



Cokal Limited (ASX: CKA) - Update

BBM Coking Coal Project – On the Cusp of Production

Main Points

- The Bumi Barito Mineral (BBM) Project (60% CKA) is a metallurgical coal project located in the Central Province, Kalimantan, Indonesia with an area of ~15,000ha. BBM is currently under development with first production scheduled for Q4 2021. Ore Reserves for the BBM Project were recently updated to 23.1Mt, representing an increase of 22% year-on-year (includes coking coal and pulverised coal for injection or PCI)
- Highly attractive financial metrics with a Net Present Value (NPV) for the BBM Project estimated at ~US\$255m (~A\$350m) based on a realised LOM average coking coal price of US\$170/t FOB
- Premium coking coal prices have been reported at over US\$400/t more recently and a marketing study for BBM coal has been undertaken by Platts (international experts in coal markets and pricing) with the following forecasts:
 - BBM coking coal rated by Platts to receive a 10% discount on low vol HCC out of Australia
 - BBM PCI coal rated by Platts to receive a 10% premium on Australian PCI, based on BBM's attractive PCI coal quality
- Cokal has begun drawing down on the US\$20m debt financing facility (provided by International Commodity Trade Pte Ltd) for development of the BBM Project. This facility fully funds the development and CKA is progressing into production to generate cashflows going into CY22
- Cokal also continues to convert BBM's 260Mt coking coal Mineral Resource to Ore Reserves, translating to anticipated future increases in forecast annual production and/or mine-life extensions
- All approvals and permits in place for full mining operations and production. The initial production licence IUP (Operation and Production) has been issued for a period of 20 years
- The BBM PCI product will not require processing, it will be direct shipped. The coking coal mined from the pits will be fed via a ROM hopper to a relocatable feeder-breaker and dry screen located in the pit as close to the current mining operation as possible to facilitate the handling of rejects from the screen. This should produce ROM coal with an average ash content of 7% at an 85% recovery
- A full infrastructure solution is in place and Cokal will access the coking coal seaborne export market through a logistics chain of:
 - Trucking from the BBM mine site 98km to an Intermediate Stockpile on the Barito River
 - Barging from the Intermediate Stockpile to the common-user ship loading facility at Taboneo at the mouth of the Barito River
 - Trans-shipment at the common-user ship loading facility onto seafaring vessels
- TBAR (Tambang Benua Alam Raya - 75% CKA), located adjacent to BBM is an additional area of interest for Cokal's resource expansion plans and prospective for large-scale coking coal deposits
- A JORC Resource is anticipated in 2022 for TBAR, subsequent to upcoming drill programme and provides future development and operational synergies with BBM

7th October 2021

Recommendation: Spec Buy (PT 22c/share)

Summary (AUD)

Share price (October 7, 2021)	\$0.15
Ordinary Shares (undiluted)	937.1m
Market capitalisation (undiluted)	\$140.6m
52 week low	\$0.05
52 week high	\$0.195
Cash (30/6)	US\$0.2m
Debt (30/6)	US\$1.7m
Unused Financing Facilities (30/6)	US\$1.85m
Subsequent Finance Facility (14/7)	US\$20.0m
Unlisted options	92.5m

CKA Price Graph (AUD)



Directors & Management

Mr Dominic Martino	Non-Exec Chairman
Mr Jim Coleman	CEO
Mr Allen Delbridge	Director
Mr Karan Bangur	Director

Significant Shareholders

Ashana Mineral Resources Sdn Bhd	19.70%
Domenic Martino	4.45%
Top 20	45.77%

Summary

Cokal Ltd (CKA) is a unique play on the ASX and provides the newest small-mid scale exposure to the strong pricing in the coking coal market. The project studies that have been completed to date, include product prices well below what is currently being reported and this has presented a timely market move for CKA, with production at The Bumi Barito Mineral (BBM) Project due to start in the current Quarter.

Production will commence with a coking coal focus, followed shortly after with PCI as well. The coking coal is likely to commence at a rate of ~50kt/month coking coal and later 20kt/month PCI. This projected initial production is fully funded with the current US\$20m finance package and production through the course of CY22 is expected to cover additional capital requirements (projected at ~US\$50m) to increase production to approximately 2Mtpa (with the same product split) by the end of next year.

