



Notice of Annual General Meeting and Explanatory Memorandum

Cokal Limited

ACN 082 541 437

Date of Meeting: Wednesday, 29 November 2017

Time of Meeting: 2.00pm (AEDT)

Place of Meeting: Level 5, 56 Pitt Street, Sydney NSW 2000

This is an important document that requires your attention

The Independent Expert has concluded that the Debt Restructure Transaction is fair and reasonable to Shareholders

This document should be read in its entirety.

If you are in doubt about how to deal with this document, please consult your legal, financial or other professional advisor.

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of shareholders of Cokal Limited ACN 082 541 437 (**Company**) will be held at Level 5, 56 Pitt Street, Sydney NSW 2000 on 29 November 2017 at 2.00pm (AEDT).

Terms used in this Notice of Meeting are defined in Section 14 of the accompanying Explanatory Memorandum.

AGENDA

ORDINARY BUSINESS

Financial Statements

To receive and consider the Company's 2017 Annual Report comprising the Directors' Report, Independent Auditors' Report, Directors' Declaration, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to and forming part of the financial statements for the Company and its controlled entities for the financial year ended 30 June 2017.

1. Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, pass the following Resolution as a non-binding ordinary resolution under section 250R(2) of the *Corporations Act 2001*:

“That the Remuneration Report for the year ended 30 June 2017 (as set out in the Directors' Report) is adopted.”

The vote on this Resolution 1 is advisory only and does not bind the Directors or the Company.

If 25% or more of votes that are cast are voted against the remuneration report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution proposing that an extraordinary general meeting be held within 90 days at which all of the Company's directors (other than the Managing Director) must stand for re-election (a 'spill resolution').

Voting Exclusion Statement

The Company will disregard and not count any votes cast (in any capacity) on Resolution 1 by or on behalf of either or both the following persons:

- (a) a member of the Company's Key Management Personnel; or
- (b) a Closely Related Party of a member of the Company's Key Management Personnel,

unless:

- (c) the person:
 - (i) does so in relation to a resolution where they hold a Directed Proxy Form; or
 - (ii) is the Chairman of the Meeting and is expressly authorised to exercise the proxy even though the resolution is a Remuneration Resolution; and
 - (iii) the vote is not cast on behalf of a person described in paragraph (a) and (b) above.

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2. Resolution 2 – Re-election of Mr Domenic Martino as a Director

To consider and, if thought fit, pass the following Ordinary Resolution:

"That Mr Domenic Martino, who retires at the close of the Annual General Meeting in accordance with Rule 5.2 of the Company's Constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election, be re-elected as a Director."

3. Resolution 3 – Ratification of Previous Issue of Private Placement Shares

To consider and, if thought fit, pass the following Ordinary Resolution:

"That, in accordance with the provisions of Listing Rule 7.4 and for all other purposes the Shareholders ratify the previous issue of 19,444,445 fully paid ordinary Shares in the Company at an issue price of \$0.036 per Share to institutional and sophisticated investors on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 3 by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

4. Resolution 4 – Ratification of Previous Issue of Shares to Consultant

To consider and, if thought fit, pass the following Ordinary Resolution:

"That, in accordance with the provisions of Listing Rule 7.4 and for all other purposes the Shareholders ratify the previous issues of 275,000 fully paid ordinary Shares in the Company at an issue price of \$0.067 per Share to a consultant on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by Corporate Administration Services Pty Ltd and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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5. Resolution 5 – Ratification of Previous Issue of Options to Consultant

To consider and, if thought fit, pass the following Ordinary Resolution:

"That, in accordance with the provisions of Listing Rule 7.4 and for all other purposes the Shareholders ratify the previous issues of 1,000,000 unlisted options in the Company at a nil issue price, exercise price of \$0.10 and expiry date of 19 September 2020 to a consultant on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 by Helbraun Holdings Pty Ltd and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

6. Resolution 6 - Approval to issue Commitment Shares

To consider and, if thought fit, pass the following Ordinary Resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 2,000,000 Commitment Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution 6 by MEF I, L.P. and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. Resolution 7 - Approval to issue Shares

To consider and, if thought fit, pass the following Ordinary Resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 25,000,000 Shares to the vendors of PT Tambang Benua Alam Raya (**TBAR Vendors**) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution 7 by the TBAR Vendors or their nominees and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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8. Resolution 8 – Approval of Options to Director – Mr Gerhardus (Garry) Kielenstyn

To consider and, if thought fit, pass the following Ordinary Resolution:

"That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue a total of 5,000,000 Options to Mr Gerhardus (Garry) Kielenstyn (or his nominee) on terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by Mr Gerhardus (Garry) Kielenstyn and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, pursuant to the Corporations Act, the Company's Key Management Personnel and their Closely Related Parties are not permitted to cast a vote as a proxy for another person who is permitted to vote, unless:

- (a) the proxy holds a Directed Proxy Form; or
- (b) the proxy is the Chairman of the Meeting and he is expressly authorised to exercise the proxy even though the resolution is a Remuneration Resolution.

9. Resolution 9 – Approval of Performance Rights and Option Plan

To consider and, if thought fit, pass the following Ordinary Resolution:

"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)), section 200E of the Corporations Act and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Performance Rights and Option Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this Resolution 9 by any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, pursuant to the Corporations Act, the Company's Key Management Personnel and their Closely Related Parties are not permitted to cast a vote as a proxy for another person who is permitted to vote, unless:

- (a) the proxy holds a Directed Proxy Form; or
- (b) the proxy is the Chairman of the Meeting and he is expressly authorised to exercise the proxy even though the resolution is a Remuneration Resolution.

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SPECIAL BUSINESS

10. Resolution 10 – Approval of the Debt Restructure Transaction

To consider and, if thought fit, pass the following Ordinary Resolution:

'That, for the purposes of Listing Rule 10.1 and all other relevant purposes, the shareholders approve the Debt Restructure Transaction and the implementation of the Royalty Deed which sets out the terms and conditions of the Debt Restructure Transaction, including the grant of security over various assets owned by the Company, in favour of Wintercrest and Northrock, on the terms and conditions set out in the Explanatory Memorandum.'

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution 10 by Wintercrest or Northrock and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A report on the Debt Restructure Transaction from an independent expert (BDO Corporate Finance (QLD) Ltd) is included with the Explanatory Memorandum accompanying this Notice which concludes, in the independent expert's opinion, that the Debt Restructure Transaction is fair and reasonable to Shareholders whose votes are not to be disregarded on this resolution.

11. Resolution 11 – Approval of Issue of Platinum Options

To consider and, if thought fit, pass the following Ordinary Resolution:

*'That for the purpose of Listing Rule 7.1 and for all other purposes, the Shareholders approve the grant of 75 million Options to acquire fully paid ordinary shares in the Company at an exercise price of 1.6 cents per Option to the Platinum Entities or their nominees approved by the Board (**Platinum Options**), on the terms and conditions set out in the Explanatory Memorandum.'*

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution 11 by Wintercrest or Northrock and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.



By order of the Board
Louisa Martino
Company Secretary
30 October 2017

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to shareholders of Cokal Limited ACN 082 541 437 (**Company**) to explain the resolutions to be put to Shareholders at the Annual General Meeting to be at Level 5, 56 Pitt Street, Sydney NSW 2000 on Wednesday, 29 November 2017 at 2.00pm (AEDT).

The purpose of this Explanatory Statement is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the resolutions to be considered by the Meeting.

The Directors recommend that Shareholders read the Notice of Meeting (**Notice**) and this Explanatory Statement before determining whether to support the resolutions or otherwise.

Other than as contained in the Notice and Explanatory Statement, the Directors believe that there is no other information known to the Company or the Directors that is reasonably required by Shareholders to decide whether or not it is in the Company's best interests to pass any of the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 14.

2. Financial Statements

The Corporations Act requires the financial report, the directors' report and the auditor's report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution of the Company for Shareholders to approve the financial report, the directors' report or the auditor's report. The Company's 2017 Annual Report is placed before the Shareholders for discussion. No voting is required for this item.

The Company will not provide a hard copy of the Company's Annual Financial Report to Shareholders unless specifically requested to do so. The Company's Annual Financial Report is available on its website at www.cokal.com.au

3. Resolution 1 - Adoption of Remuneration Report

3.1 Remuneration Report

The Remuneration Report is set out in the Directors' Report section of the Company's 2017 Annual Report. The Annual Report is available to download on the Company's website, www.cokal.com.au

Under Section 250R(3) of the Corporations Act, the vote is advisory only and does not bind the Directors or the Company.

Under the Corporations Act, if at least 25% of the votes cast on the resolution are voted against adoption of the Remuneration Report at two consecutive Annual General Meetings, the Company will be required to put to Shareholders a resolution at the second of those Annual General Meetings proposing the calling of an extraordinary general meeting within 90 days to consider the re-election of all of the directors of the Company (other than the Managing Director) ("spill resolution").

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If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene the extraordinary general meeting ("spill meeting") within 90 days of the second Annual General Meeting. All of the directors who were in office when the second (consecutive) Directors' Report was considered at the second (consecutive) Annual General Meeting, other than the Managing Director, will cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting. Following the spill meeting those persons whose election or re-election as directors are approved will be the directors of the Company.

At the 2016 Annual General Meeting less than 25% of the votes cast were voted against adoption of the Remuneration Report included in the 2016 Annual Report.

In summary the Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executive of the Company; and
- details and explains any performance conditions applicable to the remuneration of executives directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

3.2 Recommendation

As the Directors have a personal interest in the proposed Resolution 1, they make no recommendation as to how Shareholders should vote on the Resolution.

3.3 Voting restrictions on Key Management Personnel and their Closely Related Parties and their proxies

As set out in the notes to Resolution 1, a voting exclusion statement applies with respect to the voting on this Resolution by certain persons connected to the Company.

