;
- Lump Ore: lump ore consists of golf ball sized pieces, and generally has a higher iron content than fines; and
- Pellets: particle sizes range from 9.50 mm to 16.00mm. Pellets are made by agglomeration of finely ground and concentrated ore.

The extraction of iron ore is often carried out via open cut mining techniques. Iron ore is typically hauled to crushing and screening plants before it is transported for further treatment and blending.

B.1.2 Iron Ore Production

In 2013, approximately 3,110 million metric tonnes (MMt) of iron ore was produced globally. It is estimated that production increased to approximately 3,220 MMt in 2014.

Table B.1 below sets out iron ore production by country for 2012 and 2013 and estimated iron ore production figures by country for 2014.

Table B.1: Iron Ore Production by Country in 2012, 2013 and 2014

	Iron Ore Production		
	2012 (MMt)	2013 (MMt)	2014 (estimated) (MMt)
United States	54	53	58
Australia	512	609	660
Brazil	398	317	320
Canada	39	43	41
China[(a)]	1,310	1,450	1,500
India	144	150	150
Iran	37	50	45
Kazakhstan	26	26	26
Russia	105	105	105
South Africa	63	72	78
Sweden	23	26	26
Ukraine	82	82	82
Other Countries	123	127	131
World Total	**2,930**	**3,110**	**3,220**

Source: U.S. Geological Survey Mineral Commodity Summaries - 2015
Note: [(a)] Mine production for China is based on crude ore, rather than usable ore, which is reported for the other countries

B.1.3 Reserves

In 2014, global economic iron ore reserves were approximately 190,000 MMt. The estimated iron content of these reserves is 87,000 MMt. Table B.2 below sets out iron ore reserves by country for 2014.

Table B.2: Iron Ore Reserves by Country in 2014

	Reserves (MMt)	
	Crude Ore	Iron Content
United States	6,900	2,100
Australia	53,000	23,000
Brazil	31,000	16,000
Canada	6,300	2,300
China	23,000	7,200
India	8,100	5,200
Iran	2,500	1,400
Kazakhstan	2,500	900
Russia	25,000	14,000
South Africa	1,000	650
Sweden	3,500	2,200
Ukraine	6,500	2,300
Other Countries	18,000	9,500
World Total	**190,000**	**87,000**

Source: U.S. Geological Survey Mineral Commodity Summaries - 2015

B.1.4 Global Demand

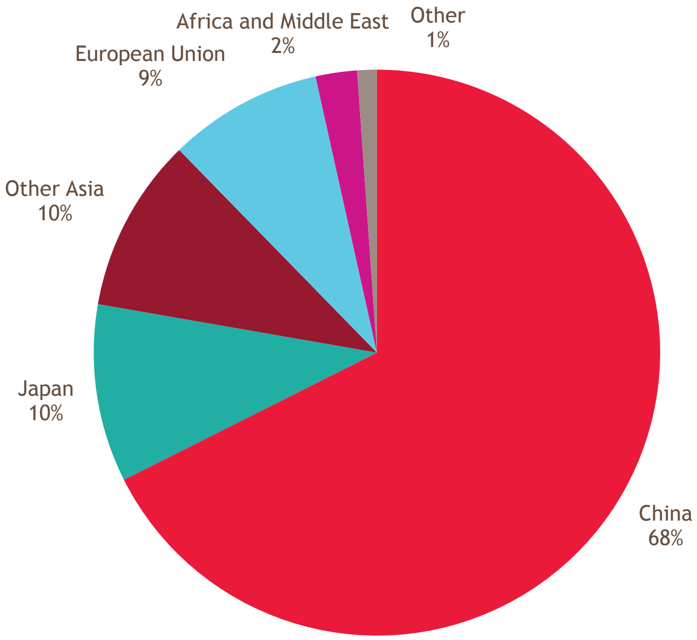
Due to its primary usage in the manufacture of steel products, the global iron ore mining industry is heavily dependent on trends in raw steel production and, ultimately on trends in economic growth that drive demand for steel. Over the last five years, strong growth in emerging economies, such as China and India, drove up the demand for iron ore which resulted in higher prices. This period however, was also characterised by significant levels of volatility, with the industry seeing triple-digit revenue spikes and double digit declines.

More recently, increased production in Australia and Brazil and lower than expected demand in China moved the market into oversupply. Global mine closures in 2014 were attributed to sustained reductions in market prices (refer to Section B.1.6).

B.1.5 International Iron Ore Imports

Demand for iron ore in 2014 was largely dominated by China, Japan and 'Other Asia'. Figure B.1 below sets out imports of iron ore by country in 2014.

Figure B.1: International Iron Ore Imports by Country - 2014

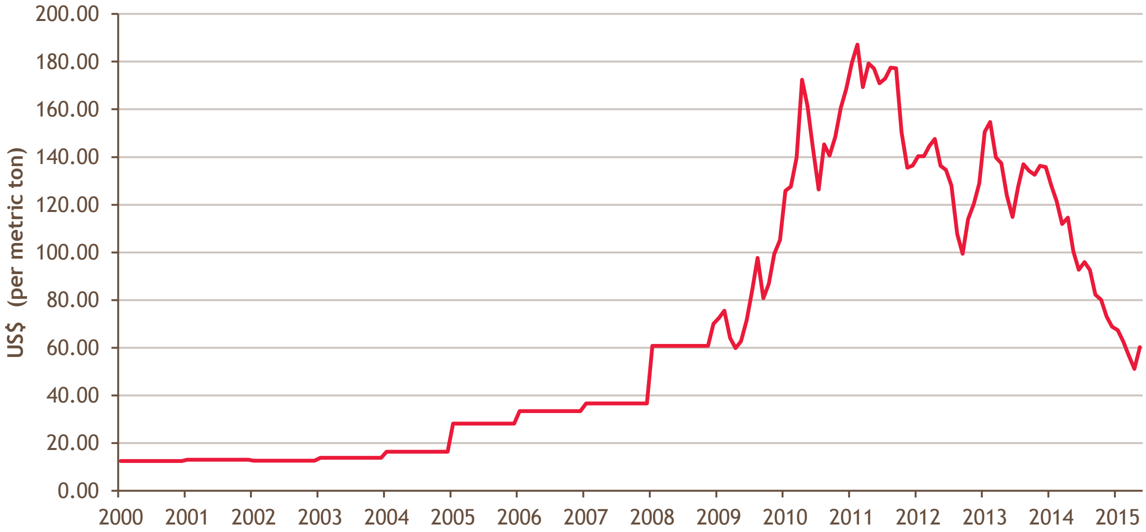


Source: World Steel Association - 2015

B.1.6 Price of Iron Ore

Figure B.2 below sets out the historical spot prices of iron ore from the China import Iron Ore Fines 62% FE (CFR Tianjin Port) over the period January 2000 to May 2015.

Figure B.2: China Import Iron Ore Fines 62% FE Iron Ore Prices - January 2000 to May 2015



Source: International Monetary Fund - The Steel Index

Based on the above, market prices fell to nearly US$51/tonne in April 2015 from a high of US$187/tonne in February 2011. The price of iron ore price decreased significantly throughout 2014 and 2015 as a result of rising supply from Brazil and Australia, together with subdued demand from China. According to the International Monetary Fund, iron ore prices subsequent to 2015 are forecast to trend downwards in the near term, as a result of continued oversupply and weaker demand.

B.2 Zircon Sands Industry

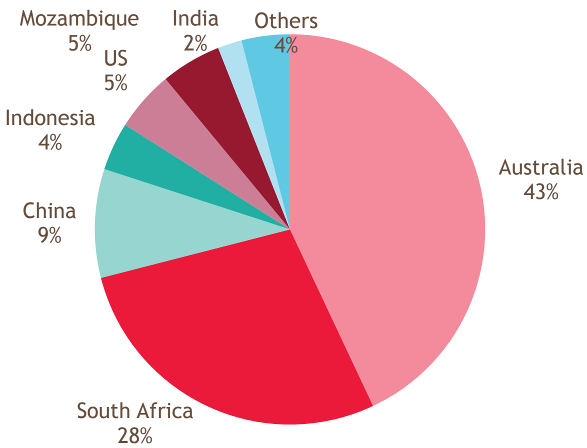
B.2.1 Zircon Sands Overview

Zircon sands ('Zircon') is an opaque, hard wearing mineral. It is mainly used in the decorative ceramics industry in the production of ceramic tiles. Zircon is also used in refractories, foundry casting and a growing array of specialty applications as zirconia and zirconium chemicals (including in nuclear fuel rods, catalytic fuel converters and in water and air purification systems).[14]

B.2.2 Global Zircon Production

As shown in Figure B.3 below, Australia is the largest producer of Zircon (43%), followed by South Africa (28%)[7].

Figure B.3: Zircon Production by Country (2014)



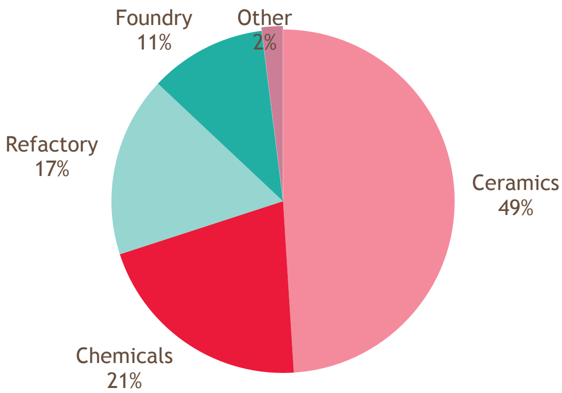
Source: Iluka Resources Mineral sands Industry Information (May 2015)

The majority of global Zircon supply is mined by three major producers; Iluka Resources Ltd (Australia) ('Ikula'), Rio Tinto Group (South Africa) and Tronox (South Africa and Australia), together producing approximately 64% of worldwide Zircon produced in 2014.

B.2.3 Global Demand

Figure B.4 below summarises the global demand for Zircon by end use.

Figure B.4: Zircon Demand by End Use (2013)



Source: Iluka Resources Mineral sands Industry Information (May 2015)

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[14] Iluka Resources Mineral sands Industry Information (May 2015), Iluka Resources, The Mineral Sands Industry Factbook (Feb 2014)

Demand from the chemicals sector is the fastest growing end use of Zircon with annual average growth of over 10%.

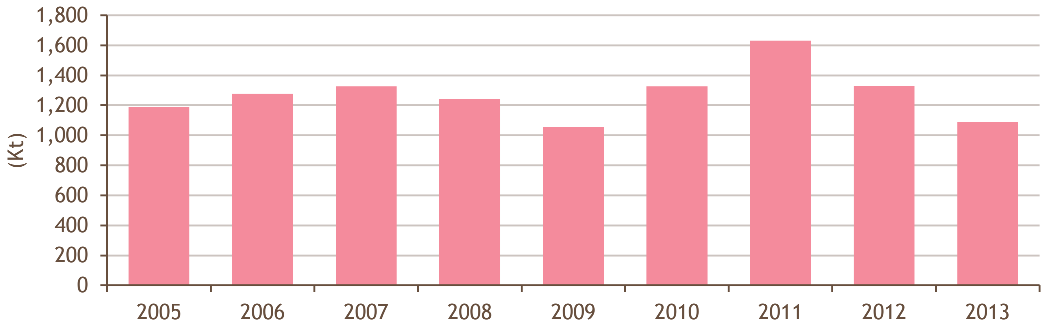
Global demand is concentrated in China (46%), Europe (20%) and other Asia Pacific regions (17%), as per 2013 data. These regions are the largest users/producers of ceramic tiles. Factors such as culture, climate, and manufacturing costs influence a country's use of ceramic tiles.