Permitting has been granted after intensive consultation over several years and development is progressing towards the production start date of December 2021. Road construction is underway to provide access to site, which includes a series of small bridges and culverts to account for heavy vehicle usage and rainfall periods. Cokal has also purchased a 38-hectare site on the Barito River at Batu Tuhup for its BBM permanent mine jetty and support infrastructure and the purchase includes the road access corridor to connect the site to the existing road to the BBM mine site



Figure 1 – BBM Road Construction (source: CKA ASX announcement 9th August 2021)

The cost profiles (coking and PCI) for BBM are competitive (particularly in the current market) with Cokal modelling US\$107.50/t and US\$84.60 for coking coal and PCI respectively. This accounts for mining strip ratios of 24.9 (coking) and 14.0 (PCI) in an open-cut, truck/shovel operation and dry screening process to achieve the final products.

We consider CKA's resultant NPV of ~US\$255m as conservative based on the assumed product pricing US\$170/t for coking coal and US\$145/t for PCI (even accounting for the variability to benchmark prices as reported by Platts). Additionally, there is good potential for further increases in the global resource and further increase mine life and this should lead to an improved project valuation, with increased mine output a likely scenario. The project payback period of one year is appealing and certainly the sustaining capital being funded from projected cash flow presents an attractive scenario if the project achieves the results from studies completed.

The journey has been a long one for Cokal Ltd (CKA), but it appears the development at BBM is on the home stretch now and we expect to be seeing production figures in the 1Q CY22. We view Cokal Ltd (CKA) as a timely entry into what appears to be a stretched market (from a supply standpoint) and look forward to updates from Cokal in the coming weeks/months.

Purely based on the conservative product pricing and Reserves at hand (coupled with a fully financed project that should produce 2Mtpa of coking coal and PCI), we have put a price target of 22c/share based on CKA's attributable NPV (which essentially has discounted any exploration success or Reserve upgrades and assumes the current operational projections of 2Mtpa from late CY22).

Indonesian Coal Assets

Cokal holds shares in the following Indonesian coal assets in Central Kalimantan, each with known resources of metallurgical coal:

- 60% of the **Bumi Barito Mineral (BBM)** project located in Central Province, Kalimantan, Indonesia. The BBM tenement area is 14,980ha;
- 75% of **PT Tambang Benua Alam Raya (TBAR)** which owns an exploration tenement covering an area of approximately 18,850ha in Central Province, Kalimantan, Indonesia. This tenement is located adjacent to and southeast of the BBM project;
- 60% of the **Borneo Bara Prima (BBP)** project located in Central Province, Kalimantan, Indonesia. The BBP tenement area is approximately 13,050ha;
- 75% of the **Anugerah Alam Katingan (AAK)** project. This project is also located in Central Province, Kalimantan, Indonesia and has an area of approximately 5,000ha.

