

**ASX ANNOUNCEMENT / MEDIA RELEASE**  
**13 February 2014****BBM Definitive Feasibility Study confirms Viability**

Cokal Limited (Cokal ASX:CKA, "Cokal" or "the Company") is pleased to announce the completion of a Definitive Feasibility Study ("Study") for its 60% owned Bumi Barito Mineral Coal Project ("BBM" or "the Project"), located in Central Kalimantan, Indonesia. The Study has been prepared by Resindo Resources & Energy Indonesia ("Resindo") an Indonesian company, experienced in all aspects of successful project design and development for the Minerals, Mining, Oil and Gas, Power Generation sectors (certified to ISO 9001 Quality Management). These results have been modelled by the Company and a Discounted Cash Flow ("DCF") analysis applied to provide a view on potential project value.

**HIGHLIGHTS**

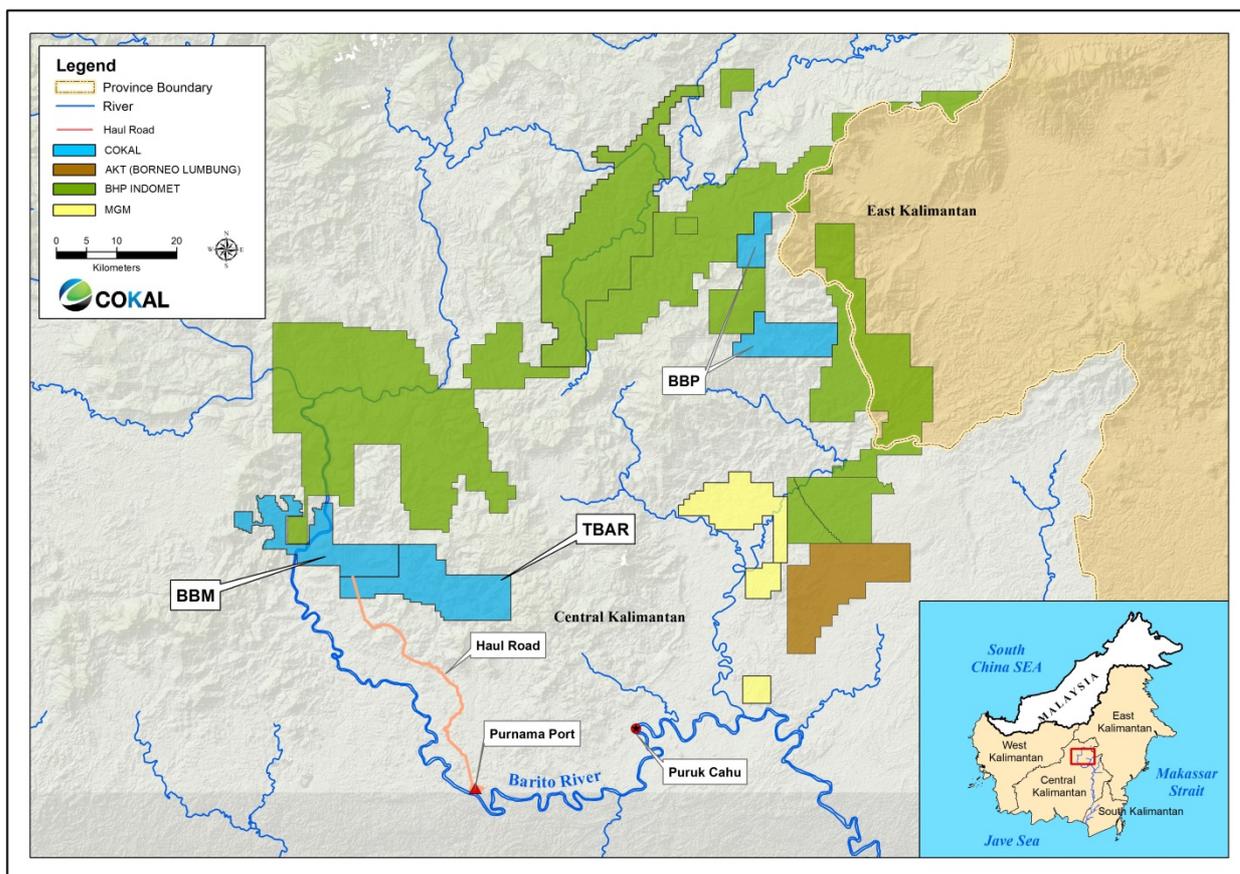
- The Study has confirmed that the BBM coal mine and associated transport system can be developed as a low capital cost operation with moderate to medium range operating cost:
  - The Study approached the development as a 2 Million tonnes per annum ("Mtpa") open cut mining operation.
  - The marketing study has identified that BBM's relatively low ash, low volatile, low sulphur, low phosphorus coking coal would command a high value as a blending feed in the premium coking coal market.
  - No risks were identified that would prevent the construction and operation of the mine, supporting facilities and transport chain.
- The DCF financial model, developed by Cokal using the independent Study costs, gives an indicative valuation using an average long term price received for all products of approximately US\$155/tonne (real), starting with average price in year one of approximately US\$141/tonne:
  - Based on mining 20.8Mt (run of mine) over 10 years, of Cokal's 261Mt Coal Resource (10.5Mt Measured, 13.5Mt Indicated and 237Mt Inferred Resource):
    - US\$366Million ("M") Net Present Value ("NPV"), after tax using a 10% discount rate (100% basis)
    - Payback Period < 2 years
- Very low capital cost requirements (including contract mining and barging) of US\$75M
- Low cash operating costs (excluding royalties of 7%) of:
  - First 5 years average US\$82/product tonne
  - Life of mine average US\$97/product tonne.
- The production and investment profiles are recommended to be phased for:
  - Initial start-up capital US\$50M
  - After start up: Enhancement capital US\$25M:
    - Expand blending operations at the Intermediate port of Kelanis
    - Increase coal handling capability to handle higher ash pits.
- Construction commences in April 2014 and completes in December 2014, with first production from BBM scheduled for Q1 2015.

