

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

Cokal Limited

**ABN**

55 082 541 437

**Quarter ended ("current quarter")**

30 June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter US\$'000</b>	<b>Year to date (12 months) US\$'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	(58)
(b) development	(100)	(498)
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(42)	(869)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(142)</b>	<b>(1,425)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	1,130
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>1,130</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	171	324
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(142)	(1,425)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,130
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>29</b>	<b>29</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1 Bank balances	29	171
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>29</b>	<b>171</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter US\$'000
67
-

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**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter US\$'000
-
-

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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
8.1 Loan facilities (see note below)	13,645	13,645
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 8 October 2013 Blumont Group Limited made available a loan facility of up to US\$4m required to continue the development work. In addition, a further US\$4m may be drawn by mutual consent. US\$3.4m in total was drawn at the end of the September 2014 Quarter. Cokal approached Blumont about scheduling the payment of the remaining US\$0.6m but were advised that the timing was uncertain and therefore the facility is considered fully drawn. The loan is repayable within 3 years, interest is 5% pa payable quarterly in arrears and can be capitalised and repaid at maturity.

On 31 March 2014 Platinum Partners made available a bridging loan for US\$3.5m. The loan was drawn in full in April 2014. An ASX release dated 31 March 2014 provides disclosure of the loan and an ASX release dated 9 April 2014 advises of the subsequent drawdown.

On 11 August 2014 Platinum Partners made available a bridging loan for US\$5.65m. The loan was drawn in full in August 2014.

On 30 January 2015, Platinum Partners agreed to extend the period of the Bridging Loan. The total drawn down under the facility is US\$10,065,000 (including fees and costs) as at the date of this release. The December 2014 Quarterly Activities Report released dated 30 January 2015 provides disclosure on the loan.

In July 2016, Cokal and Platinum Partners agreed to convert approximately US\$15million of loans owing by Cokal to various funds managed by Platinum or its affiliates (the "Platinum Group"). Those loans include the Blumont loan, which was acquired by the Platinum Group. Since then the Platinum Partners Value Arbitrage fund (PPVA) has been placed into liquidation and the Platinum Partners Credit Opportunities Fund (PPCO) has been placed in receivership. Both the Liquidator of PPVA and the Receiver of PPCO have advised the company they wish to proceed with

On 29th April, 2017, Cokal entered into a royalty agreement with its senior lenders in relation to the conversion of all of its outstanding loans to a production royalty.

The royalty agreement was subject to conditions including lender due diligence, Cokal shareholder approval, project funding, commercial production and the grant of security on the royalty. On completion, the monies owing to Platinum Partners and Blumont will be fully discharged and Cokal will be loan free.

The agreement with Wintercrest Advisors LLC (**Wintercrest**) and Northrock Financial, LLC (Northrock), funds managed by Platinum or its affiliates (the **Platinum Group**), will, on satisfaction of all conditions, convert approximately USD13.8 million of loans owing by Cokal. Those loans include the Blumont loan, which was acquired by the Platinum Group.

This agreement will be seen favourably by potential investors who are considering the provision of the BBM project funding required to commence construction and production of Cokal's metallurgical coals.

The royalty agreement includes the following terms and conditions:

- **(Conditions)** The royalty is subject to satisfactory lender diligence by 29 May 2017, the grant of the agreed security, Cokal shareholder approval and receipt of project funding by 29 October 2017 (**Initial Conditions**) as well as commercial production at the rate of 100,000 tpa by 29 October 2018 and Platinum being satisfied with the budgets for all financing proposals (**Further Conditions**),
- **(royalty entitlement)** From the commencement of commercial production, Platinum will be entitled to a yearly royalty on coal sold from Cokal's share of production from the Bumi Barito Mineral Project (BBM) and PT Tambang Benua Alam Raya (TBAR) Project.
- **(royalty rate and maximum royalty)** The royalty will be 1% of Cokal's share of the realized selling price (FOB) (i.e. selling price per tonne x tonnes sold x 1%) up to a maximum royalty amount of USD40 million.
- **(early termination)** Cokal or its related parties will have the right to buy out the royalty at any time for the amount of USD40 million less amounts paid on the royalty at that time.
- **(security)** The royalty obligations will be filed with the original tenements with the Indonesian authorities and secured by charges over Cokal's interests in the BBM and TBAR Projects. The Platinum Group has agreed to provide first ranking security to providers of project senior debt finance.
- **(loan conversion)** The total outstanding loans will be converted as follows:
  - one third (1/3) on satisfaction of the Initial Conditions; and
  - the remaining loans on satisfaction of the Further Conditions.