Shareholders should be aware that any undirected proxies given to the Chairman will be cast by the Chairman and counted in favour of the Resolutions the subject of this Meeting, including this Resolution 1, subject to compliance with the Corporations Act.

4. Resolution 2 – Re-election of Mr Domenic Martino as a Director

4.1 Background

Mr Domenic Martino retires by rotation in accordance with Rule 5.2 of the Company's Constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election as a Director.

Under Rule 5.2 of the Company's Constitution, one-third of Directors are required to retire at each annual general meeting (excluding directors seeking election at the meeting for the first time, or the Managing Director).

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4.2 Domenic Martino's qualifications and experience

Mr Martino is a Chartered Accountant and an experienced director of ASX listed companies. Previously CEO of Deloitte Touch Tohmatsu in Australia, he has significant experience in the development of "micro-cap" companies.

- Former CEO Deloitte Touche Tohmatsu Australia.
- Key player in the re-birth of a broad grouping of ASX companies including Sydney Gas, Pan Asia, Clean Global Energy, NuEnergy Capital.
- Lengthy track record of operating in Indonesia, successfully closed key energy and resources deals with key local players.
- Proven track record in capital raisings across a range of markets.

During the past three years Domenic has also served as a Director of the following ASX listed companies:

- Pan Asia Corporation Limited (since 24 December 2010, resigned 4 July 2017)
- Australasian Resources Limited* (since 27 November 2003)
- ORH Limited* (since 6 May 2009)
- South Pacific Resources Limited* (appointed 3 August 2012)
- Skyland Petroleum Group Limited (SKP)* (appointed 19 December 2013)

* denotes current directorship

4.3 Recommendation

The Directors (with Mr Martino abstaining) recommend that you vote in favour of this Ordinary Resolution.

5. Resolution 3 – Ratification of Previous Issue of Private Placement Shares

5.1 Introduction

On 17 July 2017, the Company announced that it had raised \$700,000 by way of a private placement to institutional and sophisticated investors (**Private Placement**). A total of 19,444,445 Shares were issued at \$0.036 per Share. The Shares were issued under the Company's placement availability in accordance with Listing Rule 7.1A

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares.

5.2 ASX Listing Rule 7.4

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period, without the approval of Shareholders.

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ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1. ASX Listing Rule 7.1A.2 states that where ordinary securities are issued under ASX Listing Rule 7.1A, these securities will not be counted in determining the Company's 15% capacity under ASX Listing Rule 7.1 until their issue has been ratified under ASX Listing Rule 7.4 or 12 months has passed since their issue.

Approval is sought under Resolution 3 to allow the Company to ratify the issue and allotment of 19,444,445 Shares issued in the Private Placement not previously approved by Shareholders pursuant to ASX Listing Rule 7.1A. By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

5.3 Information required by ASX listing Rule 7.5

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the Share issue under the Private Placement pursuant to and in accordance with ASX Listing Rule 7.5:

- (a) the number of securities allotted by the Company pursuant to the Private Placement was 19,444,445 Shares issued pursuant to ASX Listing Rule 7.1A;
- (b) the Shares were allotted for consideration of \$0.036 per Share;
- (c) the issued Shares are fully paid ordinary shares in the capital of the Company and rank equally with the existing Shares on issue;
- (d) the allottees of the Shares were subscribers to the Private Placement who are exempt from the disclosure requirements of the Corporations Act. None of the allottees were related parties of the Company at the time of the Private Placement;
- (e) the funds raised from this issue were used to provide working capital for the Company which enabled the Company to fund its BBM project towards initial coal production; and
- (f) a voting exclusion statement relating to this Resolution is included in the Notice of Meeting.

5.4 Recommendation

None of the Directors has a personal interest in the subject matter of Resolution 3. The Board recommends Shareholders vote in favour of Resolution 3 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

6. Resolution 4 – Ratification of Previous Issue of Shares to Consultant

6.1 Introduction

On 15 August 2017, the Company issued 275,000 Shares to a consultant for services provided at an issue price of \$0.067 per Share. The Shares were issued under the Company's placement availability in accordance with Listing Rule 7.1.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares.

6.2 ASX Listing Rule 7.4

An explanation of the applicable Listing Rules is contained in Section 5.2.

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6.3 Information required by ASX listing Rule 7.5

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the Share issue to the consultant pursuant to and in accordance with ASX Listing Rule 7.5:

- (a) the number of securities allotted by the Company was 275,000 Shares issued pursuant to ASX Listing Rule 7.1;
- (b) the Shares were allotted for consideration of \$0.067 per Share;
- (c) the issued Shares are fully paid ordinary shares in the capital of the Company and rank equally with the existing Shares on issue;
- (d) the allottee of the Shares was Corporate Administration Services Pty Ltd. The allottee is not a related party of the Company;
- (e) the shares were issued in payment of a creditor amount outstanding totalling \$18,425; and
- (f) a voting exclusion statement relating to this Resolution is included in the Notice of Meeting.

6.4 Recommendation

None of the Directors has a personal interest in the subject matter of Resolution 4. The Board recommends Shareholders vote in favour of Resolution 4 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

7. Resolution 5 – Ratification of Previous Issue of Options to Consultant

7.1 Introduction

On 19 September 2017, the Company issued 1,000,000 unlisted Options to a consultant for services provided at nil issue price. The Options were issued under the Company's placement availability in accordance with Listing Rule 7.1.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Options.

7.2 ASX Listing Rule 7.4

An explanation of the applicable Listing Rules is contained in Section 5.2.

7.3 Information required by ASX listing Rule 7.5

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the unlisted Option issue to the consultant pursuant to and in accordance with ASX Listing Rule 7.5:

- (a) the number of securities allotted by the Company was 1,000,000 Options issued pursuant to ASX Listing Rule 7.1;
- (b) the Options were allotted for nil consideration;
- (c) the Options were issued on the terms and conditions set out in Schedule 1;
- (d) the allottee of the Options was Helbraun Holdings Pty Ltd. The allottee is not a related party of the Company;
- (e) the Options were issued for nil cash consideration for services provided; and
- (f) a voting exclusion statement relating to this Resolution is included in the Notice of Meeting.

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7.4 Recommendation

None of the Directors has a personal interest in the subject matter of Resolution 5. The Board recommends Shareholders vote in favour of Resolution 5 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

8. Resolution 6 – Issue of Commitment Shares

8.1 Introduction

On 11 October 2017 the Company entered into a Convertible Note Agreement with MEF I, L.P. whereby the Company will receive an investment amount of AUD4,000,000.

Simultaneously with the issue of the Tranche B and Tranche C Convertible Notes, the Company has agreed to issue to the investor 1,000,000 Commitment Shares respectively (2,000,000 Commitment Shares in total) as a commitment fee in accordance with the Convertible Note Agreement.

Resolution 6 seeks Shareholder approval to issue Commitment Shares in accordance with the Convertible Note Agreement without using the Company's 15% placement capacity under Listing Rule 7.1.

8.2 Approval to Issue Commitment Shares

Resolution 6 seeks Shareholder approval to issue 2,000,000 Commitment Shares under the Convertible Note Agreement without using the Company's 15% placement capacity under Listing Rule 7.1.

ASX Listing Rule 7.1

Listing Rule 7.1 prohibits an ASX listed company, except in certain cases, from issuing or agreeing to issue new equity securities without the approval of its Shareholders, if the number of securities issued by the company during the previous 12 months exceeds 15% of the total number of securities on issue at the commencement of that 12 month period.

Accordingly, Resolution 6 seeks the approval by Shareholders of the agreed future issue of Commitment Shares under the Convertible Note Agreement.

Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue:

- (a) the maximum number of securities to be issued is 2,000,000 Commitment Shares;
- (b) the Commitment Shares will be issued in two tranches no later than 3 months after the date of the Meeting (or such later date to the extent permitted by and ASX waiver or modification of the ASX Listing Rules);
- (c) The Commitment Shares will be issued for no cash consideration and represent a commitment fee under the Convertible Note Agreement;
- (d) the Commitment Shares will be issued to MEF I, L.P. The allottee is not a related party of the Company;
- (e) The Commitment Shares are fully paid ordinary Shares in the Company that will rank pari passu and form one class with all other ordinary Shares of the Company;
- (f) No funds will be raised from the issue of the Commitment Shares; and
- (g) a voting exclusion statement is included in the Notice of Meeting.

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8.3 Recommendation

None of the Directors has a personal interest in the subject matter of Resolution 6. The Board recommends Shareholders vote in favour of Resolution 6 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

9. Resolution 7 – Issue of Shares

9.1 Introduction

Under the Share Sale and Purchase Agreement entered into in February 2013 to acquire a 75% interest PT Tambung Benua Alam Raya (**TBAR**), which holds the TBAR Exploration Licence IUP 188.45/204/2012, post-completion amounts are outstanding in respect of the acquisition.

Cokal has reached a commercial settlement under which the Company will preserve its cash reserves and issue the TBAR Vendors, or their nominees, 25,000,000 Shares at an issue price of \$0.10 in full and final satisfaction of all amounts outstanding in respect of the acquisition of 75% of TBAR.

ASX Listing Rule 7.1

An explanation of the applicable Listing Rules is contained in Section 8.2.

Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue:

- (a) the maximum number of securities to be issued is up to 25,000,000 Shares;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by and ASX waiver or modification of the ASX Listing Rules);
- (c) The Shares will be issued in consideration for full and final satisfaction of the milestone payment claims;
- (d) the Shares will be issued to Mr Harun Abidin in his capacity as power of attorney for the vendors or their nominees. These are not related parties of the Company;
- (e) the Shares will be fully paid ordinary Shares in the Company that will rank pari passu and form one class with all other ordinary Shares of the Company;
- (f) No funds will be raised from the issue of the Shares; and
- (g) a voting exclusion statement is included in the Notice of Meeting.