Other key drivers in demand for Zircon include urbanisation, gross domestic product ('GDP'), construction activity, industrial production and Zircon product substitution in ceramics.

B.2.4 Global Supply

Figure B.5 below summarises historical global Zircon production.

Figure B.5: Historical Global Zircon Production (Kt)



Source: Zircon Industry Association, Supply & Application of Zircon in the Metal Casting Industry (June 2015)

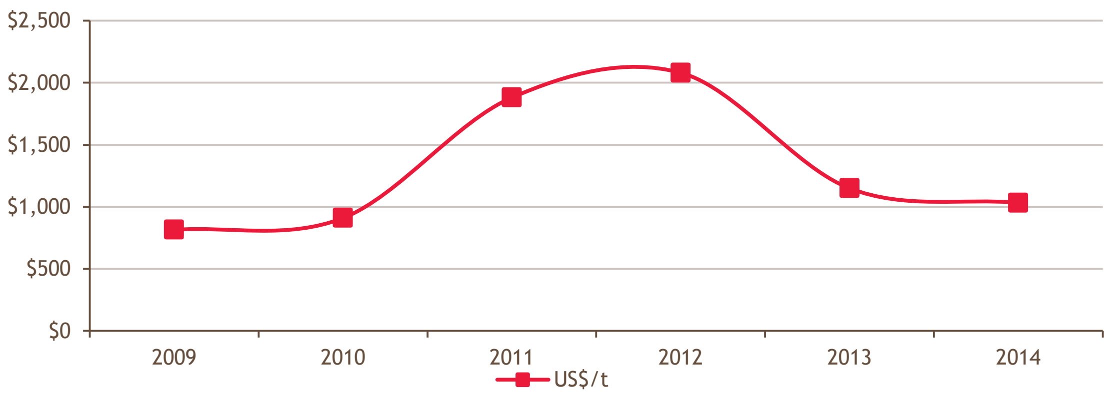
B.2.5 Global Prices

Mineral sands products (including Zircon) were historically sold on the basis of long term contracts resulting in an extended period of relative price stability and only modest price growth. This presented a disincentive for new investment.

From 2010 onwards, these contracts began to be phased out with the last of these reportedly ended in 2014. Zircon is now generally sold via contracts negotiated quarterly or half yearly. Mineral sands products are not exchange traded and the vast majority of Zircon sales are direct.

Figure B.6 below shows historical weighted average prices of Zircon as reported by Iluka.

Figure B.6: Weighted Average Zircon Prices (US$/t)



Source: Weighted average annual Iluka Mineral Sands Prices, US$/t, Free on Board

B.2.6 Global Regulation

Zircon is a radioactive product and is therefore subject to regulation including expert advisory organisations, international organisations, national governments and other regulators[15]. Radioactivity of zircon and its potential impact has been investigated and studies show that there is no real hazard potential for persons coming into contact with the material[16].

B.2.7 Global Outlook

Key factors in relation to the global outlook for the Zircon industry include the following:

- Substitution of Zircon in the ceramics industry has been on the rise in response to movements in Zircon prices. A general downward trend of the density of Zircon consumption in ceramic products has been observed;
- Volatility is observed in the Zircon industry influenced by volatility in economic growth, construction activity and inventory stocking and destocking; and
- Notwithstanding the above, there has been overall growth in global Zircon consumption. This is driven by urbanisation, GDP (per capita), increase in construction and industrial activity and an increasing array of applications for Zircon (e.g. chemicals).

B.2.8 Zircon in Indonesia

This section provides a summary of the Indonesian zircon sands industry. Refer to Section 6 of the Bidder's Statement for more details on the Indonesian mining industry.

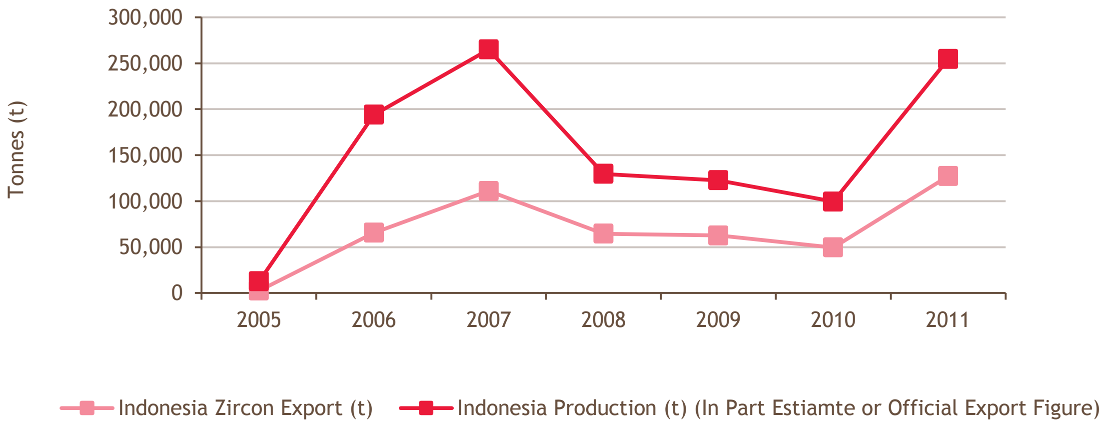
Zircon production in Indonesia is mainly from small artesian deposits, often mined primarily for gold. Almost all Zircon in Indonesia comes from Kalimantan Island and mainly from Central Kalimantan (from gold tailings). Zircon resources located in central Kalimantan Island are estimated to total 2.6 million tonnes.

Zircon produced from Indonesia is generally low grade as most Indonesian companies only produce low grade Zircon. Many companies, however, are in the process of upgrading plants to be able to produce higher grade in the future in response to the Indonesian government's ban on export of low grade Zircon in 2012.

As shown in Figure B.4 above, Indonesia produced approximately 4% of global zircon production in 2014. Indonesian Zircon production levels can vary significantly between years, influenced by market prices, government regulatory and taxation treatments.

Figure B.7 below shows Indonesia's Zircon production and exports in Indonesia over the historical period 2005 to 2011.

Figure B.7: Indonesia Historical Zircon Production and Exports



[15] Zircon Industry Association - Moving Forward , 12 November 2014
[16] DERA Rohstoffinformationen, Zircon - Insufficient Supply in the future?

Source: DERA Rohstoffinformationen, Zircon - insufficient supply in the future?

As shown in the figure above:

- A significant amount production and exports occurred in 2006 and 2007. This is the period when Indonesia became famous for Zircon potential when it flooded the Chinese market. During this period, Chinese investors commissioned significant tailings processing and Zircon upgrading plants;

- Production and exports decreased considerably in the years thereafter. During 2008 to 2010 many Zircon plants were placed on care and maintenance; and

- Zircon investors reacted swiftly to utilise the dormant plants when prices rose in FY2011 shown in the increase in production in 2011.

Indonesia is forecast to supply 80,000 tonnes per annum from 2014 onwards (based on forecasts prepared in 2011).

Appendix C – Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this Report, we have considered, amongst other metrics, the valuation methodologies recommended by ASIC in RG 111: Content of Expert Reports. The methodologies include those mentioned directly below.

C.1 Discounted Future Cash Flows

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

C.2 Capitalisation of Future Maintainable Earnings

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

C.3 Asset Based Valuation

Asset based valuations are used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets, however, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists (together with the relevant information) to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

C.4 Market Based Valuation

Market based valuations relate to the valuation of an entity where its shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

C.5 Industry Specific Metrics

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to the alternative measures of value and where the measures of value are generally reported in the market place and/or are able to be obtained through research.

For coal mining assets, it is common place for market analysts to have regard to multiples related to resource and reserve metrics.

Appendix D – Control Premium Research

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

The control premium observed in a given takeover bid may be impacted by a range of factors, including:

- The specific value that may have been applicable to the acquirer at the time of the transaction;
- The level of ownership already held by the acquirer in the target;
- The level of speculation in the market about a transaction between the target and the acquirer;
- The presence of competing bids for the target; and
- The prevailing strength of the market and the economy more broadly at the time of the transaction.

To determine an appropriate control premium range to apply to Cokal in this Report, we have considered the following information:

- Control premiums implied in merger and acquisition transactions of coal companies operating in Indonesia and Australia, which indicate median control premiums in the range of 33% to 41%[17];
- Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Various valuation textbooks; and
- Industry practice.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Offer in this Report.

[17] Capital IQ

Appendix E - DCF Valuation of the Open Pit BBM Project

Appendix E sets out our valuation of the Open Pit BBM Project on a controlling interest basis and is set out as follows:

- Section E.1 sets out our valuation approach for the Open Pit BBM Project;
- Section E.2 sets out the valuation assumptions adopted to determine the value of the Open Pit BBM Project;
- Section E.3 sets out our valuation of the Open Pit BBM Project;
- Section E.4 sets out a sensitivity analysis; and
- Section E.5 sets out our conclusion on the value of the Open Pit BBM Project.

Cokal shareholders should refer to Section 5.1.2 for a description of the Open Pit BBM Project.

E.1 Our Valuation Approach

E.1.1 Appropriate Valuation Methodology

Table E.1 below summarises the methodologies which, in our view, are appropriate to consider in determining the value of the Open Pit BBM Project on a controlling interest basis. Table E.1 also provides a brief explanation as to why, in our view, each methodology is or is not appropriate. Appendix C of this Report provides a summary of each of the valuation methodologies listed in Table E.1.

Table E.1: Appropriate Valuation Methodologies

Valuation Methodology	Appropriate?	Explanation
Asset Based	×	A separate asset based value ('ABV') for the Open Pit BBM Project cannot be readily observed, making an asset based valuation difficult. We are of the view that there are more appropriate valuation methodologies than the ABV methodology which can be adopted for the purposes of valuing the Open Pit BBM Project in this Report.
DCF	✓	The Directors have provided us with projected earnings and cash flows for the Open Pit BBM Project in a financial model. We are of the view that a DCF valuation of the Open Pit BBM Project is appropriate for the purposes of this Report[18].
CME	×	Having regard to the finite life of the mining operations and the change in earnings associated with expansions and contractions in production, we are of the view that the CME methodology is not as appropriate as a DCF methodology to value the Open Pit BBM Project.
Market Based	×	Shares in the Open Pit BBM Project are not listed on a stock exchange where market prices can be readily observed, making it difficult to apply a market based methodology.

[18] The DCF valuation covers the Measured and Indicated Resources of the BBM Project. We have considered the Inferred Resources separately in Appendix F – Valuation of the Residual Coal Deposits.

Valuation Methodology	Appropriate?	Explanation
Industry Metrics	×	Resource and reserve based metrics are often used to assess value in the coal mining industry given the volatility associated with the earnings of coal mining companies. We have not adopted this methodology for valuing the Open Pit BBM Project as in our view a DCF valuation is more appropriate. We have however adopted this methodology to value the Residual Coal Deposits (refer to Appendix F).

