

ASX ANNOUNCEMENT / MEDIA RELEASE**19 November 2024**

Cokal Agrees Terms for a Strategic Partnership: A Transformative Transaction that Materially Enhances Capabilities Across Coal Sales & Distribution, Transport Infrastructure, and Debt Finance

Key Highlights

- **Cokal has executed binding term sheets (“Agreements”) with Cratus Group (“Cratus”), a leading bulk commodities and investments house.**
- **Cokal and Cratus are creating a strategic partnership that will transform Cokal’s ability to maximise the value of their portfolio of coal production and development stage assets, located in Central Kalimantan, Indonesia.**
- **Cratus will utilise its deep expertise and relationships built over two-decades of experience, to drive outcomes in the sales and marketing of Cokal’s coal products. To achieve this, Cratus will be appointed as a sales and marketing agent for saleable coal produced from Cokal’s Bumi Barito Mineral (BBM) metallurgical coal mine.**
- **In addition, Cokal and Cratus will form a 50-50 Infrastructure Joint Venture to materially increase the operating capacity and efficiency of the coal transport infrastructure, which is fundamental to achieving the scheduled ramp-up of coal production from BBM.**
- **Furthermore, Cratus will inject total funding of approximately US\$20.0m into Cokal and the Infrastructure Joint Venture to ensure ample resources are available to achieve and deliver on operational and financial forecasts.**

Cokal Limited (**Cokal**) (ASX: **CKA**) is delighted to announce the execution of binding agreements that underlie the formation of a Strategic Partnership with Cratus, a leading bulk commodities and investments house (further details on Cratus are provided below). This Strategic Partnership is transformative for Cokal and provides resources necessary for Cokal to achieve certain operational and financial objectives and forecasts, thereby maximising the value of its Indonesian coal assets, in an expedited timeframe, for the benefit of our shareholders.

The Strategic Partnership with Cratus provides a number of attractive immediate and longer-term benefits for Cokal

- Cratus will utilise its extensive relationships, expertise, and market access to undertake coal sales and marketing for Cokal, which is expected to create significant value.
- Cratus will contribute the capital, equipment, and operational expertise required to capture the multitude of value creation opportunities available across Cokal's asset base.
- Cokal and Cratus will form an Infrastructure Joint Venture to considerably enhance and maximise the coal transport infrastructure capacity and efficiency available for Cokal's assets, now and in the future.
- A total investment of approximately US\$20.0 million will be made by Cratus, with US\$7.0 million provided directly to Cokal and US\$13.0 million invested into the Infrastructure Joint Venture.
- Cratus is eager to work with Cokal to capture material ongoing and mutually beneficial value creation opportunities. This potentially includes supporting Cokal's procurement of equipment and infrastructure, technical advice, financial support, and opening access to relationships and/or markets.

Strategic Partnership - Overview

The Strategic Partnership is comprised of three key elements. The terms of the Agreements stipulate that the three elements of the Strategic Partnership are interconditional – that is, all three elements are required to be implemented for the Strategic Partnership to proceed.

1. Coal Sales and Marketing

- a. Cratus will be appointed as a sales & marketing agent for saleable coal production from BBM.
- b. Cratus will be allocated marketing rights over a share of BBM's saleable production for a term of 10-years. Cokal has received the consent of ICT (which holds the exclusive marketing and offtake rights for 8.0 million tonnes of coal which will remain unchanged) to allocate 4.0 million tonnes of Coal at the rate of 50% of the saleable production from BBM to Cratus on the terms set out in this agreement.
- c. A fee of 3% of the value of coal sold under Cratus' allocation will be paid to Cratus.
- d. Cokal and Cratus have executed a Coal Sales Agreement, a binding term sheet that includes the terms and conditions that will form the basis of the formal transaction documentation that is currently being prepared.
- e. Cokal is party to a previous agreement with International Commodity Trade Pte Ltd ("ICT") (the "International Coal Marketing Agreement" – please refer to Cokal's Announcement to the ASX dated 14 July 2021). Under the terms of the ICT agreement, ICT has been granted exclusive marketing and offtake rights over the first 8.0Mt of coal sales from BBM.
- f. The terms and conditions included in the Coal Sales Agreement term sheet are shown **below**.

