

## ASX ANNOUNCEMENT

May 4, 2017

### BBM PCI Start-up Project

As part of its strategy to accelerate the commencement of mining operations in the BBM Project, Cokal Limited (Cokal ASX:CKA, "Cokal" or "the Company") has evaluated the technical and financial feasibility of a small-scale initial mine (up to 0.5 million tonnes per annum) located close to the Barito River in Kalimantan, Indonesia (**Start-up Project**).

The objective of the Start-up Project is to deliver a low capital and low cost operation to produce a premium PCI coal in a relatively short time frame in order to generate positive cash flow to assist funding of the larger BBM two (2) million tonne per annum coking coal project (**BBM Project**).

#### SUMMARY

The work required for the Start-up Project is a sub-set of the wider program of work in relation to the larger BBM Project which had been reviewed by Resindo in a Definitive Feasibility Study for the BBM Project (**BBM DFS**). Accordingly, Cokal's technical feasibility assessment of the Startup Project is based on work contained in the BBM DFS, supplemented by relevant modifications to reflect the specific features of the Startup Project (such as its smaller scale).

Relevantly, the BBM DFS considered, in relation to the BBM Project, marketing, tenure and approval processes, mine planning and operation, the coal transport chain and offsite infrastructure, operations strategy, human resources, environment, health and safety and project risks. It had a level of accuracy of +/-10%. The key outcomes of the BBM DFS were announced to the market on 13 February 2014.

Cokal's technical team has prepared a cost budget for the Startup Project which, due to the close proximity of the low stripping ratio PCI coal to a temporary port, indicates a reasonably low capital investment (\$10 - \$12 million) to take the project into production. Cokal's cost assessment is based on relevant parts of the BBM DFS supplemented by firm quotations provided recently from experienced local mining and barging contractors who have been to site.

Construction of the mine can commence immediately funding is secured as all regulatory approvals have been acquired by Cokal.

The project can be constructed within 6 to 8 months of securing finance. The main construction work comprises a short haul road and a simple barge-loading port on the Barito River within the BBM tenement. A contractor with small barges (800 tonne) will take coal down the Upper Barito to an established intermediate stockpile located in deeper waters suitable for larger ocean-going barges.

Cokal has been in discussions with Japanese and Vietnamese markets who have indicated that the PCI product from BBM will attract a premium price for a low-vol PCI, currently fetching US\$150/tonne (source S&P Global Platts, April 3, 2017) on the spot market.

The Company is in advanced negotiations with prospective joint venture and funding parties in respect of this project.