Source: BDO CFQ Analysis

For reasons outlined in Table E.1 above, we are of the view that it is appropriate to adopt a DCF valuation methodology for the purposes of determining an appropriate value for the Open Pit BBM Project (refer to Section E.4.1).

E.1.2 The Definitive Feasibility Study

Cokal management have provided us with a definitive feasibility study ('the DFS') for the Open Pit BBM Project dated February 2014. The DFS was commissioned by Cokal and prepared by PT Resindo Resources Indonesia ('Resindo'). The DFS is currently in the process of being updated. We are instructed by the directors of Cokal that while the updates have not yet been finalised, there are no material changes to the DFS dated February 2014.

The DFS covers Phase 1 of the BBM Project, being its planned open pit operations, recognised as the JORC-compliant Measured and Indicated Resources of the BBM Project.

Resindo is a project and technology specialist Indonesian company, experienced in all aspects of project design and development for the minerals, mining, oil and gas, and power generation assets.

We have made enquiries of Resindo in relation to the production assumptions, yield assumptions, capital expenditure assumptions and operating expenditure assumptions contained in the DFS. Based on our discussions with Resindo and Cokal management, we understand that the information set out in the DFS is current, comprehensive and supported, and represents the best information available as at the date of this Report.

E.1.2 The Financial Model

Cokal management have provided us with a financial model ('the Financial Model') which sets out forecast financial information relating to the BBM Project. We have referred to the Financial Model for the purposes of determining an appropriate value for the Open Pit BBM Project in this Report.

The projections in the Financial Model have been prepared by, and are the responsibility of, the directors of Cokal. We are instructed that the projections represent the directors' best estimates of the future cash flows of the Open Pit BBM Project at the current time. We have considered the projections in the Financial Model for the purposes of determining an appropriate value for the Open Pit BBM Project in this Report.

We have critically analysed the Financial Model to determine whether the assumptions underpinning the projections set out in the Financial Model provide an appropriate basis for our valuation of the Open Pit BBM Project. Our work has included the following:

- Performing a high level review of the DFS. The DFS is the source of the majority of the assumptions contained in the Financial Model;
- Performing tests and checks on a sampling basis in relation to the mathematical accuracy of the Financial Model;
- Making enquiries of management as to the source of the forecast assumptions set out in the Financial Model to understand and critically evaluate the basis of those assumptions;

- Performing a high level analysis of the reasonableness of the key market based assumptions set out in the Financial Model; and

- Making enquiries of Resindo to understand the basis of and support for the key production assumptions, yield assumptions, capital expenditure assumptions and operating expenditure assumptions set out in the Financial Model.

Notwithstanding the above procedures, forecasts and projections are, by their nature, inherently uncertain. BDO CFQ does not provide any opinion or assurance that the results in the Financial Model, based on the assumptions utilised, will be achieved. We have not reviewed or audited the financial information as defined by the Australian Accounting Standards and Australian Auditing Standards.

This Report considers the value of the Open Pit BBM Project as at the date of this Report. Many of the assumptions adopted in the Financial Model are subjective and may be subject to material change in short periods of time. Changes in these assumptions may have a material impact on the overall value determined for the Open Pit BBM Project in this Report. There can be no guarantee that the cash flow forecasts or valuation calculations will hold for any length of time as circumstances are continually changing.

E.1.3 Assumption References

Cokal shareholders should note the assumptions set out in the Financial Model in relation to the Open Pit BBM Project are referred to in this Report as follows:

- All references to assumptions are stated in real terms rather than nominal terms, unless otherwise stated. Having regard to this, we have adopted a real weighted average cost of capital ('WACC');

- All references to financial assumptions are stated in US dollars rather than Australian dollars, unless otherwise stated. To determine a value for the Open Pit BBM Project in Australian dollars, we have:

  - First, calculated the value of the Open Pit BBM Project in United States dollar ('US$') terms having regard to US$ inputs and assumptions; and

  - Then converted our calculated value for each asset from US$ to A$ at an assumed exchange rate of US$0.74/A$[19] ; and

- All references to assumptions are on a 100% ownership interest basis, unless otherwise stated.

E.2 Valuation Assumptions

E.2.1 Coal Price Assumptions

Hard Coking Coal

Coal prices have been determined based on brokers' consensus forecasts, taken from a Consensus Economics survey dated 15 June 2015.

Table E.2 below sets out the calculation of the median forecast hard coking coal price from December 2015 to December 2019 along with the long term coal price forecast, all quoted in real terms[20].

Table E.2: Brokers' Hard Coking Coal Price (US$/tonne) – Real Terms

Broker	31-Dec-15	30-Jun-16	31-Dec-16	30-Jun-17	31-Dec-17	30-Jun-18	31-Dec-18	30-Jun-19	31-Dec-19	Long Term
	US$/t	US$/t	US$/t	US$/t	US$/t	US$/t	US$/t	US$/t	US$/t	US$/t
BoA Merrill Lynch	112.0	115.0	na	na	120.0	125.0	125.0	na	na	0.0
RBC Capital Markets	105.0	115.0	115.0	125.0	125.0	130.0	130.0	130.0	130.0	150.0
Commonwealth Bank	109.3	117.6	127.0	132.8	134.4	146.2	146.2	152.0	152.0	135.0
Scotiabank	112.0	114.0	120.0	140.0	145.0	155.0	155.0	160.0	160.0	0.0
Deutsche Bank	105.0	115.0	125.0	na	128.8	na	na	na	na	0.0

[19] AUD/USD exchange rate based on 1-month average rate as at 26 August 2015 www.rba.gov.au
[20] Based on analysts' consensus nominal pricing adjusted for 2.5% per annum inflation

Broker	31-Dec-15	30-Jun-16	31-Dec-16	30-Jun-17	31-Dec-17	30-Jun-18	31-Dec-18	30-Jun-19	31-Dec-19	Long Term
	US$/t	US$/t	US$/t	US$/t	US$/t	US$/t	US$/t	US$/t	US$/t	US$/t
Morgan Stanley	100.0	115.0	115.0	120.0	117.5	117.5	117.5	122.5	122.5	115.0
Investec	104.0	106.0	110.0	112.0	115.0	122.5	122.5	140.0	140.0	137.0
Australia Dept of Industry	105.0	108.0	108.0	120.0	120.0	125.0	125.0	125.0	125.0	0.0
Credit Suisse	105.0	105.0	105.0	110.0	110.0	110.0	110.0	120.0	120.0	140.0
Macquarie	95.0	100.0	100.0	110.0	110.0	125.0	125.0	135.0	135.0	0.0
UBS	97.0	103.0	108.0	115.0	117.5	142.5	142.5	148.0	148.0	132.0
ANZ	96.0	100.0	105.0	110.0	111.0	115.0	115.0	115.0	115.0	0.0
Liberium Capital	85.0	85.0	90.0	na	na	na	na	na	na	0.0
Consensus (Median)	**105.0**	**108.0**	**109.0**	**117.5**	**118.8**	**125.0**	**125.0**	**132.5**	**132.5**	**136.0**

Source: Consensus Economics, 15 June 2015
Notes: "na" means that a forecast was not available

Low Volatility PCI Coal

To determine the forecast low volatility PCI coal prices in real terms, we have assumed a 20% discount to the above hard coking coal price forecasts set out in Table E.2 above. This discount is broadly consistent with the observed price differential between hard coking coal and PCI based on recent historical prices.

E.2.2 Consideration of the Impact of the DMO on Pricing

We have made enquiries of management in relation to the impact of the Domestic Market Obligation ('DMO') on the coal prices adopted in the Financial Model. Management have informed us that they expect any DMO pricing arrangements that may apply to metallurgical coal to be closely aligned to industry indices, which provide the miner with similar prices for domestic and export. From our own analysis, we understand that there are provisions for a floor price under the DMO (i.e. the minimum domestic price will be subject to the same minimum price for exports)[21].

E.2.3 Coal Production Assumptions

The coal production assumptions for the Open Pit BBM Project over the forecast period are based on a 10-year mine plan prepared by Cokal.

The latest geological work completed by Cokal indicates that the BBM Project has resources of 266.6 Mt, of which 19.5 Mt was classified as a Measured Resources and 23.1 Mt was Indicated Resources. Total run of mine ('ROM') coal mined in the Financial Model is 20.77Mt, which is Cokal management's estimate of the total mineable resources for the Open Pit BBM Project.

Figure E.1 below sets out the assumed coal production, by product type, of the Open Pit BBM Project over the forecast period.

[21] Indonesia Minister of Energy and Mineral Resources Regulations PerMen No 34/2009

Figure E.1: Coal Production at the Open Pit BBM Project

Source: The Financial Model

Figure E.1 above shows that the Open Pit BBM Project is forecast to produce approximately 2 Mtpa of coal from 2018 to 2026.

The proportion of hard coking coal to PCI coal reduces over the life of the mine. In total, 82.1% of product coal is hard coking coal and 17.9% is PCI coal. We are advised that analysis conducted in an Australian laboratory have confirmed that the coal resource at the Open Pit BBM Project is 90% coking coal and 10% PCI coal.

E.2.4 Yield Assumptions

The yields for the Open Pit BBM Project are projected to range between 82.9% and 100%, with an average of 93.2% over the life of the mine. The majority of coal mined is shipped directly as run of mine ('ROM') coal (i.e. 100% yield). Table E.3 sets out the total ROM coal, product coal and yield over the life of the mine.

Table E.3: Yield Assumptions

	Mt (ROM Coal)	Mt (Product Coal)	Yield (%)
Yield - Direct Ship Coal	8.43	8.43	100.0%
Yield - Screened / Crushed Coal	7.00	6.53	93.3%
Yield - Screened / Crushed / Washed Coal	5.34	4.40	82.5%
Total	**20.77**	**19.36**	**93.2%**