9.2 Recommendation

None of the Directors has a personal interest in the subject matter of Resolution 7. The Board recommends Shareholders vote in favour of Resolution 7 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

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10. Resolution 8 – Options to Director – Mr Gerhardus (Garry) Kielenstyn

10.1 Introduction

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 5,000,000 Options (**Related Party Options**) to Mr Gerhardus (Garry) Kielenstyn (or his nominee).

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Related Party Options involves the issue of securities to a related party of the Company, shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Company that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Options to Mr Gerhardus (Garry) Kielenstyn.

Shareholder approval under Chapter 2E of the Corporations Act (related party benefits) is not required because the issue of the Related Party Options is considered reasonable remuneration and falls within the exception to the requirement for shareholder approval.

10.2 Introduction

Pursuant to, and in accordance with, the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Related Party Options as follows:

- (a) The related party is Mr Gerhardus (Garry) Kielenstyn who is a related party by virtue of being a Director;
- (b) The maximum number of Related Party Options to be granted to Mr Gerhardus (Garry) Kielenstyn (or his nominee) is a total of 5 million Related Party Options with an expiry date three years from the date of issue;
- (c) The Related Party Options consist of two tranches, each tranche having the terms set out below:

Tranche	Number of Options	Exercise Price	Vesting Condition
Tranche 1	1,000,000	\$0.12	The Board is satisfied, acting reasonably, that the Company has produced 100,000 tonnes of coal.
Tranche 2	4,000,000	\$0.15	The Board is satisfied, acting reasonably, that the Company is consistently operating at a production rate for three months of 45,000 tonnes of coal per month.

- (d) The Related Party Options will be granted to Mr Gerhardus (Garry) Kielenstyn (or his nominee) no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (e) The Related Party Options will be granted for nil cash consideration and accordingly no funds will be raised;
- (f) The terms and conditions of the Related Party Options are set out in Schedule 2; and
- (g) A voting exclusion statement has been included in the Notice of Meeting

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10.3 Other Information

The Board considers the grant of Related Party Options to Mr Gerhardus (Garry) Kielenstyn reasonable in the circumstances as the primary purpose of the grant of the Related Party Options to Mr Gerhardus (Garry) Kielenstyn is to provide a performance linked incentive component in his remuneration package to motivate and reward the performance of Mr Gerhardus (Garry) Kielenstyn in his role as Director.

Mr Gerhardus (Garry) Kielenstyn declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 8 be passed. All directors (excluding Mr Gerhardus (Garry) Kielenstyn) recommend that Shareholders vote in favour of Resolution 8 for the following reasons:

- (a) the grant of Related Party Options to Mr Gerhardus (Garry) Kielenstyn will align his interests with those of Shareholders;
- (b) the grant of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr Gerhardus (Garry) Kielenstyn; and
- (c) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Options upon the terms proposed.

In forming their recommendations, each Director considered the experience of Mr Gerhardus (Garry) Kielenstyn, the current market price of Shares, the current market practices when determining the number of Related Party Options to be granted as well as the exercise price and expiry date of those Related Party Options.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Options to Mr Gerhardus (Garry) Kielenstyn as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Options to Mr Gerhardus (Garry) Kielenstyn will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

11. Resolution 9 – Approval of Performance Rights and Option Plan

Resolution 9 seeks Shareholders approval for the adoption of the employee incentive scheme titled Performance Rights and Option Plan (**Performance Rights and Option Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

Listing Rules

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

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Corporations Act

Section 200B of the Corporations Act requires shareholder approval by ordinary resolution, and in accordance with the provisions of section 200E of the Corporations Act, in order to access the exemption from the prohibition on a company giving a person a benefit in connection with that person's retirement from an office or employment in that company where that person is, or was in the three years prior to his or her retirement, in a managerial or executive office in that company.

The Performance Rights and Option Plan allows the Board, in its discretion to, determine that some or all of the Performance Rights or Options are deemed to have vested in the event a participant's employment ceases (**Accelerated Vesting**).

In the circumstance of Accelerated Vesting, the value of the termination benefits that the Board may give under the Performance Rights and Option Plan cannot be determined in advance, as many of the factors that will or are likely to affect that value will not be known until the benefit is decided to be given (if at all). The Board has not determined whether it will exercise discretion to grant any Accelerated Vesting or, in what circumstances, it will exercise its discretion.

Specifically, the value of an Accelerated Vesting will depend on a number of factors, including the Company's share price at the time of vesting of the Performance Rights or Options and the number of Performance Rights or Options that the Board determines to vest early (if any).

If Resolution 9 is passed, the Company will be able to issue Performance Rights and Options under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period. Shareholders should note that no Performance Rights or Options have previously been issued under the Performance Rights and Option Plan.

The objective of the Performance Rights and Option Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Performance Rights and Option Plan and the future issue of Performance Rights and Options under the Performance Rights and Option Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

The Performance Rights and Option Plan includes a provision for a cashless exercise of Options mechanism (described in Schedule 3) that, if implemented, results in less Shares being issued with less dilution to Shareholders.

Any future issues of Performance Rights or Options under the Plan to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the Performance Rights and Option Plan is set out in Schedule 3. In addition, a copy of the Performance Rights and Option Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Performance Rights and Option Plan can also be sent to Shareholders upon request to the Company Secretary, Ms Louisa Martino. Shareholders are invited to contact the Company if they have any queries or concerns.

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12. Resolution 10 – Approval of the Debt Restructure Transaction

12.1 Background

i. Blumont financing

On 8 October 2013, the Company advised that it had entered into a facility agreement of up to US\$8 million with the Blumont Group Limited (**Blumont**) (**Facility Agreement**). As at the date of this Notice, the total amount owing under the Facility Agreement is US\$3,827,302 (**Blumont Loan**).

On 7 April 2016, Blumont entered into a settlement agreement with Wintercrest Advisors LLC (**Wintercrest**) under which, amongst other things, Wintercrest agreed to receive as part settlement of amounts outstanding to it by Blumont:

- (i) the transfer of 60,057,034 shares in the Company held by Blumont; and
- (ii) the assignment of the Blumont Loan,

to Wintercrest.

Wintercrest is owned by Platinum Partners Value Arbitrage Fund, L.P. (**PPVA**) and Platinum Partners Credit Opportunities Master Fund, L.P. (**PPCO**) in the proportions of 55% and 45% respectively.

ii. Platinum Partners financing

On 29 March 2014, the Company entered into a Short Term Loan Agreement with PPCO, as amended and restated on 6 August 2014 (**First Amended Agreement**) and 30 January 2015 (**Second Amended Agreement**) (the amended agreement together called the **Amended and Restated Agreement**).

On 8 April 2014, the Company received notice from PPCO that it had assigned the Short Term Loan Agreement to Northrock Financial LLC (**Northrock**), a subsidiary of PPCO.

As at the date of this Notice, the balance including interest and penalties owing to Northrock by the Company under the Amended and Restated Agreement is US\$10,065,000 (**Northrock Loan**).

12.2 Debt Restructure Transaction

On 22 July 2016, the Company announced that it had reached an agreement with PPVA to convert the Blumont Loan and Northrock Loan (together the **Platinum Loans**) into a production royalty, subject to the preparation of definitive agreements.

The Company entered into a definitive royalty deed on 29 April 2017 with Northrock and Wintercrest (**Platinum Entities**) under which the Company will be granted a discharge and release of its obligations under the Platinum Loans in exchange for a production royalty, subject to certain conditions being satisfied (**Royalty Deed**).

The terms and conditions of the Royalty Deed were announced to the market on 2 May 2017.

The Debt Restructure Transaction is conditional upon:

- (i) (**Diligence**) legal and commercial diligence having been completed to the satisfaction of Wintercrest and Northrock.

This condition has been satisfied.

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- (ii) **(Security)** All security documents required to be executed having been duly executed and filed, registered or otherwise perfected in accordance with the applicable laws and regulation of the country in which the security is agreed by the provisions of this deed to be filed, registered and perfected .

Cokal has complied with Platinum's requests under this condition and definitive agreements are in agreed form but unsigned

- (iii) **(Shareholder approval)** Cokal's shareholders approve the execution and implementation of the Royalty Deed and the transactions contemplated by it

The approval of Resolution 10 will satisfy this condition.

- (iv) **(Funding)** The Company providing evidence satisfactory to each of Wintercrest and Northrock of the successful completion of a fund raising in a quantum sufficient to support the production of at least 100,000tpa of coal, to be completed and received by the Company by October 2017.

The Company believes that the Convertible Note facility announced on 11 October 2017 satisfies this condition.

- (v) **(Ongoing production)** the Company providing evidence satisfactory to each of Wintercrest and Northrock that:

- (A) after achieving commercial quantity of production and sales (being 15,000 tonnes per month) **(Commencement Date)**, the average of the next 6 consecutive months' commercial production is no less than 8,500 tonnes per month; or
- (B) coal production in each of the 3 consecutive months after the month of the Commencement Date is of such quantity that is in accordance with an annual production plan to deliver an aggregate of at least 100,000 tpa of Coal,

provided the 6 months under (A) and the 3 months under (B) occur between 9 June 2017 until 9 December 2018.

- (vi) **(Budgets)** Wintercrest and Northrock having reviewed and approved (such approval not to be unreasonably withheld or delayed) all budgets prepared for all financing proposals made before all other conditions precedent have been satisfied

On satisfaction of conditions (i) – (iv) inclusive, 1/3rd of the Platinum Loans will be released and discharged and the Royalty Deed becomes effective. Cokal has sought confirmation from Platinum that the last of these conditions will be satisfied if shareholders approve resolution 10.

The remaining 2/3rds of the Platinum Loans will be released and discharged on satisfaction of conditions (v) and (vi) (on-going production and budget conditions). If conditions (v) and (vi) are not satisfied by 9 December 2018, then Cokal remains obligated to repay 2/3rds of the Platinum Loans and will also need to pay the Platinum Entities the royalty (see paragraph 12.3).

