

ASX ANNOUNCEMENT / MEDIA RELEASE
2 February 2021

Cokal Executes Agreement for Contract Mining Services for the BBM Coking Coal Project, Representing a key Milestone in Near-term Project Development

Key Highlights

- Cokal has entered into a binding agreement with HPU to provide contract mining services for the development and mining operations at the Bumi Barito Mineral coking coal project (“BBM”)
- Represents a significant milestone in Cokal’s strategy for the near-term development of BBM into an operating coal mine for minimal upfront capital costs, producing premium export quality coking and PCI coal products
- Utilisation of contract mining provides significant strategic and financial advantages for Cokal
- The costs to Cokal for contract mining services are linked to international coking coal prices, protecting Cokal’s operating margin through the cycle

Cokal Limited (ASX:CKA, “Cokal” or the “Company”) references its announcement of 9 November 2020 (the “Announcement”), which disclosed that Cokal had undertaken a tender process to select a contract mining services provider. As a result of the tender process, Cokal selected PT. Harmoni Panca Utama (“HPU”) as the preferred tenderer to provide contract mining services for the development and mining of Cokal’s Bumi Barito Mineral (“BBM”) coal development project.

The appointment of HPU was conditional upon Cokal and HPU entering into formal agreements between the parties, which has now been completed.

Cokal is now endeavouring to commence development of BBM in an expedited timeframe and is working with HPU on the necessary operational and logistical matters.

Key Contractual Terms

MINING SERVICES	<ul style="list-style-type: none">▪ Contract mining of overburden and associated services, including project management, mine planning, surveying, supervision, site security, materials, equipment, equipment maintenance, labour, transportation, medical services, consumables and site infrastructure.
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	<ul style="list-style-type: none"> ▪ All work performed by HPU shall be in accordance with Indonesian regulations, including mining; environmental; and occupational, health & safety. ▪ Cokal has the option to increase / decrease monthly production volumes by up to 25% (greater than 25%), upon providing HPU with six-months (twelve-months) written notice and conditional upon there being at least 24 months remaining on the Agreement. ▪ HPU shall provide Cokal with daily, weekly, and monthly reports on its performance.
START DATE	<ul style="list-style-type: none"> ▪ Within 90 days of Cokal's notification to HPU.
TERM	<ul style="list-style-type: none"> ▪ 5 years from start date.
COSTS	<ul style="list-style-type: none"> ▪ Costs over the term of the Agreement include initial development costs and ongoing operational costs. ▪ The actual costs payable by Cokal are variable, depending on the mine production volume, the operational performance of HPU, and various external input costs. ▪ Overburden removal costs charged to Cokal by HPU are linked to international coking coal prices <ul style="list-style-type: none"> - The unit price charged to Cokal (excluding drill and blast) varies according to the price of HCC Peak Downs Region Premium Low Vol (USD/tonne), shown below: <ul style="list-style-type: none"> i. Excluding fuel: US\$1.308/bcm (@US\$130/t HCC) to US\$1.560/bcm (@US\$150/t HCC) for maximum waste haul distance of 1km. US\$0.025/bcm/100m for overhaul (one way). ii. Including fuel: US\$1.75/bcm to US\$2.00/bcm for maximum waste haul distance of 1km one way. US\$0.035/bcm/100m for overhaul (one way). ▪ The formula for calculating these costs has been defined in the Agreement.
CKA PAYMENT OBLIGATIONS	<ul style="list-style-type: none"> ▪ Cokal's payment obligations under the Agreement will be funded from existing committed debt facilities, anticipated earnings from commencement of coal production, and cash reserves: <ul style="list-style-type: none"> i. Cokal will initiate drawdown of the US\$20m debt finance facility that has been committed to Cokal (please refer to Cokal's announcements of 14 October 2020 and 29 December 2020.) ii. Furthermore, the agreement with HPU facilitates the production of coal, and therefore the generation of revenue, from Cokal's BBM coking coal mine. Cokal will meet its payment obligations under the contract with HPU through the sale of coal produced by way of the contract.

	<ul style="list-style-type: none"> ▪ Cokal will effect payment to HPU monthly in arrears for the Mining Services. Cokal has a period of 45 days after the receipt of HPU's month-end invoice to finalise payment of HPU's invoice. ▪ At the commencement of the Agreement, Cokal is required to issue a Bank Guarantee in favour of HPU, in an amount equivalent to two months of operations.
<p>DEFAULT & TERMINATION</p>	<ul style="list-style-type: none"> ▪ Cokal has the right to terminate this Agreement in the event HPU commits a material breach of the Agreement. Prior to termination, HPU will be afforded 60-days to rectify a breach. ▪ A material breach will also be deemed to have occurred if HPU fails to achieve monthly production targets by 25% or more for two consecutive months or three months out of any six consecutive months. ▪ In the event of termination due to non-performance, HPU shall continue to perform the Mining Services until Cokal has appointed replacement Mining Services providers. ▪ The Agreement may be terminated prior to expiry by either Party giving written notice. ▪ The Agreement contains market standard Force Majeure provisions.

About the BBM Project

BBM is Cokal's most advanced project – a high quality metallurgical coal project, located in the Central Province, Kalimantan, Indonesia with a mining lease area of 14,980ha.

Cokal is focused on the near-term development of BBM, having recently received a binding funding commitment that provides the required capital for the development of BBM (please refer to Cokal's announcements of 14 October 2020 and 29 December 2020.)

About HPU

Cokal's technical team is excited to be working with HPU, one of the largest mining services companies in Indonesia, with a high-quality management team that operates to the highest of international mining standards, including safety, environmental and community benchmarks.

HPU has capabilities across all facets of mine planning & design, mine development, and mining operations and has experience working and operating some of the largest coal mines in Indonesia.

Further details regarding HPU can be found on their company website <https://hpu-mining.com/>.

Cokal Chairman, Mr Domenic Martino said:

“Cokal has negotiated a strategically advantageous mining services contract, with mining costs linked to international coking coal prices. This mechanism will protect Cokal's operating margin in lower coal price environments, whilst retaining margin enhancements for Cokal as coal prices rise”

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

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.