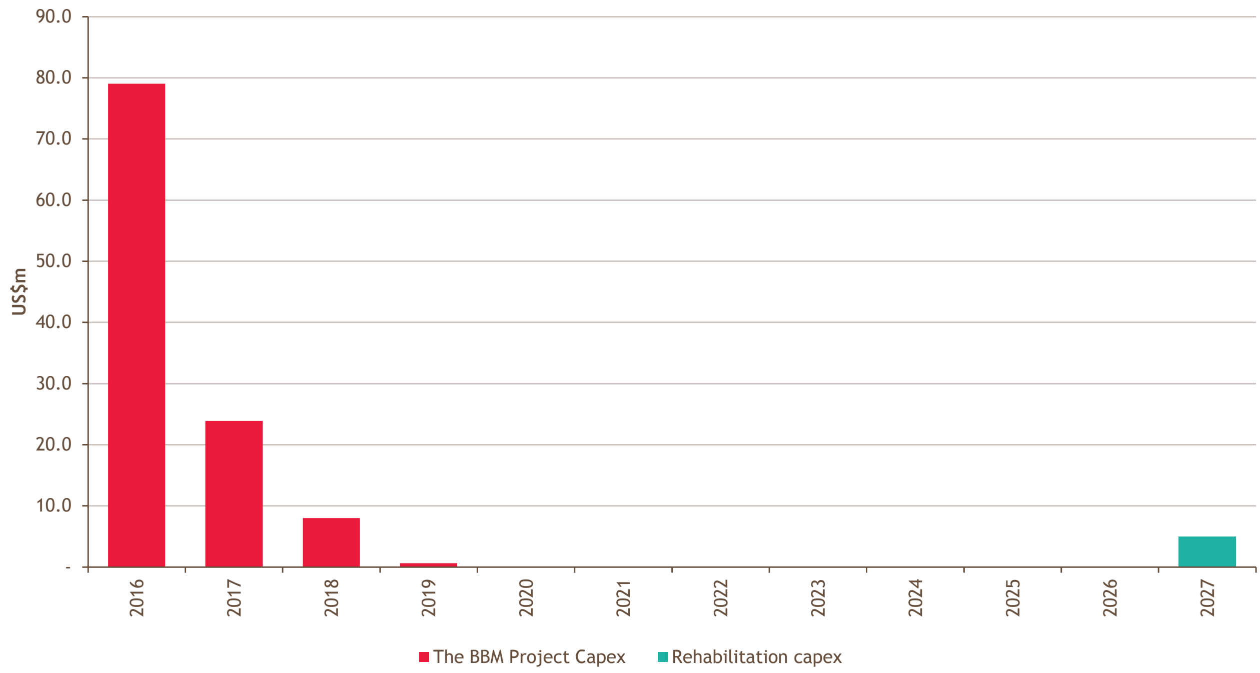
Source: The Financial Model

E.2.5 Capex Assumptions

The capex assumptions for the Open Pit BBM Project are based on prices utilised either specifically for the Open Pit BBM Project by vendor and contractor quotations or from recent and current similar works in Indonesia. The DFS sets out a detailed schedule of capex.

Figure E.2 below summarises the annual capex spend for the Open Pit BBM Project over the life of the mine.

Figure E.2: Annual Capex for the Open Pit BBM Project



Source: The Financial Model

Total capex for the Open Pit BBM Project is expected to equal US$116.6 million over the life of the mine. The majority of this cost is projected to be incurred in 2016 (US$79.0 million). Rehabilitation capex incurred in the final year of operations is assumed to be US$5 million.

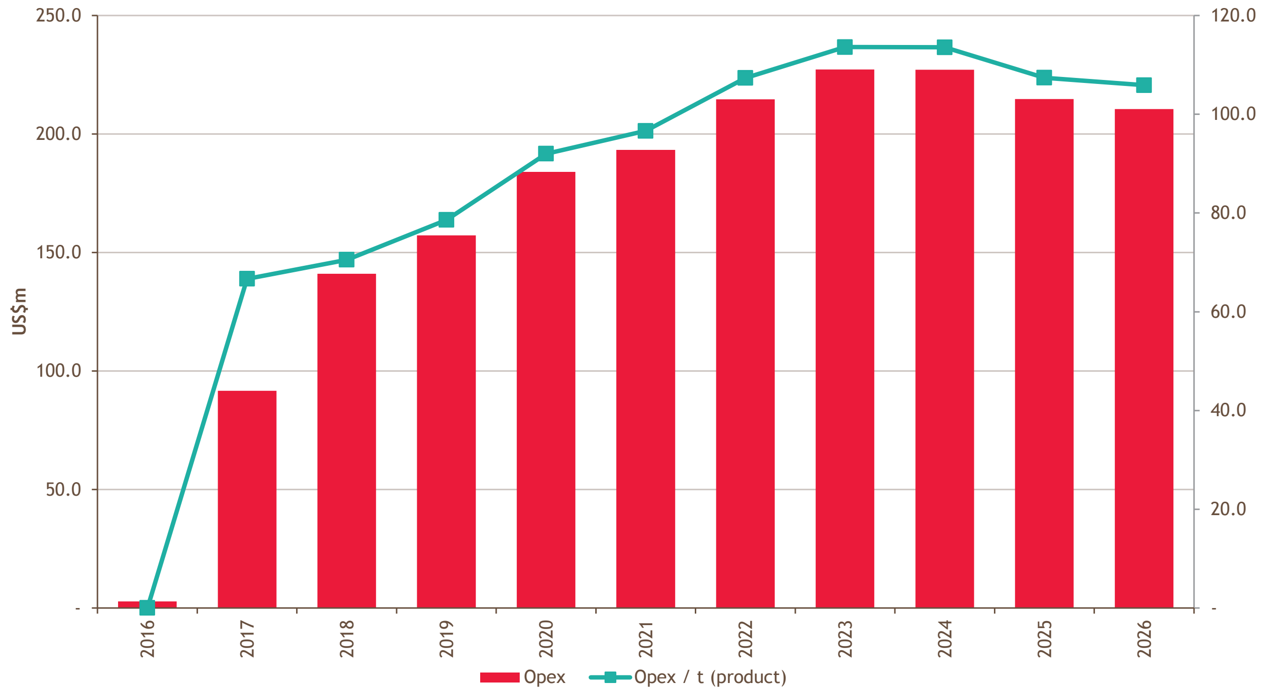
E.2.6 Operating Expenses Assumptions

The DFS sets out a detailed schedule of operating expenses. The operational cost estimates adopted in the Financial Model have been calculated based on the following:

- Mine plan and volumes were provided and optimised by a consultant (ASEAMCO) based on a ten year mining period. Although the mine plan provided is for a ten year period, the operating costs have been developed for the first four years only, with the next six years following the initial trend;
- The unit rates for coal mining and hauling were based on tender information provided by a leading mining contractor (PT Madhani Talatah Nusantara), who are considered a potential mining contractor for the Open Pit BBM Project;
- The coal hauling rate is from PT Antang Laju Perkasa, an established hauling contractor;
- The unit rates for river barging were based on information provided by a leading marine and barging consultant (Global Marine Resources);
- Facilities operations costs include manpower, camp and messing, mobile and fixed plant, power generation and fuel for the mine area, Purnama Port and Kelanis Port; and
- Other costs include corporate overheads, local government charges and community development.

Figure E.3 below summarises the annual operating expenditure (‘Opex’) and annual operating expenditure per product tonne for the Open Pit BBM Project over the life of the mine.

Figure E.3: Annual Opex for the Open Pit BBM Project



Source: The Financial Model

Having regard to Figure E.4 above, we note the following:

- A key operating expense relates to overburden (waste) removal. Waste stripping costs in the Financial Model are based on the strip ratio (calculated as bank cubic metres of overburden removed divided by ROM tonnes). Waste stripping costs increase significantly from 2016 to 2024, then decrease slightly from 2024 to 2026;
- The four years of detailed Opex estimates are reflected by a ramp up phase and then six years of stable production (on a dollar per unit basis); and
- Plant and equipment efficiencies are expected to be attained towards the end of the mine life, resulting in a decline in Opex (on a dollar per unit basis).

E.2.7 Other Key Assumptions

Table E.4 summarises the other key assumptions in relation to the Open Pit BBM Project.

Table E.4: Other Key Assumptions Adopted for the DCF Valuation of the Open Pit BBM Project

Assumption	Description
Ownership interest	Cokal's ownership interest in the Open Pit BBM Project is 60%.
Corporate tax rate	The corporate tax rate applicable to the Open Pit BBM Project is assumed to be equal to 25%.
Value added tax ('VAT')	The Open Pit BBM Project is subject to a VAT rate of 10%. Our understanding is that VAT is fully recoverable within the Indonesian regulatory framework, provided the project meets certain general requirements. We have assumed that net VAT outgoings are zero.
Royalties	The royalty rate applicable to the Open Pit BBM Project is assumed to be equal to 7% of total revenue. A funding arrangement may also require additional royalties. These can be negotiated as required in the relevant circumstances. We have not included additional royalties in the Financial Model.
Terminal value	We have included a terminal value equal to the written down value of property plant and equipment (US$40.4 million on an undiscounted basis).

Assumption	Description
Depreciable life	Depreciable capital items are assumed to have a useful life of 20 years.
Discount rate	As set out in Appendix G of this Report, we have calculated an after-tax WACC for the Open Pit BBM Project within the range of 11.20% to 15.28%, or a midpoint of 13.24% in real terms. This equates to an after-tax WACC of 16.1% in nominal terms.
Working capital	Changes in working capital are assumed to be nil over the life of the mine.
Tax losses	Any forecast tax losses generated by the Open Pit BBM Project are assumed to be used to offset forecast taxable income earned by the Open Pit BBM Project.

Source: The Financial Model

E.3 Valuation of the Open Pit BBM Project

Having regard to the assumptions set out above, the net present value of the Open Pit BBM Project on a 100% basis is within the range of US$107.3 million to US$144.7 million, with a midpoint of US$124.7 million.

E.4 Sensitivity Analysis

To provide further information to Cokal shareholders, we have completed a sensitivity analysis on the midpoint of the DCF valuation range of US$124.7 million for the Open Pit BBM Project assuming the following variables are adjusted in isolation, all other assumptions are held constant:

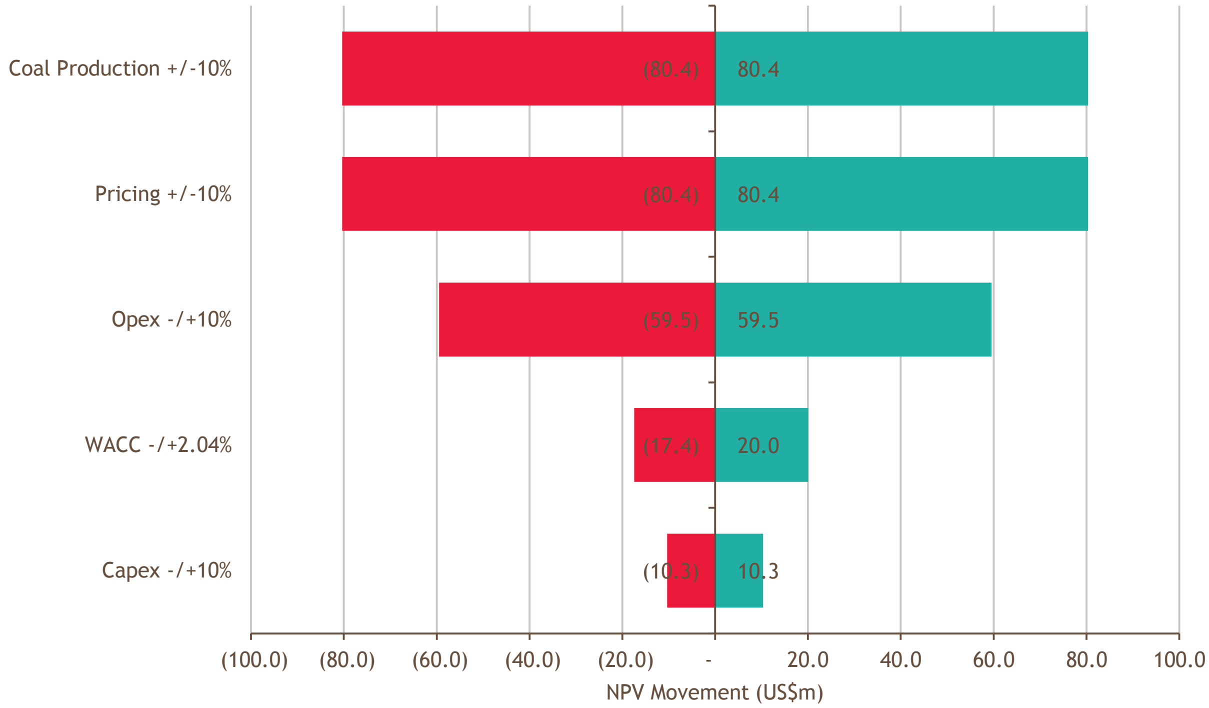
- Coal prices;
- Coal production;
- Operating costs;
- Capital expenditure; and
- WACC.