## PROJECT OVERVIEW

BBM's Production IUP covers an area of 14,980 hectares (ha), immediately adjacent to BHP Billiton's Juloi tenement. The IUP straddles the Barito River and has numerous outcrops of bright coal. Coal core samples analysis confirmed BBM's coal to be a premium coking coal with Crucible Swell Numbers ("CSN") values generally 9 or more.

- Total Coal Resource estimate of 261Mt at BBM, comprised of 10.5Mt Measured, 13.5Mt Indicated and 237Mt Inferred Resources reported in accordance with the 2012 JORC Code
- Resource increase attributed to the additional 'J' Seam in the KLM area which is 100% Premium Coking Coal
- Product split for the total BBM Coal Resource is estimated to be 90% Coking Coal and 10% PCI
- Product split used in the Study (approx. 20Mt) was approximately: 82% Coking Coal and 18% PCI

Figure 1: Location of BBM Coal Tenement (IUP 188.45/273/2010)



## PROJECT DEVELOPMENT PRINCIPLES

The intention is to access early cash flow to provide funds for further development and improvement in the Project. Accordingly, the Study completed by Resindo considered a two phase development strategy and provides an independent assessment of the required capital expenditure and operating costs to implement this development strategy:

## SCOPE OF STUDY

The Study covers marketing, tenure and approval processes, mine planning and operation, coal handling and processing, mine housing and support facilities, coal transport chain and off site infrastructure, operations strategy, human resources, environment, health and safety and project risks. It has a level of accuracy of +/- 10%.

## STUDY CONCLUSIONS

The Study has confirmed that the BBM Mine and associated facilities and transport systems can be developed as a low capital cost operation with moderate to mid-range operating costs. The formal risk analysis identified no issues which could not be managed by reasonable controls that would prevent the effective construction and operations of the mine, supporting facilities and transport chain for exporting the coal.

The key concern in this area is traditionally the river access for barging, whereupon BBM utilised an expert Barging consultant and barging contractor to design and manage a solution which is widely used in other regions facing similar environmental conditions. This coupled with the planned export volumes that do not require a high annual utilisation of river access to reach target coal levels, together with the development of a deep water river port near Kelanis to serve as an intermediate stockpile port and buffer for off-shore vessel loading during the Phase 2 expansion, will help reduce any effects of seasonal variances such as river heights.

Further the study has reviewed and determined the technical solutions and costs are generally consistent with and found throughout other developed and operating coal mines in Indonesia and no particular concerns ranked highly, including regulatory or political areas that may affect the development, with the current progress and status of the BBM permits supporting this position.

The Study also confirmed the availability and experience of a pool of key contractors, fabricators and service providers with demonstrable capability to undertake the works at the BBM site and who are fully cognisant of the seasonal conditions, productivity effects and logistics requirements of working in Central Kalimantan.

The marketing study has identified that BBM's hard coking coal properties would command a high value as a blending feed with significant potential upside based on the final Coal Preparation Plant or Washplant's configuration which will be further refined as additional seam material becomes available to tailor the products to the preferred market.

The only significant outstanding item at the time of the Study being issued that affects BBM proceeding to construction was the final Forestry Department approval. This document is currently submitted and awaiting ministerial sign-off.

## CAPITAL EXPENDITURE

The total estimated development capital required for BBM to deliver a production rate of 2 Mtpa product, including developing a Coal Handling Preparation Plant ("CHPP"), a haulage road and all necessary transport and site infrastructure is **US\$75M**.

This assumes that mining, barging and hauling equipment will be provided by the respective contractors. A breakdown of this development capital is provided in Table 1.