12.3 Royalty payable

If the conditions of the Royalty Deed are satisfied, then from the commencement of commercial production, the Platinum Entities will be entitled to a yearly royalty on coal sold from the Company's share of production from the Bumi Barito Mineral Project **(BBM Project)** and PT Tambang Benua Alam Raya Project **(Tbar Project)** **(Royalty)**.

The Royalty will be 1% of the Company's share of the realised selling price **(FOB)** (i.e. selling price per tonne x tonnes sold x 1%) up to a maximum amount of US\$40 million.

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12.4 Regulatory requirements – Listing Rule

i. Listing Rule 10.1 - overview

Listing Rule 10.1 requires that any disposal of a 'substantial asset' to a 'substantial holder' be approved by Shareholder.

ii. 'Substantial holder'

A Shareholder is considered a 'substantial holder' of the Company, if it and its associates have a relevant interest, or had a relevant interest at any time in the last 6 months before the proposed transaction, in at least 10% of the total votes attached to the Company's voting securities.

The Platinum Entities are considered associates of each other and, as at the date of this Notice:

- (a) Northrock holds no Shares;
- (b) Wintercrest holds 34,241,293 Shares; and
- (c) other associates of the Platinum Entities hold 16,066,208 Shares;

together, representing approximately 8.2% of total votes attaching to voting securities in the Company.

However, in the last 6 months, the Platinum Entities have held a relevant interest of 12.5% (see notice of change of substantial holder lodged on 4 May 2016). Accordingly, the Platinum Entities are considered substantial holders for the purposes of Listing Rule 10.1.

iii. 'Disposal' of a substantial asset

The Listing Rules defines 'dispose' broadly to include using an asset as collateral and decreasing an economic interest.

The Debt Restructure Transaction requires Cokal, or its related parties to, grant security over:

- (d) the BBM Project tenement;
- (e) the Tbar Project tenement;
- (f) their relevant interests in PT Bumi Burrito Mineral, which as at the date of this Notice is 60% owned by Cokal-BBM Pte Ltd; and
- (g) their relevant interests in PT Tambang Benua Alam Raya, which as at the date of this notice is 75% owned by Cokal Tbar Pte Ltd.

The payment of the Royalty will also reduce the Company's economic interest in the BBM Project and Tbar Project.

Accordingly, the Company has formed the view that there will be a 'disposal' for the purposes of Listing Rule 10.1.

iv. What is a 'substantial asset'?

An asset is substantial if its value, or the value of the consideration for it, is 5% or more of the equity interests of the Company as set out in the latest set of accounts given to the ASX.

The Company's total equity as set out in its 31 December 2016 half-yearly report was A\$11,157,949.

Accordingly, if the value of the asset, or any consideration received for it, is greater than \$557,898, it will be a substantial asset for the purposes of Listing Rule 10.1.

Due to the value of the Platinum Loans being discharged (approximately US\$13.8 million) and the maximum amount of Royalty payable (US\$40 million), the Directors have formed the view that a 'substantial asset', will be disposed.

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12.5 Advantages of the Debt Restructure Transaction

The Company considers that the advantages of the Debt Restructure Transaction include:

- (h) **(release from obligation to repay Platinum Loans)** The release and discharge of the Platinum Loans will release the Company from its obligations to repay the Platinum Loans (in exchange for the Royalty obligations) allowing the Company to continue to operate without the current default risk (the risk that the Financiers may make a demand for repayment) on the Platinum Loans. Any demand for repayment by the Financiers could result in Cokal becoming insolvent and a receiver being appointed in circumstances where Cokal is unable to raise sufficient funds to repay the Platinum Loans in the time required;
- (b) **(provides a more sustainable cash flow)** The discharge of the Platinum Loans will strengthen the Company's balance sheet by removing approximately US\$13.89 million in liabilities. The Royalty will assist Cokal to manage its cash flow as the royalty payments are tied to the receipt of coal revenue from the BBM Project and the TBAR Project and will not be payable where there is no revenue;
- (c) **(considered favourable by potential investors)** The Company believes that the Debt Restructure Transaction will be considered favourable by potential investors who are considering providing funding for the BBM Project, which is required to commence construction and production of the Company's metallurgical coals. The Platinum Entities have agreed to provide first ranking security to providers of project senior debt finance;
- (d) **(shares in escrow)** the Financiers have agreed to escrow their Shares for 24 months from the date of conversion of the Platinum Loans. By having these shares placed in escrow, the Financiers will be unable to sell their shares on market. Selling a large number of shares could potentially place downward pressure on the share trading price of Cokal if an increased supply of Cokal shares sufficiently outweighs demand for Cokal shares; and
- (e) **(fair and reasonable)** The Debt Restructure Transaction is considered fair and reasonable by the Independent Expert.

12.6 Disadvantages of the Debt Restructure Transaction

The Company considers that the disadvantages of the Debt Restructure Transaction include:

- (a) **(dilution of economic interests in the BBM and TBAR Projects)** Cokal's economic interest in the BBM and TBAR Projects will be diluted through the granting of the Royalty as the Financiers will be entitled to an income stream based on coal revenue, capped at US\$40 million; and
- (b) **(dilution of interests held by ordinary shareholders)** under the Debt Restructure Transaction, it is proposed that the Company grant 75 million options to the Financiers. Cokal shareholders interest in the Company assets will be diluted if these options are exercised.

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12.7 Risks if the Debt Restructure Transaction is not approved

There are risks if the Debt Restructure Transaction is not approved by Shareholders. These include:

- (a) **(loan default risk)** The Platinum Entities requiring immediate repayment of the Platinum Loans and enforcing the current securities in place;
- (b) **(funding risk)** The Company will need to raise capital to reduce its debt and for working capital. There are risks that the Company will not be able to raise additional funds either at all or on commercial terms and if equity capital is raised, there is a risk that Shareholders will be diluted;
- (c) **(going concern risk)** There is a risk that the Company will not be able to continue as a going concern if it is unable to raise the funds necessary to meet its debt and working capital obligations.
- (d) **(share price risk)** The price of Shares might fall following the AGM.

12.8 Independent Expert's opinion

The Directors commissioned the Independent Expert, BDO Corporate Finance, to prepare a report on the Debt Restructure Transaction to ascertain whether the Debt Restructure Transaction is fair and reasonable to Shareholders (other than PPVA, PPCO, Northrock and Wintercrest and their associates).

The Independent Expert has concluded that the Debt Restructure Transaction is fair and reasonable to Shareholders (other than the Platinum Entities and their associates).

A copy of the Independent Expert's Report set out in Schedule 5 of this Explanatory Memorandum and can also be accessed at the Company's website at www.cokal.com.au.

Shareholders are urged to read the Independent Expert's Report in full.

12.9 Recommendation

The Directors have considered the potential advantages and disadvantages of the Debt Restructure Transaction to be implemented under the Royalty Deed and the Independent Expert's conclusions.

The Directors recommend that Shareholder vote in favour of Resolution 10.

13. Resolution 11 - Approval for the grant of Options to the Platinum Entities or their nominee

13.1 Background

As announced on 22 July 2016, the Company has agreed to issue the Platinum Entities or their nominees approved by the Board 75 million Options with a 5 year term and an exercise price of 1.6 cents (**Platinum Options**), as part of the Debt Restructure Transaction.

Each Platinum Option vests and is only exercisable once all the Platinum Loans have been released and discharged – please see section 12.2 for further details.

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13.2 Regulatory requirements

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of equity securities, where the securities proposed to be issued represent more than 15% of the company's ordinary shares then on issue (**Placement Capacity**).

By approving the grant of the Platinum Options, the Company will retain the flexibility to issue equity securities in the future up to the Placement Capacity, without the requirement to obtain Shareholder approval.

In the event that Shareholder approval is not obtained for the grant of Platinum Options, the Company will issue the Platinum Options to the extent permissible under the Company's existing Placement Capacity.

13.3 Information required by Listing Rule 7.3

The following information is required by Listing Rule 7.3, for the purposes of Shareholder approval under Listing Rule 7.1:

- (a) the maximum number of securities to be issued is 75,000,000 Platinum Options;
- (b) If approved, it is intended that the Platinum Options be granted on or about 30 November 2017, and in any event, no later than 3 months after the AGM (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) the Platinum Options will be issued for nil cash consideration. The Platinum Options are being issued in consideration of the Debt Restructure Transaction;
- (d) the Platinum Options will be issued to the Platinum Entities or their nominees approved by the Board. The allottees are not a related party of the Company;
- (e) the Platinum Options will be issued on the terms and conditions set out in Schedule 4;
- (f) funds raised on the exercise of the Platinum Options will be used for working capital purposes.
- (g) a voting exclusion applies to this resolution – please see the notes to resolution 11 in the Notice.

13.4 Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 11.

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14. Interpretation

\$ means Australian Dollars

AEDT means Australian Eastern Daylight Saving Time

Amended and Restated Agreement means The Short Term Loan Agreement as amended and restated by the First Amended Agreement and the Second Amended Agreement

Annual General Meeting or Meeting means the Annual General Meeting of the Company to be held on 29 November 2017

ASIC means the Australian Securities and Investments Commission

ASX means the ASX Limited ACN 008 624 691

BBM Project means the Bumi Barito Mineral Project

Blumont means Blumont Group Limited

Blumont Loan means the amount owing to Blumont under the Facility Agreement

Board means the board of directors of the Company

Closely Related Party (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependent of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of this paragraph

Commitment Shares means Shares representing a commitment fee in accordance with the Convertible Note Agreement

Company means Cokal Limited ACN 082 541 437

Convertible Note Agreement means the agreement entered into with MEF I, L.P. dated 11 October 2017 for the issue of Convertible Notes

Corporations Act means the *Corporations Act 2001* (Cth).