Users of this Report should note that:

- In reality, the variables described above would have compounding or offsetting effects and are unlikely to move in isolation;
- The variables for which we have performed sensitivities are not the only variables which are subject to deviation from the forecast assumptions; and
- The sensitivities we have performed do not cover the full range of possible variances from the base case assumptions assumed (i.e. variances could be greater than the percentage increase or decreases set out in this analysis).

Figure E.4 below provides an overview of the impact on the midpoint of our valuation range of US$124.7 million for the Open Pit BBM Project from a change in selected key valuation inputs.

Figure E.4: Sensitivity Analysis on Selected Key Assumptions for the Open Pit BBM Project (Movement in Net Present Value)



Source: The Financial Model & BDO CFQ Analysis

We note the following in relation to the sensitivity analysis on the midpoint of our valuation range for the Open Pit BBM Project:

- A 10% increase (decrease) in forecast coal prices increases (decreases) the midpoint of our valuation range by approximately US$80.4 million (US$80.4 million);
- A 10% increase (decrease) in forecast coal production increases (decreases) the midpoint of our valuation range by approximately US$80.4 million (US$80.4 million);
- A 10% decrease (increase) in opex increases (decreases) the midpoint of our valuation range by approximately US$59.5 million (US$59.5 million);
- A 2.04% decrease (increase) in the WACC increases (decreases) the midpoint of our valuation range by approximately US$20.0 million (US$17.4 million); and
- A 10% decrease (increase) in capex increases (decreases) the midpoint of our valuation range by approximately US$10.3 million (US$10.3 million).

E.5 Conclusion on the Value of Cokal's Interest in the Open Pit BBM Project

We consider it appropriate to adopt our valuation range for the Open Pit BBM Project of US$107.3 million to US$144.7 million for the purposes of assessing the Offer in this Report.

Assuming an exchange rate of A$0.74/US$[22], our calculation of the value of Cokal's interest in the Open Pit BBM Project is set out in Table E.5 below.

[22] Average AUD/USD exchange rate for the one month to 26 August 2015 www.rba.gov.au

Table E.5: Value of Cokal's Interest in the Open Pit BBM Project

Item	DCF Valuation Low Case	DCF Valuation Midpoint	DCF Valuation High Case
US$ DCF Valuation (US$m)	107.3	124.7	144.7
A$/US$ Exchange Rate	0.74	0.74	0.74
Australian Dollar DCF Valuation (A$m)	145.0	168.5	195.6
Cokal's Ownership Interest	60%	60%	60%
Value of Cokal's Interest in Australian Dollars (A$m)	**87.0**	**101.1**	**117.3**

Source: The Financial Model & BDO CFQ Analysis

Table E.5 above sets out a value for Cokal's interest in the Open Pit BBM Project that is within the range of A$87.0 million to A$117.3 million.

Cokal shareholders should note that our valuation of Cokal's interest in the Open Pit BBM Project is sensitive to the assumptions adopted in this Report. Changes in the assumptions adopted may lead to material changes in the value of Cokal's interest in the Open Pit BBM Project.

Appendix F - Valuation of the Residual Coal Deposits

F.1 Residual Coal Deposits – JORC Compliant

The Residual Coal Deposits – JORC Compliant refers to those resources remaining in the BBM Project after the volumes assumed to be mined in the Open Pit BBM Project are deducted from the total JORC Compliant resources of the BBM Project.

The Residual Coal Deposits valued in this section include measured, indicated and inferred resources. We understand that the second phase of the BBM Project (after the Open Pit BBM Project is implemented) covers a potential 70Mt underground coking coal operation. Cokal management have developed a concept study which outlines the mapping and indicative plans to undertake the underground project.

We are of the view that industry specific measures are the most appropriate metric with which to value the Residual Coal Deposits. Coal mining companies commonly value their pre-production assets having regard to enterprise value to resources trading and transaction multiples.

The Residual Coal Deposits covered in this section comprise defined JORC resources. We are of the view that it is appropriate to estimate the value of the Residual Coal Deposits with reference to trading and transaction resources multiples calculated using broadly comparable companies/deposits. This comparable multiples analysis is set out in Appendix H of this Report.

Based on our analysis set out in Appendix H of this Report, we consider it appropriate to adopt an enterprise value to total attributable JORC resources multiple within the range of 0.06x to 0.12x to estimate the value of the Residual Coal Deposits.

Having regard to the above, the estimated enterprise value of the Residual Coal Deposits can be calculated as set out in Table F.1 below.

Table F.1: Estimated Value of the Residual Coal Deposits - JORC Compliant

	Low	High
Adopted Enterprise Value to Total JORC Resources Multiple	0.06x	0.12x
Total JORC Resources (Mt) [(a)]	246.2	246.2
Estimated Value (A$ Million)	**14.8**	**29.5**

Source: BDO CFQ Analysis

(a) Total JORC Resources are calculated as total reported resources for Cokal of 267 Mt less resources assumed to be mined in the Open Pit BBM Project of 20.8 Mt.

Table F.1 above shows that our estimated value of the Residual Coal Deposits is within the range of approximately A$14.8 million to A$29.5 million.

F.2 Residual Coal Deposits – Non JORC Compliant

As set out in Section 5.1.3 of this Report, Cokal has interests in other coal exploration projects (other than the BBM Project). With regard to those exploration assets we note the following:

- The other exploration assets have no defined JORC resources;
- Further exploration and mapping is required to identify the full potential of the exploration assets;
- As at the date of this Report, there is no specific information to suggest that the other exploration assets can be economically extracted; and
- We understand that development of the other exploration assets is not a priority for Cokal.

Having regard to the specific information in relation to the non-JORC compliant tenements and the above factors, in our view it is appropriate to attribute an aggregate value of A$5 million to the non-JORC compliant coal exploration assets for the purposes of the analysis in this Report.

F.3 Value Attributed to Residual Coal Deposits

Table F.2 sets out the total value we have attributed to the Residual Coal Deposits (refer Appendix F.1 and F.2 for further detail).

Table F.2: Total Estimated Value of the Residual Coal Deposits

	Low A$ millions	High A$ millions
JORC-Compliant Resources	14.8	29.5
Other Resources	5.0	5.0
Total Estimated Value (A$ Million)	**19.8**	**34.5**

Table F.2 shows that our total estimated value of the Residual Coal Deposits is in the range of A$19.8 million to A$34.5 million.

Appendix G - Discount Rate for the Open Pit BBM Project

Weighted Average Cost of Capital

This appendix sets out our view of the appropriate WACC to adopt for the DCF valuation of the Open Pit BBM Project. Details regarding the appropriate capital structure, required return on equity, required return on debt and the value of taxation appropriate for each asset are discussed below.

This section is set out as follows:

- Section G.1 sets out our approach to calculating the WACC; and
- Section G.2 sets out our WACC calculation for the Open Pit BBM Project;

G.1 Our Approach to Calculating the Weighted Average Cost of Capital

G.1.1 Weighted Average Cost of Capital

A company has two principal sources of capital finance: debt and equity. An average of the respective required returns on capital for equity and debt holders, weighted by the relative value of the equity and debt capital of the company is typically used to estimate the company's overall cost of capital. This is commonly referred to as the weighted average cost of capital.

The formula typically used to calculate the WACC is:

$$WACC = \left[r_e \times \frac{E}{V} + r_d \times \frac{D}{V} \times (1 - t)\right]$$

Where:

r_e represents the required return on equity;

$\frac{E}{V}$ represents the portion of the capital that is equity;

r_d represents the required return on debt;

$\frac{D}{V}$ represents the portion of the capital that is debt; and

t represents the tax rate.

G.1.2 Required Return on Equity

The most widely accepted method of estimating a company's cost of equity capital is the capital asset pricing model ('CAPM'). The CAPM proposes that any asset is priced according to its market or systematic risk (commonly referred to as the beta of the asset). The CAPM formula is as follows:

$$r_e = r_f + \beta \times MRP$$

Where:

r_f represents the risk free rate;

β represents the beta of the company; and

MRP represents the market risk premium, or the additional return an investor requires to invest in a fully diversified market portfolio rather than at the risk free rate.

G.1.3 Equity Beta

Equity betas are the commonly cited measure of the sensitivity of a company's share price to movements in the overall market.

To determine the appropriate equity beta to use in the CAPM, it is conventional practice to refer to comparable companies listed on stock exchanges. For the purposes of this Report, we have calculated equity betas for broadly comparable companies against the MSCI World Index, based on four years of weekly and monthly data as at 19 August 2015. The MSCI World Index is commonly used as a benchmark for assets that are likely to be attractive to international buyers, which we consider to be the case for the Open Pit BBM Project.

The equity betas observed for the comparable companies must be adjusted to remove the impact of the debt in the comparable company's capital structure before they can be applied to Cokal's assets. Debt increases the riskiness of a company's cash flows and therefore increases the sensitivity of that company's returns to market movements (i.e. debt serves to inflate equity betas). An equity beta that is adjusted to remove the impact of debt is commonly referred to as an asset beta.

Asset betas provide a measure of the sensitivity of a company's returns to movements in the overall market, independent of a company's capital structure. As a result, asset betas are the more appropriate metric to consider when comparing companies with different capital structures. The asset beta selected for a particular company based on the asset betas observed for comparable companies is then re-levered according to the optimal long-term debt level for the company in order to calculate the appropriate equity beta.

G.2 The Open Pit BBM Project

G.2.1 Capital Structure

To determine an appropriate capital structure for the Open Pit BBM Project, we have had regard to the average capital structure of companies engaged in developing coal projects considered broadly comparable to the Open Pit BBM Project. We have estimated the average capital structure for each comparable company by having regard to the average percentage of debt and equity observed in the capital structure as reported in the financial statements of each comparable company over the previous four year period, data permitting.

We have set out a description of broadly comparable companies in Table G.1 below, which we have referred to when estimating a discount rate for the Open Pit BBM Project. Due to the limited number of Indonesian coal producers we have also considered comparable Australian companies.