**Table 1: Estimated Capital Expenditure**

Development Capital	US\$ (Million)
Stage 1: To start production	50
- Enhancement Capital	25
<b>TOTAL</b>	<b>75</b>

## OPERATING EXPENDITURE

Operating costs have been estimated by Resindo on the basis that mining, hauling and barging equipment being supplied by contractors. The Study estimates an average Free on Board ("FOB") cost of US\$97/tonne of coal produced over the life of the mine. The estimated operating costs are real (not adjusted for inflation) and exclude royalties.

**Table 2: Estimated Operating Costs per tonne produced (excluding Royalties)**

Operating Cost	US\$/t average
Stage 1: Year 1	\$65
- Average first 5 years	\$82
- Life of mine	\$97

## PROJECT ECONOMICS

Separate to the report developed by Resindo, Cokal has independently prepared a DCF model to provide a view on potential project value. The modelling is based on:

- The proposed two phase capital profile, production schedule and the costs identified in the Study.
- Mining 20.8Mt (run of mine) over 10 years, of Cokal's 261Mt Coal Resource (10.5Mt Measured, 13.5Mt Indicated and 237Mt Inferred Resource), a life of mine strip ratio of around 18:1 recovery rate of approximately 93.5%, and delivering 2Mtpa product.
- Long term average broker consensus coal forecasts price for:
  - Hard Coking Coal of approximately US\$172/tonne (real). This before any adjustment is made for BBM quality attributes.
  - PCI of approximately US\$131/tonne (real). PCI production does not start until year 3 of production.
- A 10% discount rate; on a debt free basis; in real terms (i.e. not adjusted for inflation); and valuation date of January 2014

Table 3 summarises the indicative after tax NPV and Internal Rate of Return ("IRR") for Cokal:

**Table 3: Indicative NPV and IRR of BBM Project**

Indicative Economics	DFS
After tax NPV (Project 100%)	US\$366M
After tax NPV (Cokal 60%)	US\$220M
IRR	134%
Payback period	< 2years

Part of the attractive characteristics of BBM Project is the expected payback period of less than 2 years greatly reduces the risk associated with the invested capital.

## MINE PLANNING AND OPERATION

The mine plan is based on a detailed open cut mine plan for the full 10 years. It has been developed by independent consultants and reviewed by Resindo with costings obtained from independent Indonesian mining contractors.

Based on drilling, mine planning and modelling, BBM/Cokal have determined the initial blocks to be mined from B, C, D Seams do not require beneficiation as noted for the market quality required., However a combination of the balance of the mining blocks would require beneficiation to produce an 8% (or less) ash product. The enhancement capital includes the construction of a wet coal processing facility to be operational by the 15<sup>th</sup> month of production.

**Table 4: Product Quality – BCD Seams Premium Coking Coal**

	Ash (% adb)	CSN	Volatile Matter (% adb)	Sulphur (adb)	Phosphorus (% adb)	Calorific Value (adb)	Fixed Carbon (adb)
<b>Range</b>	≤8.0	7.5-8.5	13.9-14.1	0.31 – 0.34	0.000-0.001	7960- 8085	77.0- 78.1
<b>Average</b>	8.0	8	14.0	0.33	0.001	8020	77.6

**Table 5: Product Quality - J Seam Premium Coking Coal**

	Ash (adb)	CSN	Volatile Matter (% adb)	Sulphur (adb)	Phosphorus (% adb)	Calorific Value (adb)	Fixed Carbon (adb)
<b>Range</b>	≤8.0	9-9.5	16.2-18.6	0.34-0.47	0.002-0.016	6935- 7925	64.0- 73.5
<b>Average</b>	8.0	9-	17.4	0.38	0.008	7600	69.9

**Table 6: Product Quality - BBM PCI Product**

	Ash (adb)	CSN	Volatile Matter (% adb)	Sulphur (adb)	Phosphorus (% adb)	Calorific Value (adb)	Fixed Carbon (adb)
<b>Range</b>	≤8.0	0-3	5.9-13.4	0.37-0.48	0.001-0.003	7720- 8080	78.6- 84.3
<b>Average</b>	8.0	1	10.2	0.40	0.002	7985	81.3