Debt Restructure Transaction means the transaction announced on 22 July 2016, under which the Company:

- (a) is discharged and released from its obligations under the Blumont Loan and Northrock Loan;
- (b) must pay the Royalty;
- (c) will issue security over various Company assets; and
- (d) will grant the Platinum Options.

Directed Proxy Form means a proxy form which specifies how the proxy is to vote

Directors means the directors of the Company

Equity Securities has the meaning give to that term in the Listing Rules

Facility Agreement means the facility agreement between the Company and Blumont dated on or about 8 October 2013.

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First Amended Agreement means The Short Term Loan Agreement as amended and restated on 6 August 2014.

Independent Expert means BDO Corporate Finance (Qld) Ltd

Independent Expert's Report means the report set out in Schedule 5

Listing Rules means the listing rules of the ASX.

Key Management Personnel has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity. The Remuneration Report identifies the Company's key management personnel for the financial year ended 30 June 2017.

Market Price has the meaning given to that term in the Listing Rules

Northrock means Northrock Financial LLC

Northrock Loan means the amount owing to Northrock under the Amended and Restated Agreement

Notice of Meeting or **Notice** means this notice of meeting.

Ordinary Resolution means a resolution passed by more than 50% of the votes cast by members entitled to vote on the Resolution.

Option means an option to subscribe for a Share.

Platinum Entities means Northrock and Wintercrest

Platinum Loans means the Blumont Loan and Northrock Loan

Platinum Options means 75 million Options with a 5-year term and exercise price of 1.6 cents

PPCO means Platinum Partners Credit Opportunities Master Fund, L.P.

PPVA means Platinum Partners Value Arbitrage Fund, L.P.

Remuneration Resolution means a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel and includes Resolutions 1, 8 and 9 in this Notice of Meeting

Resolution means a resolution to be proposed at the Meeting

Royalty means the production royalty payable as set out in section 12.3 of the Royalty Agreement

Royalty Deed means the definitive royalty agreement between the Platinum Entities and the Company dated on or about 29 April 2017

Second Amended Agreement means the Short Term Loan Agreement as amended and restated on 30 January 2015

Shares means ordinary fully paid shares in the issued capital of the Company

Shareholder means a holder of one Share

Short Term Loan Agreement means the loan agreement entered into between the Company and PPCO dated on or about 29 March 2014

Special Resolution means a resolution:

(a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act; and

(b) passed by at least 75% of the votes cast by members entitled to vote on the Resolution

TBAR Shares means 25,000,000 Shares to be issued to the TBAR Vendors or their nominees in relation to the TBAR Project

TBAR Project means PT Tambang Benua Alam Raya Project

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TBAR Vendors means the vendors of PT Tambang Benua Alam Raya (**TBAR**)

Undirected Proxy Form means a proxy form which does not specify how the proxy is to vote

VWAP means the volume weighted average market price of the Shares

Wintercrest means Wintercrest Advisors LLC

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Louisa Martino (Company Secretary):

Phone: +61 2 8823 3179

Email: louisa@indianoceancapital.com

SCHEDULE 1 – SUMMARY OF CONSULTANT OPTIONS

1. The securities to be issued are options to subscribe for fully paid ordinary shares in the Company (**Shares**).
2. The Options are to be issued for no consideration.
3. The exercise price of each Option is \$0.10 (**Exercise Price**).
4. The Options will vest immediately upon issue (**Vesting Date**).
5. The Options will expire and be forfeited (if the Options have not already been forfeited) on 19 September 2020 (**Expiry Date**);
6. Shares issued on exercise of the Options will rank pari passu with all existing Shares from the date of issue.
7. The Options may be exercised wholly or in part by notice in writing to the Company received at any time on or before the Expiry Date together with a cheque for the Exercise Price of the Option multiplied by the number of Shares in respect of which Options are being exercised.
8. The Options shall be unlisted but shall be transferable.
9. Upon allotment of Shares pursuant to the exercise of Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.
10. Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules.
11. Option holders do not participate in dividends or in bonus issues unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend or bonus issue.
12. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (a) the number of Options, the Exercise Price, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the Option holder which are not conferred on Shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders of the Company approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
13. If there is a bonus issue to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Option holder would have received if the Options had been exercised before the record date for the bonus issue.
14. If, during the life of any Option, there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced accordingly to the following formula:

$$O^1 = O - \frac{E [P - (S + D)]}{N + 1}$$

where

O^1 = the new exercise price of the Option

O = the old exercise price of the Option

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- E = the number of underlying securities into which one Option is exercisable
- P = the average market price per security (weighted by reference to volume) of the underlying securities during the five (5) trading days ending on the day before the ex right date or the ex entitlements date
- S = the subscription price for a security under the pro-rata issue
- D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro-rata issue)
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security

15. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.

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SCHEDULE 2 – SUMMARY OF RELATED PARTY OPTIONS

1. The securities to be issued are options to subscribe for fully paid ordinary shares in the Company (Shares).
2. The Options are to be issued for no consideration.
3. The exercise price of each Option is:
 - (a) For Tranche 1 - \$0.12 per Related Party Option
 - (b) For Tranche 2 - \$0.15 per Related Party Option(each an **Exercise Price**).

4. The Options will vest on satisfaction of the following Vesting Conditions:

Tranche	Vesting Condition
Tranche 1	The Board is satisfied, acting reasonably, that the Company has produced 100,000 tonnes of coal.
Tranche 2	The Board is satisfied, acting reasonably, that the Company is consistently operating at a production rate for three months of 45,000 tonnes of coal per month.

5. The Options will expire and be forfeited (if the Options have not already been forfeited) three years from the date of issue (**Expiry Date**);
6. Shares issued on exercise of the Options will rank pari passu with all existing Shares from the date of issue.
7. The Options may be exercised wholly or in part by notice in writing to the Company received at any time on or before the Expiry Date together with a cheque for the Exercise Price of the Option multiplied by the number of Shares in respect of which Options are being exercised.
8. The Options shall be unlisted and are not transferable.
9. Upon allotment of Shares pursuant to the exercise of Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.
10. Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules.
11. Option holders do not participate in dividends or in bonus issues unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend or bonus issue.
12. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (a) the number of Options, the Exercise Price, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the Option holder which are not conferred on Shareholders; and

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- (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders of the Company approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.

13. If there is a bonus issue to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Option holder would have received if the Options had been exercised before the record date for the bonus issue.

14. If, during the life of any Option, there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced accordingly to the following formula:

$$O^1 = O - \frac{E [P - (S + D)]}{N + 1}$$

where

O^1 = the new exercise price of the Option

O = the old exercise price of the Option

E = the number of underlying securities into which one Option is exercisable

P = the average market price per security (weighted by reference to volume) of the underlying securities during the five (5) trading days ending on the day before the ex right date or the ex entitlements date

S = the subscription price for a security under the pro-rata issue

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro-rata issue)

N = the number of securities with rights or entitlements that must be held to receive a right to one new security

15. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.

SCHEDULE 3 – SUMMARY OF PERFORMANCE RIGHTS AND OPTION PLAN

The key terms of the Performance Rights and Option Plan (**Plan**) are as follows:

- (a) **Eligibility:** Participants in the Plan may be:
- (i) a Director (whether executive or non-executive) of the Company and any associated body corporate of the Company (each a **Group Company**);
 - (ii) a full or part time employee of any Group Company;
 - (iii) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 as amended or replaced (**Class Order**); or
 - (iv) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,
- who is declared by the Board to be eligible to receive grants of Awards under the Plan (**Eligible Participants**).
- (b) **Offer:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant (including an Eligible Participant who has previously received an offer) to apply for Awards, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines (**Offer**).
- (c) **Plan limit:** The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Awards offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.
- (d) **Issue price:** Unless the Awards are quoted on the ASX, Awards issued under the Plan will be issued for no more than nominal cash consideration.
- (e) **Vesting Conditions:** An Award may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Awards (**Vesting Conditions**).
- (f) **Vesting:** The Board may in its absolute discretion (except in respect of a change of control occurring where Vesting Conditions are deemed to be automatically waived) by written notice to a Participant (being an Eligible Participant to whom Awards have been granted under the Plan or their nominee where the Awards have been granted to the nominee of the Eligible Participant (**Relevant Person**)), resolve to waive any of the Vesting Conditions applying to Awards due to:
- (i) special circumstances arising in relation to a Relevant Person in respect of those Performance Rights, being:
 - (A) a Relevant Person ceasing to be an Eligible Participant due to:
 - (I) death or total or permanent disability of a Relevant Person; or
 - (II) retirement or redundancy of a Relevant Person;
 - (B) a Relevant Person suffering severe financial hardship;

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- (C) any other circumstance stated to constitute “special circumstances” in the terms of the relevant Offer made to and accepted by the Participant; or
 - (D) any other circumstances determined by the Board at any time (whether before or after the Offer) and notified to the Relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant; or
 - (ii) a change of control occurring; or
 - (iii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.
- (g) **Cashless Exercise Facility:** In lieu of paying the aggregate Exercise Price to purchase Shares, an Eligible Participant may elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (**Cashless Exercise Facility**):

$$A = \frac{B (C - D)}{C}$$

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Optionholder;

B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised;

C = the Market Value of one Share determined as of the date of delivery to the company secretary; and

D = the Exercise Price.

For the purposes of this Section, **Market Value** means, at any given date, the volume weighted average price per Share traded on the ASX over the five (5) trading days immediately preceding that given date, unless otherwise specified in an Offer.