Table G.1: Description of Broadly Comparable Companies

Company	Description
Australian Companies	
Cockatoo Coal Limited	Cockatoo Coal Limited is engaged in the acquisition, exploration, development, production, and operation of coal mining projects. The company primarily focuses on producing metallurgical and thermal coal. Its lead project includes 62.5% interests in the Baralaba ultra-low vol PCI coal mine located in the Bowen Basin, central Queensland.
Wollongong Coal Limited	Wollongong Coal Limited mines, produces, sells, and exports coal. It owns and operates the Russell Vale Colliery, covering approximately 6,421 hectares, and the Wongawilli Colliery located in the Southern Coalfields of New South Wales. The company was formerly known as Gujarat NRE Coking Coal Limited.
New Hope Corporation Limited	New Hope Corporation Limited explores, develops, produces, and processes coal, and oil and gas in Japan, Taiwan/China, Chile, Korea, and Australia. It operates through four segments: Coal Mining, Oil and Gas, Marketing and Logistics, and Treasury and Investments. The company has interests in New Acland project, which is located in north-west of Oakey, Queensland; and Jeebropilly, New Oakleigh, and Chuwar coal mines that are located in the Ipswich region.
Whitehaven Coal Limited	Whitehaven Coal Limited develops and operates coal mines in Australia. The company holds interests in various projects located in New South Wales include Tarrawonga and Rocglen open cut mines, Maules Creek project, Canyon project, Narrabri north mine project, and Werris Creek mine, as well as development project, such as the Vickery project. It also owns interests in various other exploration and potential development projects in Queensland and New South Wales. As of August 27, 2014, the company had 888 Mt of recoverable coal reserves and 801 Mt of marketable coal reserves
Yancoal Australia Limited	Yancoal Australia Limited is engaged in identifying, developing, and operating coal related projects worldwide. It produces and sells coking, metallurgical, and thermal coal for the steel and power industries primarily in Australia, Singapore, South Korea, China, Japan, and Taiwan. The company was founded in 2004 and is based in Sydney, Australia. Yancoal Australia Limited operates as a subsidiary of Yanzhou Coal Mining Company Ltd.

Company	Description
Indonesian Companies	
PT Atlas Resources Tbk	PT Atlas Resources Tbk, together with its subsidiaries, engages in the acquisition, exploration, development, production, and sale of coal in Indonesia and internationally. The company operates its coal mining business through six hubs, including various mining concessions covering an area of approximately 200,000 hectares. It is also involved in the import-export of, and trade in, fuel sources, including coal, briquettes, refractory material, and associated business activities; and transportation of coal, such as the management and maintenance of transportation facilities to support coal mining activities and other related business activities. In addition, the company engages in the rental of equipment, vehicles, and other supporting infrastructure related to coal mining activities. The company was founded in 2007 and is based in Jakarta, Indonesia. PT Atlas Resources Tbk is a subsidiary of PT Calorie Viva Utama.
PT Adaro Energy Tbk	PT Adaro Energy Tbk, together with its subsidiaries, explores for, mines, and sells coal. It is also involved in coal hauling and trading activities; power generation; and workshop activities, as well as provision of mining contract, infrastructure, and coal logistics services. The company also provides coal handling and barging services; and terminal handling services. It serves power providers and cement manufacturers in Indonesia and internationally. The company was formerly known as PT Padang Karunia and changed its name to PT Adaro Energy Tbk. in April 2008. PT Adaro Energy Tbk. was founded in 2004 and is headquartered in Jakarta, Indonesia.
PT Baramulti Susksessarana Tbk	PT Baramulti Susksessarana Tbk engages in the mining and production of coal in Indonesia. The company holds interests in the coal mines located in the south west concession area of Samarinda, East Kalimantan; and in the north-east of Banjarmasin, South Kalimantan. It is also involved in trading activities and provision of transportation services to mining industry. The company was founded in 1990 and is headquartered in Jakarta, Indonesia.
PT Bayan Resources Tbk	PT Bayan Resources Tbk., together with its subsidiaries, engages in the open cut mining, production, and sale of coal in East and South Kalimantan. It primarily produces semi-soft coking coal and low sulphur sub-bituminous coal. It has rights to mine over a concession area of 81,265 hectares. The company is also involved in the provision of mining contractor, construction, transportation, and trading services, as well as shipping services. PT Bayan Resources Tbk. sells coal primarily to industrial end-users, commodity trading companies, and agents. The company was founded in 1973 and is headquartered in Jakarta, Indonesia.
PT Bukit Asam (Persero) Tbk	PT Bukit Asam (Persero) Tbk, together with its subsidiaries, engages in coal mining activities in Indonesia. The company's coal mining activities include general surveying, exploration, exploitation, processing, refining, transportation, and trading. It is also involved in the maintenance of coal port facilities; operation of steam power plants; provision of consulting services related to the coal mining industry and production; and briquette processing, palm plantation, and palm processing activities. The company also exports its products. The company was formerly known as PT Tambang Batubara Bukit Asam (Persero) Tbk. PT Bukit Asam (Persero) Tbk was founded in 1950 and is headquartered in Tanjung Enim, Indonesia.
PT Exploitasi Energi Indonesia Tbk	PT Exploitasi Energi Indonesia Tbk. primarily produces and trades in coal in Indonesia. The company owns various parcels of land located in Bentok and Pandansari, Banjarmasin, and South Kalimantan. It is also involved in the logistics and transportation of coal, and coal processing facilities, as well as operates coal-fired steam power plants. PT Exploitasi Energi Indonesia Tbk. was formerly known as PT Central Korporindo International. The company was founded in 1999 and is headquartered in Jakarta, Indonesia. PT Exploitasi Energi Indonesia Tbk. is a subsidiary of PT Saibatama Internasional Mandiri.

Source: Capital IQ as at 19 August 2015

Table G.2 summarises the average percentage of debt and equity observed in the capital structure of each comparable companies listed in Table A.1 over the previous four year period.

Table G.2: Average Percentage of Debt and Equity Observed in the Capital Structure of Broadly Comparable Oil and Gas Companies

Company	Average Debt Percentage	Average Equity Percentage
Australian Companies		
Cockatoo Coal Limited	27.6%	72.4%
Wollongong Coal Limited	29.6%	70.4%
New Hope Corporation Limited	0.0%	100.0%
Whitehaven Coal Limited	18.4%	81.6%
Yancoal Australia Ltd	77.8%	22.2%
Indonesian Companies		
PT Atlas Resources Tbk	40.8%	59.2%
PT Adaro Energy Tbk	42.8%	57.2%
PT Baramulti Susksessarana Tbk	33.6%	66.4%
PT Bayan Resources Tbk	55.0%	45.0%
PT Bukit Asam (Persero) Tbk	5.8%	94.2%
PT Exploitasi Energi Indonesia Tbk	29.6%	70.4%
Median	**29.6%**	**70.4%**
Mean	**30.3%**	**69.7%**

Source: Capital IQ, BDO CFQ analysis

After considering the above information as well as our own experience, it is our view that it is appropriate to adopt a long-term target debt level for the Open Pit BBM Project within the range of 20% to 40%.

G.2.2 Required Return on Equity

Risk Free Rate

In our view, an appropriate risk free rate to use in calculating the cost of equity capital for the Open Pit BBM Project is the rate on 10-year United States Government Bonds. We note that bond yields are currently at historical lows. However, these levels may not be indicative of the risk free rate in the longer term. The current low yield levels may not persist over the medium to long term.

Having regard to the above, it is our view that an appropriate risk free rate to use in calculating the cost of equity capital for the Open Pit BBM Project is the 10-year average of the rate on 10-year United States Government Bonds. As at 19 August 2015, the average 10-year rate on United States Government Bonds was 3.18%.

Beta Estimation

Table G.3 sets out the equity betas and asset betas of broadly comparable companies against the MSCI World Index and using four year weekly and monthly data respectively. The asset betas of the broadly comparable companies have been calculated having regard to the latest information available on the capital structure of each company as at 19 August 2015.

Table G.3: Betas of Broadly Comparable Oil and Gas Companies

Company	Equity Beta MSCI World Index 4-Yrs Weekly	Asset Beta MSCI World Index 4-Yrs Weekly	Equity Beta MSCI World Index 4-Yrs Monthly	Asset Beta MSCI World Index 4-Yrs Monthly
Australian Companies				
Cockatoo Coal Limited	(0.48)	(0.38)	1.31	1.03
Wollongong Coal Limited	(0.15)	(0.11)	(0.77)	(0.60)
New Hope Corporation Limited	0.21	0.21	0.43	0.43
Whitehaven Coal Limited	(0.88)	(0.76)	1.13	0.97

Company	Equity Beta MSCI World Index 4-Yrs Weekly	Asset Beta MSCI World Index 4-Yrs Weekly	Equity Beta MSCI World Index 4-Yrs Monthly	Asset Beta MSCI World Index 4-Yrs Monthly
Yancoal Australia Ltd[(a)]	0.25	0.07	(0.93)	(0.27)
PT Atlas Resources Tbk	0.13	0.08	0.05	0.04
PT Baramulti Susksessarana Tbk	0.06	0.05	(0.04)	(0.03)
PT Bayan Resources Tbk	0.17	0.09	0.56	0.29
PT Bukit Asam (Persero) Tbk	0.64	0.61	0.73	0.70
PT Exploitasi Energi Indonesia Tbk	0.56	0.43	0.85	0.64
Median	**0.17**	**0.08**	**0.56**	**0.43**
Average	**0.12**	**0.08**	**0.40**	**0.36**

Source: Capital IQ, BDO CFQ analysis

(a) *Yancoal Australia Limited was only listed on the Australia Securities Exchange in June 2012, limiting the data available for beta calculations. Further, the company has convertible notes on issue which are significant relative to its market capitalisation which may have impacts on the beta measurement.*

Regarding Tables G.2 above, we note the following:

- Cockatoo Coal Limited and Wollongong Coal Limited have both had recapitalisation measures implemented over the period of the beta measurement, significantly impacting the trading data;
- New Hope Corporation Limited has a large cash balance and holdings in infrastructure assets which likely reduces the beta calculated for that company, relative to most other coal companies; and
- The average R^2 (in the context of beta, the percentage of security movements that can be explained by movements in a benchmark index) is low at 10.2% for the weekly data and 12.4% for the monthly data.

In our opinion, only limited conclusions regarding an appropriate beta estimate can be derived from the observed betas of comparable companies. The beta of an individual coal mining company is heavily driven by risk factors specific to its individual projects and may at times be unrelated to the betas observed for its peers. In light of the limitations mentioned above, we have also considered empirical evidence from the US suggesting that companies operating in the coal and metals and mining industries exhibit an average equity beta in the range of 1.4 to 1.7.

Having regard to the above and considering the nature of the Open Pit BBM Project, we consider an appropriate asset beta to be within the range of 1.00 to 1.20, which we have then re-levered to arrive at an appropriate equity beta. Based on the capital structure assumptions set out in Section G.2.1, this results in an equity beta for the Open Pit BBM Project within the range of 1.50 to 1.43.

Market Risk Premium

To assess an appropriate market risk premium, we have had regard to numerous empirical studies. This research indicates that market risk premiums can be estimated within the range of 4.5% to 7.0% and that the average MRP tends to vary between countries. For the purposes of this Report we consider it appropriate to adopt a market risk premium of 6.0%.

Country Risk Premium

Under the CAPM theory, it is assumed that investors require no additional returns to compensate them for specific risks as these can be diversified away with a diversified portfolio. However, in reality investors will include an additional risk premium to reflect factors such as project location and stage of development, especially when projects are located in areas with high sovereign risk.

Table G.4 below sets out the latest relative country risk ratings published by the Economist Intelligence Unit ('EIU') for Indonesia, the United States and Australia.