## PROJECT DETAILS

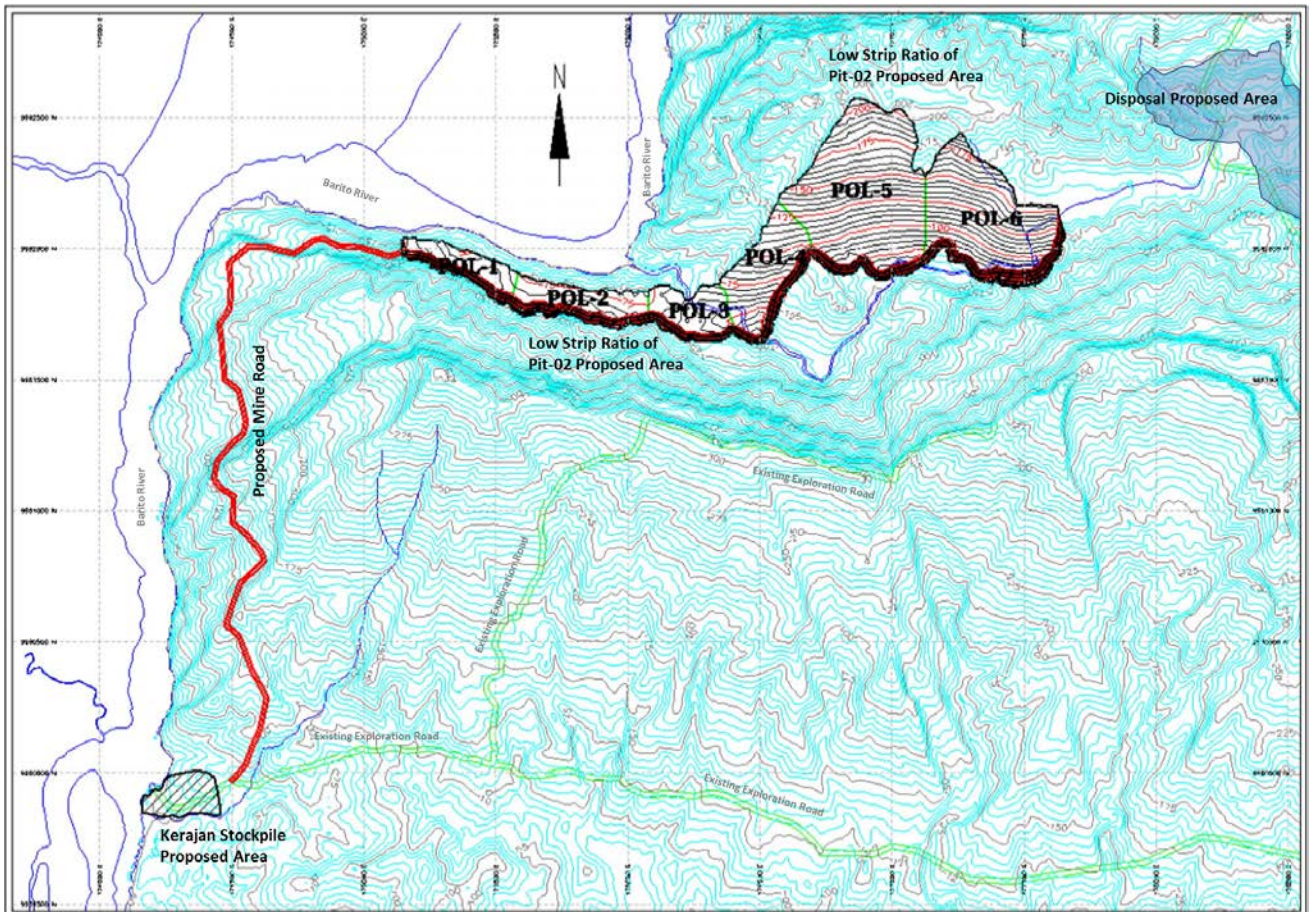
The Project involves mining coal from the area covered by BBM's coal tenement. The abundant exploration data for the PCI coal seams B, C and D in this area have been estimated as Measured Resources (in accordance with the 2012 JORC Code) as reported in the most recent Resource Report "Updated Coal Resources of BBM Project, April 2016". The coal is regarded as a premium low-vol PCI coal since the Volatile Matter is 12% and the Ash content of 3.2% is very low.

Table 1: Coal Resource and Coal Quality for PCI Project

Coal Thickness (m)	Measured Resource (Mill tonnes)	Vertical Strip Ratio bcm/tonnes	Relative Density g/cc	Inherent Moisture (%ad)	Ash Content (%ad)	Volatile Matter (%ad)	Fixed Carbon (%ad)	Total Sulphur (%ad)	Calorific Value (Kcal/kg)	Phosphorous (%ad)	Crucible Swell Index
3.47	2.58	7.00	1.33	2.00	3.20	11.90	82.90	0.44	8,100	0.003	<1

Cokal has delineated a Measured Resource estimate a 2.58 million tonnes at an average vertical strip ratio of 7:1 bcm/tonne (see Figure 1). A geotechnical study of the overburden material in BBM was conducted by Australian Mining Engineering Consultants. It was reported that for openpit mining in BBM, acceptable openpit batter angles of 34° in weathered material and 65° in fresh overburden material.