- (h) **Lapse of an Award:** An Award will lapse upon the earlier to occur of:
- (i) an unauthorised dealing, or hedging of, the Award occurring;
 - (ii) a Vesting Condition in relation to the Award is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to waive the Vesting Condition and vest the Award;
 - (iii) in respect of unvested Awards only, an Eligible Participant ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Award in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (iv) in respect of vested Awards only, a relevant person ceases to be an Eligible Participant and the Award granted in respect of that person is not exercised within a one (1) month period (or such later date as the Board determines) of the date that person ceases to be an Eligible Participant;
 - (v) the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
 - (vi) the Company undergoes a change of control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Award;

Explanatory Memorandum

- (vii) the expiry date of the Award.
- (i) **Shares:** Shares resulting from the exercise of the Awards shall, subject to any Sale Restrictions (refer paragraph (j)) from the date of issue, rank on equal terms with all other Shares on issue.
- (j) **Sale Restrictions:** The Board may, in its discretion, determine at any time up until exercise of Awards, that a restriction period will apply to some or all of the Shares issued to an Eligible Participant (or their eligible nominee) on exercise of those Awards up to a maximum of five (5) years from the grant date of the Awards. In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such restriction period determined.
- (k) **No Participation Rights:** There are no participating rights or entitlements inherent in the Awards and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Awards.
- (l) **Change in exercise price of number of underlying securities:** Unless specified in the offer of the Awards and subject to compliance with the ASX Listing Rules, an Award does not confer the right to a change in exercise price or in the number of underlying Shares over which the Award can be exercised.
- (m) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of an Award are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (n) **Trust:** The Board may, at any time, establish a trust for the sole purpose of acquiring and holding Shares in respect of which a Participant may exercise, or has exercised, vested Awards, including for the purpose of enforcing the disposal restrictions and appoint a trustee to act as trustee of the trust. The trustee will hold the Shares as trustee for and on behalf of a Participant as beneficial owner upon the terms of the trust. The Board may at any time amend all or any of the provisions of the Plan to effect the establishment of such a trust and the appointment of such a trustee.

SCHEDULE 4 – SUMMARY OF PLATINUM OPTIONS

- 1 Each Platinum Option is an option to subscribe for one Share in the capital of the Company.
- 2 Each Platinum Option is exercisable from the date of grant, provided that the Vesting Condition has been satisfied, until 5.00pm (Sydney time) on the date which is 5 years from the date of grant (**Exercise Period**).
- 3 Each Platinum Option vests and is only exercisable once all the Platinum Loans have been released and discharged – see section 12.2 for further details (**Vesting Condition**).
- 4 A Platinum Option automatically lapses immediately after the Exercise Period.
- 5 The exercise price of each Platinum Option is A\$0.016 (1.6 cents).
- 6 The Platinum Options are transferable in whole or in part to a person that comes within sections 708(8), (10) and (11) of the *Corporations Act 2001* (Cth) (sophisticated and professional investors) without the Company's consent.
- 7 The Platinum Options may be exercised wholly or in part by delivering a duly completed form of notice of exercise together with payment of an amount equal to the exercise price per Platinum Option to the Company at any time on or after the vesting date and on or before the Expiry Date.
- 8 Upon the valid exercise of the Platinum Options and payment of the exercise price, the Company will issue Shares ranking pari passu with the existing Shares at the date of issue.
- 9 Platinum Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Platinum Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Platinum Options, in accordance with the requirements of the ASX Listing Rules.
- 10 The option holder does not participate in any dividends unless the Platinum Options are exercised and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend.
- 11 The Company does not intend to apply for listing of the Platinum Options on the ASX.
- 12 The Company shall apply for listing on the ASX of the resultant Shares of the Company issued upon exercise of any Platinum Option.
- 13 If at any time the issued share capital of the Company is reconstructed (whether by way of consolidation of capital, sub-division of capital, return of capital, reduction of capital by cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled, a pro-rata cancellation of share capital or otherwise) all rights of the option holder will be amended to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

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- 14 If there is a pro rata issue (except a bonus issue), the exercise price of a Platinum Option may be reduced according to the following formula:

$$O^n = \frac{O - E[P - (S + D)]}{N + 1}$$

Where:

- O^n = the new exercise price of the Platinum Option;
- O = the old exercise price of the Platinum Option;
- E = the number of underlying Shares into which one Platinum Option is exercisable;
- P = the average market price per Share (weighted by reference to volume) of the underlying Shares during the five (5) trading days ending on the day before the ex-rights date or ex entitlements date;
- S = the subscription price for a Share under the pro rata issue;
- D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.
- 15 If there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Platinum Option is exercisable may be increased by the number of Shares which the Platinum Option holder would have received if the Platinum Option had been exercised before the record date for the bonus issue and no change will be made to the exercise price.

SCHEDULE 5 – INDEPENDENT EXPERT’S REPORT

Cokal Limited
Independent Expert's Report

26 October 2017

Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this independent expert's report ('this IER'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

- (a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and
- (b) Arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This IER sets out what is described as general financial product advice. This IER does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this IER must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide an independent expert's report to the shareholders of Cokal Limited ('Cokal' or 'the Company') in relation to a royalty agreement ('the Royalty') with its senior lenders, Wintercrest Advisors LLC ('Wintercrest') and Northrock Financial LLC ('Northrock'), in relation to the conversion of all of Cokal's outstanding loans to a production royalty ('the Proposed Transaction').

Further details of the Proposed Transaction are set out in Appendix A. The scope of this IER is set out in detail in Section 3.3. This IER provides an opinion on whether or not the Proposed Transaction is fair and reasonable to Cokal shareholders.

This IER cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this IER will be approximately \$65,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this IER are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this IER.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDOCF. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. In August 2015 BDOCF provided an independent expert report to Cokal for an unrelated transaction. BDO Audit Pty Ltd, a related entity of BDOCF, was engaged to assist to collate pro forma financial information relating to the 2015 transaction.

BDOCF is not an associate of Cokal. The signatories to this IER do not hold any shares in Cokal and no such shares have ever been held by the signatories.

To prepare our reports, including this IER, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this IER, where applicable. Research fees are not included in the fee details provided in this IER.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Contact Details

BDO Corporate Finance (QLD) Ltd

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Glossary

Reference	Definition
A\$ or AUD	Australian dollars
US\$	US dollars
ABV	Asset-based valuation
AAM Project, the	Anugerah Alam Manuhing Project
AGM, the	The Notice of Annual Meeting and Explanatory Statement prepared by Cokal Limited for the meeting to be held on or about 29 November 2017
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BBM	Bumi Barito Mineral Project
BDOCF	BDO Corporate Finance (QLD) Ltd
BDO Persons	BDOCF, BDO (QLD) or any of its partners, directors, agents or associates
Blumont Group, the	Blumont Group Ltd
Blumont Debt, the	US\$3.4 million loaned to Cokal by the Blumont Group
CAPM	Capital asset pricing model
Cokal	Cokal Limited
Corporations Act, the	The Corporations Act 2001
Company, the	Cokal Limited
Conditional Resolutions, the	Resolutions 10 and 11 of the AGM dated 30 October 2017, that are conditional on each other
DCF	Discounted cash flow
DFS	Definitive Feasibility Study for stage one of the BBM Project
Financiers, the	Wintercrest Advisors LLC and Northrock Financial LLC
FOB	Free on board
FSG	Financial Services Guide
Further Conditions, the	Further conditions precedent to the Royalty including the commercial production of coal at the rate of 100,000 tpa by 29 October 2018 and Platinum being satisfied with the Company's budgets for all financing proposed
FY	The financial year or 12-month period ended on 30 June
Ha	Hectares
Initial conditions, the	Conditions precedent to the Royalty including due diligence, the grant of the agreed security and shareholder approval
MAM	Meratus Advance Maritime
Management, the	The management of Cokal Limited

Reference	Definition
MBV	Market-based valuation
Mtpa	Million tonnes per annum
NOM	The Notice of Annual General Meeting dated 30 October 2017
Northrock	Northrock Financial LLC
Northrock Loan	Loan of approximately USD10.065 million owing by Cokal to Northrock
Platinum Entities, the	Northrock, Wintercrest, Platinum Partners Value Arbitrage Fund L.P., Platinum Partners Credit Opportunities Master Fund, L.P. and Platinum Partners Liquid Opportunity Master Fund, L.P.
Platinum Loans, the	The Northrock Loan and the Wintercrest Loan totalling approximately USD13.89 million
Proposed Transaction, the	The conversion of the Platinum Loans to the Royalty on the terms and conditions contained in the Royalty Deed
IER, this	This independent expert's report prepared by BDOCF and dated 26 October 2017
RBF	Royalty-based financing
RG 111	Regulatory Guide 111: Content of Expert Reports, issued by ASIC
RGs	Regulatory guides published by ASIC
Royalty, the	The royalty payable under the Royalty Deed
Royalty Deed	A Royalty Deed dated on or about April 2017 (summarised in Section A.2.1 below)
Shareholders, the	The holders of fully paid ordinary shares
TBAR	PT Tambang Benua Alam Raya
tpa	Tonnes per annum
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
Wintercrest	Wintercrest Advisors LLC
Wintercrest Loan	Loan of approximately USD3.7 million owing by Cokal to Wintercrest which Wintercrest acquired from Blumont
We, us, our	BDO Corporate Finance (QLD) Ltd

The Shareholders
Cokal Limited
PO Box 7122,
Brisbane, QLD, 4001

26 October 2017

Dear Shareholders,

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance (QLD) Limited ('BDOCF' or 'we', 'us' or 'our') has been engaged by Cokal Limited ('Cokal' or 'the Company') to prepare an independent expert's report ('this IER') to the shareholders of Cokal ('the Shareholders') in relation to the proposed conversion of certain loans owing by Cokal to Northrock Financial LLC and Wintercrest Advisors LLC ('the Platinum Loans') into a production royalty arrangement ('the Proposed Transaction').

The Proposed Transaction is subject to a number of conditions. Upon satisfaction of all conditions, approximately USD13.89 million of loans owing by Cokal will be converted into a royalty payable to Wintercrest and Northrock ('the Financiers').

The royalty will commence on the first date after the month in which coal is produced and sold from either, or both of, Cokal's Bumi Barito Mineral Project ('BBM') and PT Tambang Benua Alam Raya Project ('TBAR') in a commercial quantity of not less than 15,000 tons in the month. The royalty will be equal to 1% of Cokal's share of the realised selling price (FOB) up to a maximum total royalty amount of US\$40 million ('the Royalty').