On June 9, 2017 Cokal and Platinum proceeded with the implementation plans to finalise the royalty agreement including:

- The Receiver of the PPCO fund and the Liquidator of the PPVA fund (Platinum) advised they have completed their Due Diligence in respect of the royalty agreement and are satisfied with the results. Accordingly the Due Diligence precondition in this agreement had been satisfied.
- The Company will now progress the shareholders meeting to approve this transaction and associated matters.
- The funding secured for the development of the BBM PCI Coal mine as detailed in the Company's announcement of May 24, 2017 and the commencement of production from this project will fulfil the preconditions for commercial production required for the Debt to Royalty agreement to come into effect

## **PROJECT FINANCING**

On May 24 Cokal announced that it had secured funding for the development of the BBM PCI coal mine ("BBM PCI") at Cokal's 60% owned Bumi Barito Mineral ("BBM") Coal Project, located in Central Kalimantan, Indonesia. The BBM PCI project area is separate from the Company's flagship BBM Coking Coal development project, the latter being the subject of the Definitive Feasibility Study (Updated November 2016). Details of BBM PCI were previously provided in Cokal's 4<sup>th</sup> May 2017 ASX announcement.

Cokal had executed an agreement to raise AU\$10.0mill in funding for the development of BBM PCI via a Limited Joint Venture (the "Agreement") with **Investment Advisor Alliance** ("IAA"). IAA is an affiliate of, and is supported by, **Beacon Financial Group Pty Ltd** ("Beacon") which has access to considerable capital with approximately AU\$3.5bn in funds under management.

Under the Agreement, IAA would fund AU\$10.0m in project capital expenditure at BBM PCI in return for 50% of Cokal's share of profits from BBM PCI operations. The Agreement is binding on both IAA and Cokal but is conditional on completion of a Joint Venture Agreement and regulatory approval.

## **SUBSEQUENT EVENTS**

### **July 17 – Private Placement Completed**

Cokal Limited (“**Cokal**”) (ASX : CKA) announced the successful completion of a \$700,000 capital raising by way of a private placement (“Placement”) to sophisticated and professional investors.

The funds raised will be used by Cokal for working capital as their flagship BBM Coal project advances towards initial coal production, which is expected to be achieved in Q3 2017.

Cokal anticipates that the capital raised will be the final requirement for funding prior to initial production from the BBM Anak area within the BBM Coal project.

The Placement consists of [up to 19,444,445 fully paid new ordinary shares to be issued at \$0.036 per share to raise \$700,000 (before issue costs).

The Placement price of \$0.036 per share represents a 10% discount to Cokal’s closing price on 12 July 2017, the last day Cokal shares traded on the ASX prior to announcement of the capital raising.

Cokal will issue shares using the existing 10% additional placement capacity provided by Listing Rule 7.1A. Shareholders are not required to vote.

### **July 27 – JV Funding for BBM PCI project no longer required**

As construction nears completion, the PCI coal in BBM Anak will produce an attractive profit margin for the 10,000t per month production which is expected to commence sometime in August.

Negotiations are well advanced for the sale of BBM Anak’s Premium low Volatile PCI coal with initial sales expected to be with domestic users such as mineral processing plants which currently import PCI coals from Australia and Vietnam.

Development of the infrastructure for BBM Anak will form the basis of the infrastructure for the 0.5mt per annum (mtpa) BBM PCI project as both projects will use the same barge loading port, stockpile and haul road. Upgrading BBM Anak to BBM PCI will cost substantially less than the initial estimates.

Consequently, Cokal has decided not to conclude the agreement for a JV partnership with IAA as announced on May 24<sup>th</sup>, 2017 as it expects the cash flow generated by BBM Anak, Cokal will be sufficient to develop the 0.5Mt per annum BBM PCI export project without third party funding.

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>US\$’000</b>
9.1	Exploration and evaluation	-
9.2	Development	304
9.3	Production	-
9.4	Staff costs	-
9.5	Administration and corporate costs	367
9.6	Other (provide details if material)	-
<b>9.7</b>	<b>Total estimated cash outflows</b>	<b>671</b>

As disclosed in the subsequent event section, Cokal has completed the Placement of \$700,000 (before issue costs) in July 2017.

## Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

By Order of the Board

DP Cornish

31 July 2017

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.