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| Appointment | Cokal appoints Cratus to market coal and negotiate sales contracts |
| Allocation | Cratus will market 50% of all coal produced during the 10-year term. Existing exclusive ICT sales agreement allows Cratus to handle 4 million tonnes of coal, with coordination to avoid overlap in marketing channels and shipment timing. |
| Term | 10 years |
| Duties of Cratus | <ul style="list-style-type: none"> - Maximise coal sales and revenue for Cokal's benefit; - Act in good faith and pursue the best obtainable price based on market conditions and long-term strategy; - Prepare marketing strategies, identify markets, negotiate sales contracts, and coordinate vessel schedules; and - Provide revenue forecast and advise on long- and short-term sales planning. |
| Duties of Cokal | <ul style="list-style-type: none"> - Cooperate with Cratus to optimise sales and revenue; - Consider offers from Cratus in good faith and provide a decision within three business days; - Supply Cratus with production schedules and plans for effective marketing. |
| Marketing Fee | <ul style="list-style-type: none"> - Cratus earns a 3% Marketing Fee on FOB revenue from 50% of Cokal's coal sales, regardless of offer acceptance; - Additional fees apply to further sales accepted by Cokal at its discretion; and - Cratus provides monthly statements detailing sales and fees. |
| Marketing Costs | Cratus bears all costs incurred in fulfilling its obligations |
| Termination | The appointment is irrevocable but can be terminated for cause, resignation by Cratus, or early termination with a fee by Cokal (e.g., in the case of a sale or restructuring) with detailed terms and conditions being covered in the main agreement. |
| Limitation of Liability | Cratus is not liable for costs or damages incurred by Cokal except in cases of breach or negligence by Cratus. |

2. Infrastructure Joint Venture

- a. Cokal and Cratus will incorporate an Infrastructure Joint Venture (“IJV”), with the objective of increasing the coal transport infrastructure capacity available for the transport of saleable coal product from Cokal’s assets.
- b. The IJV shall have the priority right to transport coal production from Cokal’s assets.
- c. The IJV will generate revenue based on a “cost plus model” where the IJV will initially charge a margin of 20%. This margin may be reviewed, but shall not be less than 20%.
- d. The IJV will invest in building capacity by acquiring and developing infrastructure sufficient to support the production plans of Cokal assets, including the ongoing ramp-up of BBM coal production and the future development of the Tambang Benua Alam Raya (“TBAR”) project.
- e. It has been forecast that the IJV will require capital investment of approximately US\$13.0 million up to Dec-2026, which will be used to:
 - Acquire and customise flat-bottom vessels for the transport of coal via the Barito River, to either an Intermediary Coal Stockpile (“ISP”) at Buntock, or the Taboneo Anchorage;
 - Develop and upgrade site infrastructure and coal loading facilities at Cokal’s existing jetties, and the potential development of the ISP.
- f. Cokal shall hold a 50% interest in the IJV through its existing 100% owned subsidiary, PT Barito Samudera Nusantara (“BSN”), which was incorporated by Cokal in 2023 to own and operate various coal infrastructure assets.
- g. Cratus will attain a 50% interest in the IJV as consideration for Cratus contributing 100% of the near to medium-term capital requirements of the IJV (via equity for Cratus’ share, and debt for Cokal’s share).
- h. Any debt advanced to Cokal for the IJV will incur interest charged at the rate of 10% per annum and will be repaid from Cokal’s share of IJV cashflows.
- i. Conditions Precedent are limited to: execution of a formal transaction document for i. Coal Sales and Marketing and ii. The IJV; due diligence including an agreed strategy on IJV capacity and operations; regulatory approvals, if required.
- j. The terms and conditions included in the IJV term sheet are shown **below**.

Purpose and Scope

1. Develop and operate coal transport infrastructure through a new entity (**NewCo**) jointly owned by Cokal and Cratus
2. Enhance coal transportation capacity to meet production and commercial objectives, including:
 - Ongoing ramp-up at Cokals BBM mine
 - Production from Cokal’s TBAR project
 - Regional third-party coal transport opportunities
3. Maximise transport efficiency and profitability via the integration of existing and newly developed infrastructure assets

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| Ownership and Contributions | <p>Ownership: Equal (50%) shareholding in NewCo for Cokal and Cratus</p> <p>Contributions:</p> <ul style="list-style-type: none"> - PT Barito Samudera Nusantara (BSN): Priority rights for transporting Cokal's coal via Barito River and associated infrastructure - Cratus: Provide and invest in specified infrastructure assets to enhance NewCo's capacity, including: <ul style="list-style-type: none"> a. Immediate: Jetty rebuild, conveyors, dredging vessels and 6 self-propelled vessels; b. Phased Construction: additional vessels after 6 and 12 months; and c. Vendor-financed equipment with 30% deposit and remaining 70% financed |
| Funding Structure | <p>Cratus will fund NewCo's near-term capital requirements</p> <p>BSN's capital contributions will be loaned by Cratus at 10% interest, repayable via NewCo cashflows</p> |
| Operational Framework | <ol style="list-style-type: none"> 1. Exclusivity: NewCo assets will be used exclusively for Cokal's coal unless otherwise agreed. 2. Priority Utilisation: NewCo's infrastructure takes precedence over BSN assets for transport 3. Cost Model: NewCo will operate on a cost plus 20% basis, with pricing subject to periodic review |
| Guarantees | <p>Cokal Guarantees: minimum quarterly coal delivery targets, with penalties for non-performance.</p> <p>Cratus Guarantees: availability of equipment and funding to meet transport capacity needs with penalties for non performance.</p> <p>Force majeure: exceptions for uncontrollable events will apply.</p> |
| Conditions Precedent | <p>The agreement is contingent upon:</p> <ol style="list-style-type: none"> 1. Execution of a Coal Sales & Marketing Agreement between Cokal and Cratus; 2. Completion of due diligence; 3. Finalisation of a coal transport strategy; and 4. Necessary regulatory approvals |