In addition to the Royalty, under the terms of the Proposed Transaction, Cokal has agreed to issue to the Financiers 75 million options with a five year term and an exercise price of 1.6 cents ('the Options').

Cokal has also agreed to provide security to the Financiers for the performance of its obligations under the Royalty Agreement including charges over its shares in the subsidiaries which hold Cokal's interests in the BBM and TBAR Projects.

The Non-Associated Shareholders are able to vote in favour of or against the Proposed Transaction as part of Resolutions 10 and 11 in the Notice of Annual General Meeting ('the Conditional Resolutions'). A more detailed discussion of the Proposed Transaction is set out in Appendix A of this IER.

In this IER we provide our opinion to Cokal shareholders on whether the Proposed Transaction is fair and reasonable. The scope and purpose of this IER are detailed in Sections 3.3 and 3.4 respectively of this IER.

This IER, including appendices, should be read in full along with all other documentation provided to Cokal shareholders.

2.0 Assessment of the Proposed Transaction

2.1 Basis of Evaluation

This IER has been prepared for the purpose of meeting various requirements of the ASX Listing Rules (refer to Section 3.4 below).

Neither the *Corporations Act 2001* ('the Corporations Act') nor the ASX listing rules provide guidance in relation to the definition of 'fair and reasonable'. In determining whether the Proposed Transaction is considered fair and reasonable we have had regard to the guidance provided by RG 111. RG 111 provides guidance as to what matters an independent expert should consider to assist security holders to make an informed decision about transactions.

RG 111 suggests that where an expert is to assess whether a related party transaction is 'fair and reasonable' for the purpose of complying with ASX Listing Rule 10.1, the assessment should not be applied as a composite test. That is, the expert should assess separately whether the transaction is 'fair' and 'reasonable'. The expert's report should explain how the particulars of the transaction were evaluated as well as the results of the examination and evaluation.

We have assessed the fairness and reasonableness of the Proposed Transaction in Sections 2.2 and 2.3 below and concluded on our opinion of the Proposed Transaction in Section 2.4 below.

2.2 Assessment of Fairness

RG 111 states that a related party offer is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made:

- Assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- If the transaction is considered to be a control transaction, assuming 100% ownership of the target irrespective of whether the consideration is scrip or cash.

This section provides our opinion on the fairness of the Proposed Transaction to Cokal shareholders and is set out as follows:

- Section 2.2.1 sets out a comparison of the value of the financial benefit to the Financiers and the value provided to Cokal by way of the Proposed Transaction;
- Section 2.2.2 considers the circumstance where there is a default and the security for the Royalty is called by the Platinum Group; and
- Section 2.2.3 sets out our conclusion on the fairness of the Proposed Transaction.

2.2.1 Comparison of the Value of Financial Benefit to the Value being Provided to Cokal

In accordance with the terms of the Proposed Transaction, the Financiers have agreed to convert their Cokal debt to the Royalty and the Options. We have considered the value of the Royalty, the Options and the debt below before completing a comparison of the value of the financial benefit (i.e. the Royalty and the Options) to the value being provided to Cokal (i.e. the conversion of the debt).

Value of the Royalty

In our view, for the purpose of assessing the fairness of the Proposed Transaction, it is appropriate to adopt a value for the Royalty in the range of US\$5.0 million to US\$10.0 million. Our valuation of the Royalty is set out in Appendix E of this IER. In summary, to arrive at our valuation of the Royalty, we completed the following:

- Considered a range of production scenarios for the BBM Project and the TBAR Project to consider the volume of coal that the Royalty may be payable over and the relevant timing of payments (refer Section E.2);
- Considered forecast coal prices that may be achieved by Cokal over the production timeframe (refer Section E.3);
- Formed a view on an appropriate discount rate to adopt (refer Section E.4);

- Completed a sensitivity analysis to show the impact on value arising from a change in key inputs including discount rate, coal prices and production scenarios (refer Section E.5); and
- Concluded on a view of value for the Royalty having regard to a range of factors (refer Section E.6).

We recommend that the Shareholders read Appendix E in detail which sets out more detailed information in relation to our valuation of the Royalty.

Value of the Options to be Issued

In our view, for the purpose of assessing the fairness of the Proposed Transaction, it is appropriate to adopt a value for the Options in the range of US\$4.2 million to US\$5.2 million. Our valuation of the Options is set out in Appendix F of this IER. To determine our valuation of the Options, we utilised a Black-Scholes Option Pricing model with inputs that we considered appropriate. We also completed a sensitivity analysis to show the impact on the value of the Options from a change in assumptions including share price and volatility.

We recommend that the Shareholders read Appendix F in detail which sets out more detailed information in relation to our valuation of the Options.

Value of the Debt to be Converted

As set out in Appendix A, under the terms of the Proposed Transaction, it is proposed that US\$13,892,302 of debt currently owing from Cokal to the Financiers will be converted into a royalty. In our view, it is appropriate to adopt the value of the debt currently owing of approximately US\$13.89 million for the purpose of assessing the Proposed Transaction.

Comparison

Table 2.1 sets out our comparison of the value being transferred under the Proposed Transaction as a result of the proposal to convert the debt into the Royalty and the Options.

Table 2.1: Comparison of the Value Transfer under the Proposed Transaction

	Low Value (US\$' millions)	High Value (US\$' millions)
Value of the Royalty	5.0	10.0
Value of the Options	4.2	5.2
Total Value of the Financial Benefit	9.2	15.2
Value to be provided to Cokal	13.9	13.9

Source: BDO CFQ analysis

Having regard to the information set out in Table 2.1, it is our view that the value to be provided to Cokal is greater than or equal to the value of the financial benefit to be provided to the Financiers.

2.2.2 Issues Relevant to the Granting of Security

As stated above, RG 111 suggests that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Our fairness assessment also considers the circumstance where there is a default and the security for the Royalty is called by the Financiers. This section does not consider any other terms associated with the Proposed Transaction including the Royalty and the Options.

Under RG 111, in the case of the Proposed Transaction, the proceeds flowing to the Financiers from the sale of the assets (over which security is granted) in the event of a default on the Royalty constitutes the financial benefit provided to the Financiers. The consideration provided by the Financiers to Cokal is the outstanding amount on the Royalty which will no longer be required to be repaid by Cokal in the event of a default on the Royalty.

Having regard to the above, the Proposed Transaction is ‘fair’ if the value of the security provided to the Financiers (i.e. the value of the proceeds flowing to the Financiers from the sale of the assets) is equal to or less than the value of the liabilities to be settled by the security (i.e. the outstanding amount on the Royalty) in the event of a default on the Royalty.

Process to Realise Value for the Secured Assets in the Event of Default

If certain defined events of default occur under the Royalty Deed, the securities provided to the Financiers will be enforceable in the customary manner, including a right of the security holder to sell the secured assets in order to realise value.

In the event of a default, the Financiers may themselves enter into possession or appoint a receiver or receiver and manager to recover the debt owed, which may involve a sale of the relevant assets. If appointed, a receiver has an obligation under the *Companies Act (1967)* Chapter 50 of Singapore to take reasonable steps to obtain a proper price, such as holding a public auction where appropriate.

If the Financiers were to exercise their power of sale over a property without entering into possession or appointing a receiver, their obligations under *Conveyancing and Law of Property Act (1994)*, Chapter 61 of Singapore would be similar to those of a receiver.

Having regard to the above, in our view, it is appropriate to assume for the purposes of our analysis in this IER that, in the event of a default on the Royalty, any sales process pursued to divest the assets will be conducted in a manner which is bound by statute to attempt to realise fair market value as at the time of the sale, having regard to the existing state of the assets.

Different Scenarios in Event of Default

To assist in our analysis of the fairness of the Proposed Transaction, we have compared the value of the proceeds flowing to the Financiers from the sale of the assets to the value of the outstanding amount (including principal, interest and enforcement costs) on the Platinum Loans to the Financiers in the event of a default on the Royalty under several scenarios. In considering the various possible scenarios, we note the following:

- In the scenario where the value of the proceeds from the sale of the assets is greater than the value of the outstanding amount on the Royalty, the Financiers are entitled to receive sale proceeds equal to the amount outstanding on the Royalty;
- In the scenario where the value of the proceeds from the sale of the assets is equal to the outstanding amount on the Royalty, the Financiers are entitled to receive all of the sale proceeds; and
- In the scenario where the value of the proceeds from the sale of the assets is less than the outstanding amount on the Royalty, the Financiers are entitled to receive all of the sale proceeds. To the extent the amount outstanding on the Royalty exceeds the proceeds received from the sale of the assets, the Financiers can only recover it as an unsecured creditor of the Company.

Table 2.2 below summarises the potential outcomes from the settlement of the Royalty under a default scenario.

Table 2.2: Potential Settlement Scenarios for the Royalty

Scenario	Consequence	Fairness
Proceeds from assets > Outstanding Amount	Security provided = Liabilities settled	Fair
Proceeds from assets = Outstanding Amount	Security provided = Liabilities settled	Fair
Proceeds from assets < Outstanding Amount	Security provided < Liabilities settled	Fair

Source: BDOCF Analysis

Having regard to the potential settlement scenarios summarised above, in all circumstances the Financiers are entitled to receive a maximum amount equal to the outstanding amount on the Royalty, in circumstances where the assets are sold.

2.2.3 Opinion on Fairness

Having regard to the above assessment of the Proposed Transaction and after considering the information set out in the balance of this IER, it is our view that the Proposed Transaction is **Fair** to the Shareholders as at the date of this IER. For completeness, we note that in forming this view, we considered that:

- The value to be provided to Cokal under the Proposed Transaction (i.e. the debt that is being converted into the Royalty) is greater than or equal to the value of the financial benefit to be provided to the Financiers (refer Section 2.2.1 above); and
- A variety of potential settlement scenarios in the event that Cokal defaults on the Royalty and the security is called. These scenarios showed that in all circumstances the Financiers are entitled to receive a maximum amount equal to the outstanding amount on the Royalty (including any interest and fees) in circumstances where the assets are sold (refer Section 2.2.2 above).

