



Production mining lease approval puts coal group in sound position

INDONESIA

Global coal group Cokal has received the Production/Operation Izin Usaha Pertambangan (production mining lease) approval from the Murung Raya Regency Mines and Energy Department, Central Kalimantan, Indonesia.

The production mining lease is another major milestone in Brisbane-based Cokal's goal to be producing coal at its flagship Bumi Barito Mineral Coal Project (BBM) in Central Kalimantan, by the first half of 2014.

The production mining lease covers an area of 15,000 hectares (maximum coal lease area allowable); the full development of the Eastern Block of BBM 6Mtpa; exploration is permitted on remaining area; a term of 20 years with two, 10-year extensions permitted (total 40 years); all protected and moratorium forest areas are excluded from the production mining lease area.

"This completes the mining approvals required for BBM production and places the company in a very sound position to start construction of the project before the end of the year," Cokal executive chairman Peter Lynch said.

The company is now focused on upgrading the forestry exploration permit to a production permit. This is scheduled to be completed by the end of third quarter 2013 and is the final major approval required to commence construction of the project. Cokal expects to be barging



Flagship project: Peter Lynch said the Cokal was now focused on upgrading the forestry exploration permit to the production permit

coal down the Barito River and delivering a premium coking coal to the nearby Asian steel markets by first half 2014.

Coking coal from the BBM project is expected to be a low ash, low sulphur, ultra-low phosphorus product with a coking swell index of 9. These attributes make this product a sought-after commodity by Asian steelworks which need this coal to blend down the high impurities of other coking coal supplies.

Cokal is pursuing the full development of the Eastern Block of the BBM project consistent with Cokal's prefeasibility study (PFS)

which envisages development of the BBM project in two stages, an initial 2 Mtpa direct ship operation with an expansion to up to 6 Mtpa at a later stage. The PFS highlights the potential for BBM to be developed as a low capital cost, low operating cost metallurgical coal project.

Work has also commenced on a number of the key final feasibility areas for the project. These are all expected to be completed by the end of third quarter 2013. As well as these key design areas, negotiations are underway with the critical contractors and suppliers for the project.