Warranties

Each party warrants:

- Solvency, compliance with relevant laws, and absence of ongoing litigation or investigations
 - Authority to execute and perform the agreement.
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3. Coal Production Based Financing

- a. Cratus has committed (via a Binding Letter of Commitment to Cokal) to provide Cokal with Coal Production Based Financing totalling **US\$7.0 million** (the “**Financing**”), with **US\$5.0 million** advanced in Q4 2024, and **US\$2.0 million** advanced in Q1 2025.
- b. The Financing is able to be used by Cokal for project / infrastructure development and for working capital to support the planned production ramp up.
- c. Proposed terms for the Financing are shown below, subject to formal documentation:
 - The Financing will be repaid based on BBM’s saleable coal production at a rate of US\$3.5 per tonne.
 - The balance of unrepaid Financing will incur interest charged at the rate of 10% per annum.
 - Any Financing amounts that remain owing after two-years will be immediately repayable.
 - Security requirements for the financing include the coal inventory of BBM (subject to minimum tonnages on stockpile) and a corporate guarantee.
- d. A summary of the Letter of Commitment is provided in **Annexure A** of this Announcement.

Cratus Group: Cratus has the capabilities, experience and expertise to add significant value to Cokal

The Cratus Group (<https://www.cratus.com.au>) is a China-based bulk commodities and investments house with a proven track record, spanning over two decades, of supplying some of the world's leading corporations with vital resources. With offices in Singapore, Jakarta, Chongqing and Brisbane. Cratus specialises in the trading of thermal and coking coal. Leveraging its extensive network and strong relationships with energy producers and steel mills across China, Cratus sources commodities from various international markets to meet the growing demands of these dynamic industries.

In addition to its procurement expertise, Cratus specialise in logistics and offer their own debt and equity funding solutions to mines and producers.

This strategic alignment of interests allows Cratus to cultivate mutually beneficial relationships with their suppliers while effectively addressing market demands.

To date, Cratus has committed to funding over \$450 million AUD in loans and prepayments to Australian mining companies in 2024 (either individually or in partnership with clients) with an aim to significantly expand its Australian sourcing business.

The Cokal Chairman, Mr Domenic Martino, comments:

“This is the last piece of the puzzle for Cokal’s infrastructure chain to take its product to market in volume. It is transformative in that it aligns the Company with another substantial partner with the financial and technical substance to ensure successful outcomes. It will open up this region of Central Kalimantan to other mine developments that will have access through Cokal to the only logistics chain for this area. This will be financially beneficial to Cokal as well.”

The Cokal CEO, Mr Karan Bangur, comments:

“We have spent considerable time with the Cratus team in due diligence and developing plans for how to structure the best logistics chain to Cokal’s mines in the Upper Barito section of Central Kalimantan. We have been impressed with the knowledge, expertise and relationships that Cratus has now brought to the partnership with Cokal with their existing onground team in Indonesia. In particular their relationship with the builders of flat bottom, self propelled barges will allow us early access to already built units so they can be deployed in the very short term to allow ramp up of coal transport. The US\$7million provided directly to Cokal will be used to support the ramp up of production to match the increased capacity of the logistics chain. The deal with Cratus has been negotiated and structured in a way such that it protects the existing shareholders from any dilution while ensuring that Cokal is able to raise the capital required for production ramp up and development of logistics infrastructure which makes it a win-win situation for all parties involved. ”

ENDS

Further enquiries:

Domenic Martino
Non-Executive Chairman
dmartino@cokal.com.au

This ASX announcement was authorised for release by the Board of Cokal Limited.

Annexure A: Letter of Commitment Summary

Cratus Commodities (Australia) Pty Ltd confirms its commitment to providing Cokal Limited with coal production-based financing totaling **US\$7.0 million**. The funding will be disbursed in two tranches:

- **US\$5.0 million** in Q4 2024.
- **US\$2.0 million** in Q1 2025.

Key Terms:

- **Repayment:** Based on USD 3.5 per metric tonne of coal sales from BBM, with any outstanding balance due as a bullet payment after two years.
- **Term:** Two years.
- **Interest:** 10% per annum on outstanding balances.
- **Security:** Minimum coal stockpile inventory and a corporate guarantee.

This commitment is subject to formal documentation in line with these agreed terms.

About Cokal Limited

Cokal Limited (ASX:CKA) is an Australian listed company with the objective of becoming a metallurgical coal producer with a global presence. Cokal has interests in four projects in Central Kalimantan, Indonesia considered prospective for metallurgical coal.

Forward Looking Statements

This release includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company’s actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of resources or reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the company and its management’s good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company’s business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company’s business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management or beyond the company’s control.

Although the company attempts to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be anticipated, estimated or intended, and many events are beyond the reasonable control of the company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

Forward looking statements in this release are given as at the date of issue only. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.