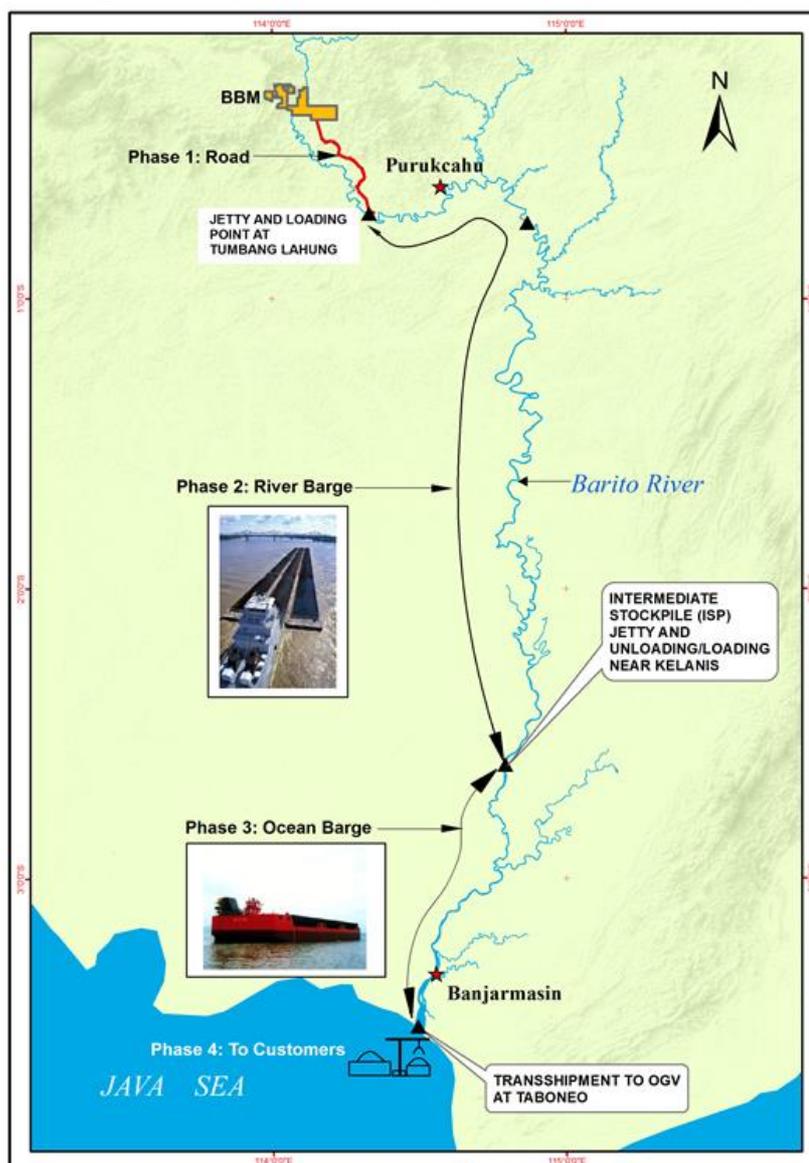
**COAL TRANSPORT AND INFRASTRUCTURE CHAIN**

Coal mined and processed at BBM will be transported some 774km from the mine site to an ocean going vessel at Taboneo in the Java Sea. Transportation will involve four stages (see Figure 2) including truck, shallow draft barges, ocean going barges and a floating crane trans-shipper to the Ocean Going vessel (“OGV”).

Coal extracted from BBM and either processed through the CHPP, or screened as direct ship product coal, will be transported approximately 55km by truck via a haul road, to a river port on the Barito River.

Once loaded on shallow draft barges on the Upper Barito River, the product Coal will be transported 503km down the Barito River to the Intermediate Stockpile Port (“ISP”) located upstream of Kelanis on the Barito River. Coal will then be loaded into ocean-going barges and transported approximately 214km to the open sea anchorage at Taboneo in the Java Sea. A crane trans-shipper will transfer the product to the OGV for the customer.

Figure 2: Proposed Coal Transport Route (Full Production)



## NEXT STEPS

“The Study confirms that BBM is an economically and technically robust project”, said Chairman and CEO Peter Lynch. “Our team of engineers and consultants have done an excellent job on this comprehensive evaluation. We are now focused on obtaining our final forestry approval which will enable construction to commence. The approval has been progressing well, and all necessary sign-offs have been obtained and it is now before the Ministry for final approval. We are expecting approval shortly and are now in discussions with a number of parties in relation to the project financing”.

Mr Lynch said “I am confident of unlocking further value at BBM by not only accessing a larger portion of the Coal Resource currently not included in the Study, through efficient underground methods, but also adding to the Coal Resource by exploring the remaining 60% of BBM’s metallurgical coal deposit”.

## ENDS

### Further enquiries:

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## **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. Cokal has also signed a joint venture to explore for coal in Tanzania with Tanzoz Resource Company Limited.

## **Forward Looking Statements**

Statements regarding plans with respect to the Company's exploration properties are forward-looking statements. There can be no assurance that the Company's plans for development of its properties will proceed as currently expected. There can also be no assurance that the Company will be able to confirm the presence of additional deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of the Company's exploration properties.

## **Competent Person Statement**

The information in this report relating to Mineral Resources is based on information compiled by Tri Yoso who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of Cokal Limited.

Mr Yoso 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 Yoso consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.