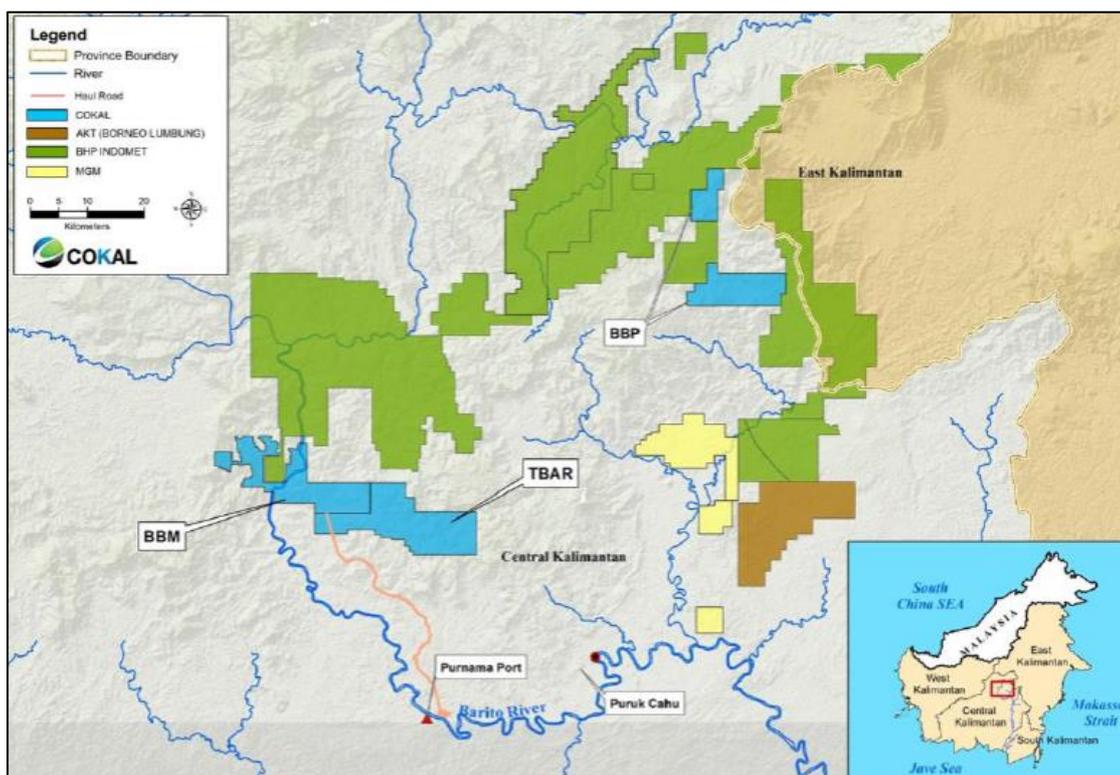


Figure 2 – Cokal's Indonesian Coal Assets (source: CKA FY21 Annual Report)

Bumi Barito Mineral (BBM) Project

BBM's permit covers an area of 14,980ha with multiple seams of metallurgical coal. BBM has regulatory approvals in place including:

- Mining Licence for 20 years with two further extensions of 10 years each
- Environmental approval for a mining rate of 6Mtpa
- Port construction approval.
- Forestry Permit to commence mining activity
- RKAB approval of annual plan

BBM Resources/Reserves & Coal Quality Analysis

<i>Resources (in-situ) Mt</i>				<i>Reserves (in-situ) Mt</i>		
Inferred	Indicated	Measured	Total	Probable	Proven	Total
218.5	22.9	18.8	260.2	9.3	13.9	23.1

Breakdown (coal type) of Reserves (in-situ) Mt

	Probable	Proven	Total
Coking	7.2	5.8	13.0
PCI	6.6	3.5	10.1

Coking Coal Specifications

Yield	Moisture	Ash	VM	Fixed Carbon	Total Sulphur	Calorific Value	CSN	Relative Density	Phos.
84.2%	8.0%	7.0%	18%	76.1%	0.44%	8,287 Kcal/kg	9.0	1.32	0.007%

PCI Coal Specifications

Seam	Inherent Moisture	Ash	VM	Fixed Carbon	Total Sulphur	Calorific Value	Relative Density	Phos.
D	2.0%	3.0%	9%	85%	0.48%	8,150 Kcal/kg	1.36	0.001%
C	1.5%	3.5%	9%	85%	0.44%	8,250 Kcal/kg	1.36	0.002%
B	1.5%	7.0%	9%	80%	0.47%	7,750 Kcal/kg	1.38	0.005%

Further coal price updates could further contribute to an increase in the tonnage of economically mineable coal from BBM, but CKA has set the pricing for the purposes of outlining the base case scenario for commencement of production. Importantly, coal testing indicates no deleterious elements exist which would have a material impact on the marketability of the coal products, which provides confidence in the price deck that has been put forward by independent expert Platts.

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Analyst Interests: The Analyst holds no CKA shares or options.

Taylor Collison Interests: At the time of writing of this report, Taylor Collison, Principals and Staff held approximately 11.5 million ordinary shares in CKA.

Analyst Certification: The Analyst certifies that the views expressed in this document accurately reflect their personal, professional opinion about the financial product(s) to which this document refers.

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