Figure-1: Mine Layout Map of Low Strip Ratio PCI Coal



## PROJECT FUNDING

Cokal is considering a funding deal to sell down 50% of the discrete PCI project for partial pre-funding of the mine capital costs. A number of parties have been approached and Cokal continues to determine the best value for our shareholders and a fitting partner to work with Cokal on this Indonesian project.

## **MARKETING**

Upon receipt of the project funding, Cokal will acquire a 1 tonne bulk sample of PCI coal from BBM. This sample will be delivered to a reputable laboratory in Banjarmasin where a sub-sample will undergo thorough testing of relevant qualities required to market the coal to potential buyers.

The remaining sample will be sealed prepared to be sent to potential customers for their independent testing and assessment.

Marketing will include Japanese and Vietnamese buyers who have previously displayed a keen interest in acquiring BBM's PCI coal. Cokal will employ the services of Carbon Solutions (HK) Limited, who has extensive knowledge and experience in marketing Indonesian metallurgical coals into Asian and European markets.

As well, there are local Indonesian businesses who have expressed an interest in acquiring BBM's PCI coal. Supplying coal to local industry is viewed favourably by the Indonesian Government.

## **CONSTRUCTION**

Construction of the mine can commence immediately funding is secured as all regulatory approvals have been acquired by Cokal.

The major item with the longest lead time is the construction of the haul road. It is planned to construct a 3km haul road from the mine site to the barge-loading port on the Upper Barito River near Cokal's Krajan project site facilities within the BBM tenement area. A simple jetty will be constructed to load 800 tonne barges.

Locally sourced material will minimise costs, and the road designed to allow the mine to continue operations in wet conditions. Construction is estimated to take 6 months but allowing for extraordinary wet conditions during the construction period, it could take up to 8 months. The road will be constructed in a similar manner to the work proposed in the BBM DFS.

## **MINING**

The mine plan is based on a open cut mine for a five year mine life. Cokal has been in contact with reputable mining contractors since November 2016. Three mining contractors have been on site at BBM and have provided cost estimates for overburden removal and coal mining. All three have confirmed they are able to mobilise quickly once contracts have been signed.

Since the coal is exposed on the surface (outcrops), overburden removal can uncover coal very quickly. Based on drilling, mine planning and modelling, Cokal consider that the initial blocks to be mined from B, C and D seams do not require beneficiation for the market quality required. There is no requirement for washing the coal as it is has a very low ash content and is suitable for direct-to-ship product logistics. Indonesian mining contractors have developed specific mining methods to ensure minimal dilution of the coal in order to maintain a low ash product.

## **EXPORT LICENCE**

Cokal is required to apply for an Export License from the Central Government (Indonesia) which was established primarily to control the large volumes of thermal coal being sent off-shore in order to ensure sufficient coal supply to be available to the Indonesian domestic power requirements. Since Indonesia has little requirement for metallurgical coal, acquiring an export license for PCI coal is expected to be processed in a very short time.

Cokal's Chairman, Domenic Martino said "My team and I have worked hard on this project and are confident we can fund and construct this PCI project. We believe that at current spot prices, the low capex requirements, and a short start-up time frame will make this half-a-million-tonne-a-year project commercially attractive."

Cokal is currently focussing on securing funding for the Startup Project. Once funding is secured, the Company believes that construction can commence immediately.

## 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 and one project (which holds three exploration licences) in West 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.

### Competent Person Statement

The Coal Resource estimate was announced on 29 April 2016, titled “Cokal announces updated JORC Resource Statement for Bumi Barito Mineral (BBM) Project”. The information in the report relating to Mineral Resources is based on information compiled by Yoga Suryanegara who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of Cokal Limited. Mr Suryanegara 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”.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement made on 29 April 2016 and that all material assumptions and technical parameters underpinning the estimates in the announcement made on 29 April 2016 continue to apply and have not materially changed.

The information in this report relating to exploration results is based on information compiled by Patrick Hanna who is a fellow of the Australasian Institute of Mining and Metallurgy and is a consultant (through Hanna Consulting Services) to Cokal Limited. Mr Hanna 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 they are undertaking, to qualify as Competent Persons as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.