Table G.4: EIU Country Risk Ratings

Country	Sovereign Risk	Currency Risk	Banking Sector Risk	Political Risk	Economic Structure Risk	Country Risk
Indonesia	BB	BB	BB	BB	BB	BB
United States	AA	A	A	AA	A	AA
Australia	A	A	A	AA	BBB	A

Source: EIU - Country Risk Summary

Table G.8 below sets out the latest county risk ratings published by S&P, Moody's and Fitch for foreign currency long-term debt issues for South Africa, the United States and Australia.

Table G.4: Summary of Country Risk Ratings

Country	S&P	Moody's	Fitch
Indonesia	BBB- (Stable)	Baa2 (Stable)	BBB (Stable)
United States	AA+ (Stable)	Aaa (Stable)	AAA (Stable)
Australia	AAA (Stable)	Aaa (Stable)	AAA (Stable)

Source: S&P, Moody's and Fitch

The risk ratings set out in Tables G.3 and G.4 indicate that Indonesia's country risk is higher than the United States or Australia.

We note that the latest country risk profile prepared by Professor Aswath Damodaran of New York University indicates a country risk premium on equity for Indonesia of approximately 3.76% per annum[23].

Having regard to the above, we consider it reasonable that the risk for a foreign company doing business in Indonesia is higher than it would be if the project was located in the United States or Australia. As such, for the purposes of this report we have applied a premium for sovereign risk of 3.76% per annum for the Open Pit BBM Project.

Estimated Required Return on Equity

Based on the inputs set out above, we consider it appropriate to adopt a required return on equity for the Open Pit BBM Project within the range of 13.0% to 15.5%.

G.2.3 Required Return on Debt

In our view, it is reasonable to assume that a hypothetical purchaser would be able to raise debt secured over the Open Pit BBM Project, given its substantial measured reserves. In forming our opinion of the appropriate return on debt, we have considered the following:

- The median interest expense to total debt of comparable companies over the last twelve months was in the range of 1.03% to 12.11%, with a median of 5.33%;
- The yield to worst on corporate BBB rated bonds trading in the US as at 12 June 2015 was approximately 3.87%[24]; and
- The long-term target capital structure assumed for the Open Pit BBM Project as set out in Section A.2.1 above.

[23] Country Default Spreads and Risk Premium by Aswath Damodaran updated January 2015
[24] The 'yield to worst' represents the minimum return to be earned by an investor on a bond at a particular point in time having regard to specific bond features (such as whether it is callable, puttable or exchangeable), assuming the issuer does not default.

Based on the above, we consider it appropriate to adopt a required return on debt for the Open Pit BBM Project within the range of 4.0% to 5.0%.

For completeness, as noted in Section 5.1.2 of this Report, Cokal signed a non-binding term sheet with Cedrus and Platinum in relation to a US$110 million project finance facility for the Open Pit BBM Project, with terms including a 13% interest rate. We have had regard to this information, however, our assessment of the target funding mix and the cost of funds is based on our view of the typical project and funding risks applicable to an asset such as the Open Pit BBM Project.

G.2.4 Tax Rate

The appropriate tax rate is the tax rate payable in Indonesia. The effective corporate tax rate in Indonesia is currently 25%.

G.2.5 Additional Risk Factors

We note that as at the date of this Report, the cash flows set out in the Financial Model may be subject to the following project specific risks:

- The start date assumed in the Financial Model may not be achieved;
- Other milestones assumed in the Financial Model (e.g. first production) may not be achieved;
- Funding for the capex requirement assumed in the Financial Model has not been secured as at the date of this Report and it has not yet been determined how the Open Pit BBM Project will be fully funded; and
- The Open Pit BBM Project is pre-construction stage, and there is a risk that construction costs and timing may differ from that assumed in the Financial Model.

Having regard to the above additional risk factors, we consider it appropriate to include an additional risk premium of 5.0% in our calculation of the discount rate.

G.3 WACC Adopted for the Open Pit BBM Project

G.3.1 Nominal WACC Calculation

In our view, based on our high level consideration of the inputs to the WACC as outlined above, it is not unreasonable to adopt a nominal required rate of return (i.e. WACC) to the after tax and before interest cash flows of Cokal of 13.98% to 18.17%. For reasons set out previously, we note that the WACC ultimately adopted needs to be commensurate with the riskiness of the after tax and before interest cash flows of the company.

G.3.2 Real WACC Calculation

We note that the cash flows set out in the Financial Model are in real terms. When real cash flows are utilised it is necessary to convert the nominal WACC to a real WACC. The real WACC is calculated as follows:

$$WACC_{real} = \frac{1 + WACC_{nom}}{1 + Infl_{year}} - 1$$

Where:

$WACC_{real}$	represents the real WACC
$WACC_{nom}$	represents the nominal WACC
$Infl_{year}$	represents the change in the inflation index during the financial year

Based on the calculated nominal WACC and a rate of inflation of 2.50% we have calculated the real WACC to be in the range of 11.20% to 15.28%. For the purposes of this Report, we consider it appropriate to adopt the midpoint of 13.24%.

Appendix H - Comparable Multiples Analysis

Appendix H of this Report is set out as follows:

- Section H.1 sets out an overview of the comparable multiples analysis performed in this Report;
- Section H.2 sets out our trading multiples analysis;
- Section H.3 sets out our transaction multiples analysis; and
- Section H.4 sets out our conclusions in relation to the comparable multiples analysis performed in this Report.

H.1 Overview

The Residual Coal Deposits are coal deposits that are undeveloped. The comparable multiples analysis we have set out in this Report is predominantly focused on coal companies in the exploration or pre-production phase of development.

Our research did not identify meaningful information relating to many coal companies in the exploration or pre-production phase of development that were located in Indonesia for which data was publicly available. As such, we have had regard primarily to Australian coal exploration companies as broadly comparable to the Residual Coal Deposits.

Other information has also been included in this section of this Report where we consider that the information assists with the comparable multiples analysis.

While broadly comparable information is available, we note at the outset that the comparable multiples analysis we have performed has several limitations, including the following:

- Information on JORC resources and reserves was only collected from annual reports, quarterly reports, investor presentations and resources and reserves update announcements. We did not include information posted on company websites that could not be confirmed as being up to date in an annual report, quarterly report, investor presentation or resources and reserves update announcements. This effectively limits the observable market trading/transaction figures from which verifiable multiples can be drawn;
- The information which we consider to be comparable to Cokal, including level of development and level of identified resources/reserves of a similar quality may not be specifically comparable to Cokal. All tenements have their differences and those differences limit the comparability of the information;
- Valuation metrics for coal companies, particularly those in the exploration or pre-production phase of development, are highly volatile, primarily due to the volatility of commodity prices. This may limit the reliability of the trading and transaction multiples observed over time in this Report;
- The enterprise value of a broadly comparable company may reflect many other matters in addition to the market's view of the value of the tenements held. For example, the management strategy, access to capital or additional assets included for the broadly comparable companies/transactions identified in this Report may differ from those for Cokal; and
- The multiples derived from the trading data of broadly comparable companies generally provide information about multiples related to a minority interest in those companies whereas our valuation of the Residual Coal Deposits is on a controlling interest basis.

Having regard to the above, and notwithstanding our view that the results of the comparable multiples analysis set out in this Report are informative, we are of the opinion that any conclusions drawn from the comparable multiples analysis should be considered noting these limitations.

H.2 Trading Multiples Analysis

H.2.1 Trading Multiples Adopted in this Report

We have had regard to three trading multiples to estimate the value of the Residual Coal Deposits in this Report. Specifically, we have had regard to the following:

- Enterprise value to attributable inferred JORC resources trading multiples;
- Enterprise value to attributable measured and indicated JORC resources trading multiples; and
- Enterprise value to total attributable JORC resources trading multiples.

We note at the outset that it is common practice for some companies to have regard only to measured and indicated JORC resources (which are relatively more reliable resource estimates) and exclude inferred JORC resources when estimating trading resource multiples. Notwithstanding this, we have had regard to enterprise value to attributable inferred JORC resources trading multiples and total attributable JORC resources trading multiples (which include inferred JORC resource estimates) for reasons including the following:

- A substantial portion of the resources held by Cokal as the Residual Coal Deposits are classified as inferred Resources; and
- The potential opportunity to develop an underground mine within the BBM Project after the Open Pit BBM Project is implemented (refer Appendix F.1).

The trading resources multiples adopted in this Report relate to multiples calculated for broadly comparable companies whose value can be estimated having regard to exchange-traded securities and publicly available information.

H.2.2 Methodology Used to Calculate Trading Multiples

The methodology that we have followed in order to complete our comparable trading multiples analysis includes the following:

- Collect information for each broadly comparable company on the attributable measured, indicated and inferred JORC resources; and
- Calculate an enterprise value to attributable JORC resources ratio for each broadly comparable coal company.

H.2.3 Descriptions of Broadly Comparable Companies Used to Calculate the Trading Multiples

Table H.1 below sets out descriptions of the broadly comparable companies used to calculate the trading multiples adopted in this Report.

Table H.1: Broadly Comparable Company Descriptions

Company	Company Description
Allegiance Coal Limited	Allegiance Coal Limited acquires and explores for coal tenements in Australia. It explores for coking/PCI/thermal coal. Its principal projects include the Back Creek project covering an area of 62 square kilometres situated in the Surat Basin; and the Kilmain project covering an area of 56 square kilometres located in the Bowen Basin. The company was incorporated in 2011 and is based in Sydney, Australia. Allegiance Coal Limited is a subsidiary of Gullewa Limited.

Company	Company Description
Coalbank Limited	Coalbank Limited develops early stage coal exploration projects in Australia. The company operates through Coal and Mineral segments. It explores for coal, coal seams, and base metals. The company holds exploration permits for coal in Eromanga Basins, Surat, and Blackall projects covering approximately 11,312 square kilometres located in Queensland. It also holds exploration permits in Mount Morgan district project covering approximately 180 square kilometres located in Rockhampton, Queensland; and Limestone Creek copper-gold project in Queensland. The company is based in Brisbane, Australia. Coalbank Limited is a subsidiary of Treasure Wheel Global Limited.
Cuesta Coal Limited	Cuesta Coal Limited explores and evaluates thermal and metallurgical coal resources in Australia. Its flagship project includes the Moorlands Project, an open cut thermal coal project that covers an area of approximately 1000 square kilometres located in the Western Bowen Basin in Queensland. The company was founded in 2009 and is headquartered in Sydney, Australia.
East Energy Resources Limited	East Energy Resources Limited engages in the exploration and mining of coal. The company primarily explores for thermal coal. It owns a 100% interest in the Blackall Project consisting of three main coal resource areas located in the eastern Eromanga Basin in central western Queensland. The company is based in West Perth, Australia.
Guildford Coal Limited	Guildford Coal Limited offers exploration and extraction of coal in Australia and Mongolia. The company holds interests in coal exploration tenements that cover approximately 18, 000 square kilometres located in Queensland, Australia. It also holds interests in projects located in the coal bearing basins of the South Gobi and Middle Gobi that contain thermal and coking coals. The company was founded in 2009 and is based in Spring Hill, Australia.
Stanmore Coal Limited	Stanmore Coal Limited explores and develops thermal and metallurgical coal deposits in the coal bearing regions of Eastern Australia. It primarily holds 100% interests in the Belview underground coking coal project covering an area of 170 km2 located to the east of Blackwater, Bowen Basin; the Range open cut thermal coal project covering an area of approximately 92 km2 located to the south-east of Wandoan, Surat basin; and the Lilyvale underground coking coal project covering an area of 13 square kilometres located to the east of Emerald. The company was founded in 2009 and is headquartered in Brisbane, Australia.

Source: Capital IQ

H.2.4 Calculation of Trading Multiples

Table H.2 below sets out a summary of the key information required to complete the trading multiples analysis for each of the broadly comparable coal companies identified in Table H.1, including the following:

- Enterprise value for each broadly comparable company as at 19 August 2015;
- Attributable measured, indicated and inferred JORC resources held by each broadly comparable company; and
- Total attributable JORC resources held by each broadly comparable company.

Table H.2: Summary of Key Trading Multiples Information for Each Broadly Comparable Company

Company	Coal Type	Enterprise Value[1] (A$ m)	Measured Resources (Mt)	Indicated Resources (Mt)	Measured & Indicated Resources (Mt)	Inferred Resources (Mt)	Total Resources (Mt)
Allegiance Coal Limited	Thermal	2.01	-	-	-	98.0	98.0
Coalbank Limited	Thermal	4.03	-	-	-	1,300.0	1,300.0
Cuesta Coal Limited	Thermal	9.59	113.4	150.5	263.9	462.7	726.6
East Energy Resources Limited	Thermal	22.32	-	627.5	627.5	2,817.0	3,444.5
Guildford Coal Limited	Coking/PCI/Thermal	152.40	15.0	268.0	283.0	2,134.0	2,417.0
Stanmore Coal Limited	Coking/PCI/Thermal	8.48	18.0	262.7	280.7	640.5	921.2

Source: Capital IQ and ASX Announcements

4 As at 19 August 2015

The resource information set out in Table H.2 above has been restated as a percentage of total resources in Table H.3 below.

Table H.3: Resources as a Percentage of Total Resources for Each Broadly Comparable Company

Company	Coal Type	Measured Resources (% of Total Resources)	Indicated Resources (% of Total Resources)	Measured & Indicated Resources (% of Total Resources)	Inferred Resources (% of Total Resources)
Allegiance Coal Limited	Thermal	0.0%	0.0%	0.0%	100.0%
Coalbank Limited	Thermal	0.0%	0.0%	0.0%	100.0%
Cuesta Coal Limited	Thermal	15.6%	20.7%	36.3%	63.7%
East Energy Resources Limited	Thermal	0.0%	18.2%	18.2%	81.8%
Guildford Coal Limited	Coking/PCI/Thermal	0.6%	11.1%	11.7%	88.3%
Stanmore Coal Limited	Coking/PCI/Thermal	2.0%	28.5%	30.5%	69.5%

Source: Capital IQ and ASX Announcements

The information set out in Table H.3 above is used to calculate the enterprise value to attributable JORC resources multiples for each of the broadly comparable coal companies.

These trading resources multiples calculated for each broadly comparable company are set out in Table H.4 below.

Table H.4: Broadly Comparable Company Trading Resource Multiples

Company	Coal Type	Enterprise Value ($m)	EV / Measured & Indicated Resources (Mt)	EV / Inferred Resources (Mt)	EV / Total Resources (Mt)
Allegiance Coal Ltd.	Thermal	2.01	N.A.	0.02	0.02
Coalbank Limited	Thermal	4.03	N.A.	0.00	0.00
Cuesta Coal Limited	Thermal	9.59	0.04	0.02	0.01
East Energy Resources Limited	Thermal	22.32	0.04	0.01	0.01
Guildford Coal Limited	Coking/PCI/Thermal	152.40	0.54	0.07	0.06
Stanmore Coal Limited	Coking/PCI/Thermal	8.48	0.03	0.01	0.01
Mean		**33.14**	**0.16**	**0.02**	**0.02**
Median		**9.03**	**0.04**	**0.02**	**0.01**
Mean (Thermal Only)		**9.49**	**0.04**	**0.01**	**0.01**
Median (Thermal Only)		**6.81**	**0.04**	**0.01**	**0.01**
Mean (Coking/PCI)		**80.44**	**0.28**	**0.04**	**0.04**
Median (Coking/PCI)		**80.44**	**0.28**	**0.04**	**0.04**

Source: BDO CFQ Analysis

In relation to Table H.4 above, we note the following:

- The enterprise value to inferred attributable JORC resources trading multiple for broadly comparable companies have a mean of 0.02x and a median of 0.02x;
- The enterprise value to measured and indicated attributable JORC resources trading multiples for broadly comparable companies have a mean of 0.16x and a median of 0.04x;

- The enterprise value to total attributable JORC resources trading multiples for broadly comparable broadly comparable companies have a mean of 0.02x and a median of 0.01x. The much lower values observed for the total JORC resources multiples compared to the measured and indicated JORC resources multiples reflects a relatively high proportion of the resources held by each of the broadly comparable coal companies identified in this Report being classified as inferred resources as opposed to measured or indicated resources; and
- The multiples applicable to Coking / PCI companies are higher than those applicable to thermal coal companies.

H.3 Transaction Multiples Analysis

H.3.1 Description of Transaction Multiples

We have had regard to the deal value to total attributable JORC resources transaction multiples when considering the value of the Residual Coal Deposits in this Report.

For completeness, we note that the transaction multiples calculated in this Report have been estimated from transactions in which a significant stake has been purchased in a company and where adequate information on the transaction has been disclosed.

H.3.2 Methodology Used to Calculate Transaction Multiples

The methodology that we have followed in order to complete our comparable transaction multiples analysis includes the following:

- Identify transactions over the period from 2011 to August 2015 involving the purchase of controlling interests in coal exploration assets;
- Collect information for each broadly comparable transaction on the following:
  - Deal value;
  - Total attributable JORC resources; and
- Calculate a deal value to total attributable JORC resources ratio for each broadly comparable transaction.

H.3.3 Calculation of Transaction Multiples

We have identified several transactions over the period 2011 to date involving the purchase of controlling interests in coal assets broadly comparable to the Residual Coal Deposits. These broadly comparable transactions are set out in Table H.5 below. Table H.5 below also sets out the transaction multiples for each of the broadly comparable transactions identified in this Report.

Table H.5: Implied Resource and Reserve Multiples of Broadly Comparable Transactions

Bidder	Target	Date Announced	Deal Enterprise Value (A$ m)	Percentage Interest Acquired	Coal Type	Attributable Resources (Mt)	Attributable Reserves (Mt)	EV / Resources	EV / Reserves
Wealth Mining Pty Ltd	Carabella Resources Limited - explores and develops coal resources in Australia.	05/12/2013	64	89%	Thermal / PCI / Hard Coking	165.90	11.00	0.43	6.54
Cockatoo Coal Limited	Blackwood Corporation Limited - explores for and develops coal tenement portfolio in Queensland, Australia.	18/10/2013	26	100%	Thermal/ Coking	322.00	51.80	0.08	0.50
U&D Coal Limited	Endocoal Limited - engages in the exploration and development of hard-coking, thermal, and PCI coal projects in Australia.	29/10/2012	72	100%	Thermal / PCI / Hard Coking	498.50	13.00	0.14	5.54
Whitehaven Coal Limited	Coalworks - focused on developing coking and thermal projects into production in Australia.	07/05/2012	167	83%	Semi Soft Coking/ Metallurgical/ Thermal	1,167.60	-	0.17	N/A
Shandong Energy Linyi Mining Group Co., Ltd	Rocklands Richfield Limited - Rocklands Richfield Limited engages in the exploration and development of coalfields in Australia.	30/03/2012	197	100%	Metallurgical	481.50	-	0.41	N/A
Kalres Limited	PT Katingan Ria - engages in coal exploration in Indonesia.	06/10/2011	10	51%	Thermal	40.10	N/A	0.50	N/A
Gloucester Coal Ltd	Monash Group Ltd - holds a large semi-soft coking and thermal coal development opportunity in NSW's Hunter Valley.	14/07/2011	30	100%	Thermal / Semi-Soft Coking	287.00	N/A	0.10	N/A
Arkdale Pty Ltd	Northern Energy Corporation - an ASX listed company with coal projects in Queensland and New South Wales	10/02/2011	184	76%	Thermal / PCI / Hard Coking	565.00	112.00	0.43	2.16
Mean (All)						**440.95**	**31.30**	**0.28**	**3.69**
Median (All)						**401.75**	**12.00**	**0.29**	**3.85**

Source: Capital IQ, Mergermarket, Company Annual Reports and ASX Announcements

In relation to Table H.5 above, we note the following:

- The enterprise value to total attributable JORC resources transaction multiples for all broadly comparable transactions have a mean of 0.28x and a median of 0.29x; and
- The enterprise value to total attributable JORC reserves transaction multiples for all broadly comparable transactions have a mean of 3.69x and a median of 3.85x.

In our view, limited conclusions can be made from the transaction multiples analysis research set out in this section for reasons discussed in Section H.4 below.

H.4 Comparable Multiples Analysis Conclusions

In our view, the trading and transaction multiples observed in Sections H.2 and H.3 of this Report, while providing useful information, are only broadly comparable to the Residual Coal Deposits for a number of reasons. These reasons include the following:

- The majority of the broadly comparable companies identified in our research are located in Australia. We note again that limited publicly available information was available to us in regards to explorer coal companies located in Indonesia;
- The most recent transaction multiples identified in our research occurred in 2013. The value of coal assets have declined significantly since 2013. Having regard to this, limited conclusions can be made in regards to the transaction multiples research;
- There is a wide variation in the proportion of resources relative to reserves and there is also a wide variation in the trading and transaction resources and reserves multiples observed for each of the broadly comparable companies;
- The trading multiples calculated in Section H.2 above relate to minority shareholdings and would not ordinarily include a control premium. We would ordinarily expect a controlling interest in the Residual Coal Deposits to be valued at a premium relative to the minority interest in each of the broadly comparable companies set out in Section H.2, holding all other factors constant;
- The Residual Coal Deposits have a higher proportion of inferred resources (90%) compared to many of the broadly comparable companies (average of 82%) we identified in our trading multiples research. We would ordinarily expect this to decrease the value of the Residual Coal Deposits relative to each of the broadly comparable companies on a resource to enterprise value basis, holding all other factors constant;
- The Residual Coal Deposits include resources to be extracted through an underground operation following implementation of the Open Pit BBM Project, as identified in Cokal's concept study. This is based on geological mapping and indicative mine planning based on an identifiable coal resource. We would ordinarily expect this to increase the value of the Residual Coal Deposits relative to the resources of comparable companies or transactions where relatively limited mapping, analysis or conceptual planning work was conducted; and
- The Residual Coal Deposits of Cokal hold a coking coal resource. Many of the broadly comparable coal companies identified in this Report hold only thermal coal assets. The enterprise values observed for these broadly comparable companies are therefore likely to reflect the lower quality thermal assets (relative to the higher value of metallurgical coal assets held by Cokal).

Having regard to the results of the comparable multiples analysis and the limitations set out above, we are of the view that it is appropriate to adopt an enterprise value to total JORC resources multiple within the range of 0.06x to 0.12x when assessing the value of the Residual Coal Deposits.