2.3 Assessment of Reasonableness

Reasonableness examines other significant factors which shareholders may consider prior to voting for or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of voting for or against the Proposed Transaction, with the position of the shareholders if the Proposed Transaction does not proceed. This step can be classified as an assessment of whether the Proposed Transaction is 'reasonable'. We have considered factors that would impact on reasonableness as at the date of this IER.

Our assessment of the reasonableness of the Proposed Transaction to the Shareholders is set out as follows:

- Section 2.3.1 outlines the advantages of the Proposed Transaction to the Shareholders;
- Section 2.3.2 outlines the disadvantages of the Proposed Transaction to the Shareholders;
- Section 2.3.3 sets out the position of the Shareholders if the Conditional Resolutions are not approved; and
- Section 2.3.4 provides our assessment of the reasonableness of the Proposed Transaction.

2.3.1 Advantages of the Proposed Transaction

Table 2.2 below outlines the potential advantages of the Proposed Transaction to the Shareholders.

Table 2.2: Advantages of the Proposed Transaction

Advantage	Explanation
The Proposed Transaction is Fair	In our view, the Proposed Transaction is fair to the Shareholders as at the date of this IER. In accordance with RG 111, a transaction is considered reasonable if it is fair. Refer to Section 2.2 of this IER for our assessment of the fairness of the Proposed Transaction.
Cokal will be released from its obligation to repay the Platinum Loans	Although the full amount of US\$13.89 million of the Platinum Loans is currently overdue, the Financiers have not yet made a demand for repayment. If the Proposed Transaction is not approved, the Financiers may make a demand for repayment which could result in Cokal becoming insolvent and a receiver being appointed in circumstances where Cokal is unable to raise sufficient funds to repay the Platinum Loans in the time required. Should the Company not be able to undertake the Proposed Transaction and restructure its debt, any economic interest remaining for existing shareholders will depend on the price that the receiver is able to realise for the secured assets. However, if the Proposed Transaction is approved and the other Conditions Precedent are satisfied, Cokal will be released from its obligations to repay the Platinum Loans (in exchange for the Royalty obligations) allowing the Company to continue to operate without the current default risk on the Platinum Loans.

Advantage	Explanation
The Proposed Transaction provides a more sustainable cash flow obligation relative to the current debt position	If the Proposed Transaction is approved, the Platinum Loans will convert (as per the terms set out in Section A.2.1) into the Royalty and Cokal will be loan free. The discharge of the Platinum Loans will strengthen the Company's balance sheet by removing approximately US\$13.89 million in liabilities. The Royalty will assist Cokal to manage its cash flow as the royalty payments are tied to the receipt of coal revenue from BBM and TBAR and will not be payable in circumstances where there is no such revenue.
The Proposed Transaction will assist to attract the investment required to develop Cokal's assets	The Directors are of the view that the funding required to meet the Company's debt obligations cannot be obtained on terms superior to those offered under the Proposed Transaction at the current time and that the Proposed Transaction represents the only available funding option as at the date of this IER to avoid a possible requirement to repay the Platinum Loans in the short term. If the Proposed Transaction is not approved and the Platinum Loans are required to be repaid, the Directors are not confident in sourcing funding within the short term. The options available to the Directors to raise the funding include either an equity raising or a sale of assets. Having regard to the position of the Company and the amount of capital required to repay the Platinum Loans, it is likely that a significant discount would be required to raise capital in the equity markets (and there is no guarantee that the capital required could be raised at all or on terms and conditions satisfactory to the Shareholders).
Shares in escrow	Under the terms of the Proposed Transaction, the Platinum Entities have agreed to escrow their 120,762,880 shares (representing a relevant interest in Cokal of 19.7%) for 24 months from the date of conversion of the Platinum Loans. By having these shares placed in escrow, the Platinum Entities will be unable to sell their shares on market. Selling a large number of shares could potentially place downward pressure on the share trading price of Cokal if an increased supply of Cokal shares sufficiently outweighs the demand for Cokal shares. The shares being placed in escrow may also incentivise the Platinum Entities to provide ongoing support to Cokal.

Source: BDOCF Analysis

2.3.2 Disadvantages of the Proposed Transaction

Table 2.3 below outlines the potential disadvantages of the Proposed Transaction to the Shareholders.

Table 2.3: Disadvantages of the Proposed Transaction

Disadvantage	Explanation
Dilution of economic interest in the BBM and TBAR Projects	Cokal's economic interest in the BBM and TBAR Projects will be diluted through the granting of the Royalty as the Financiers will be entitled to an income stream based on coal revenue, capped at US\$40 million.
Dilution of interests held by ordinary shareholders	Under the Proposed Transaction, it is proposed that the Company grant 75 million options to the Platinum Entities. Cokal shareholders interest in the Company's assets will be diluted in circumstances that these options are exercised. Cokal's 1-month volume-weighted share price for August 2017 was approximately \$0.087 which makes the options with an exercise price of \$0.016 'in-the-money'. We note for completeness that the Company's share price has increased materially since announcing the Proposed Transaction.

Disadvantage	Explanation
It may be possible for a smaller number of shareholders to pass an ordinary resolution or block a special resolution	Cokal must obtain in excess of 50% of votes from its shareholders to pass an ordinary resolution. In order to pass a special resolution, Cokal is required to obtain votes from 75% or more of its shareholders. The Platinum Entities, although not associated, collectively hold a 19.7% interest in Cokal and are not able to block any special resolutions. If the Conditional Resolutions are approved, the Platinum Entities will have the potential to obtain a 28.46% interest in Cokal if the Options are converted into shares. As such, under these conditions, they may be in a position to block a special resolution.
The Financiers may potentially have security over Cokal's assets for a longer period of time and an exercise of that security may result in a loss of control of the relevant assets	If the Conditional Resolutions are approved, the Financiers will be granted security over Cokal's BBM and TBAR assets for an extended period of time. The granting of this security may increase the timeframe at which the Company is exposed to the risk of losing control over its assets to a secured party. For completeness, we note the exact timing that the Financiers will hold securities over Cokal's assets is unknown and will be dependent on the time it takes the Company to meet the aggregate Royalty cap of US\$40 million. The Financiers have agreed however that if the fund raising required to support the production of at least 100,000 tpa of coal requires senior debt, the Financiers will accept a second ranking priority for its securities behind that of the senior lender. Specifically in relation to the risk of enforcement, the securities may be enforced if Cokal defaults under the Royalty Agreement. This enforcement and subsequent process could result in the sale of Cokal's interests in the BBM and TBAR Projects.

Source: BDOCF Analysis

2.3.3 Position of Cokal shareholders if the Proposed Transaction does not proceed

If the Proposed Transaction does not proceed then the potential position of Cokal shareholders will include the following factors:

- Cokal may not be able to meet its obligation to repay the Platinum Loans. If Cokal is issued with a notice of default by the Financiers, it will be required to immediately find an alternative source of funding. Given the current economic climate and the Company's inability to otherwise raise capital, the Company may have difficulties finding an alternative lender;
- If Cokal is issued with a notice of default by the Financiers, the Financiers have the right to enforce its existing securities over Cokal's interests in the BBM and TBAR Projects which may include the sale of those interests. In this instance any return available to existing shareholders will depend on the value realised through a sale of the secured assets; and
- The Company's share price may fall materially, particularly in circumstances where Cokal is unable to find an alternative source of funding to repay the Platinum Loans. We note that since the announcement of the Proposed Transaction, the Cokal share price has increased materially.

2.3.4 Conclusion on the Reasonableness of the Proposed Transaction

After considering the advantages, disadvantages and other considerations set out in this IER, it is our view that in the absence of any other information or a superior offer, the Proposed Transaction is **Reasonable** to the Shareholders as at the date of this IER.

2.4 Our Opinion

Under RG 111, the Proposed Transaction is considered to be 'reasonable' if it is 'fair'. It may also be possible to conclude that the Proposed Transaction is 'reasonable' if there are sufficient valid reasons for the approval, notwithstanding that the Proposed Transaction may not be 'fair' to the Shareholders.

In our opinion, in the absence of any other information or a superior offer, the Proposed Transaction is **Fair and Reasonable** to the Shareholders as at the date of this IER.

We strongly recommend that the Shareholders also have regard to the information set out in the balance of this IER, including the appendices and the Important Information set out in Section 3.0, before deciding whether to vote in favour of or against the Conditional Resolutions.

The Shareholders should refer to Section 2.3.3 of this IER for more information in relation to their position if Resolution 10 is not approved.

3.0 Important Information

3.1 Read this IER, and other documentation, in full

This IER, including appendices, should be read in full to ensure a complete understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, assumptions underpinning our work and our findings.

Other information provided to the Shareholders in conjunction with this IER should also be read in full, including the Notice of Annual General Meeting and Explanatory Memorandum prepared by Cokal and dated on or about 30 October 2017 ('the Notice of Meeting').

3.2 Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed, at an aggregate level. Accordingly, BDOCF has not considered the effect of the Proposed Transaction on the particular circumstances of individual Cokal shareholders. Some individual Cokal shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in this IER. Accordingly, individual Cokal shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual Cokal shareholder in relation to the Conditional Resolutions may be influenced by their particular circumstances and accordingly, Cokal shareholders are advised to seek their own independent advice.

Voting in favour of or against the Conditional Resolutions at the Annual General Meeting ('AGM') is a matter for individual Cokal shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Cokal shareholders should carefully consider the Notice of Meeting. Cokal shareholders who are in doubt as to the action they should take in relation to the Conditional Resolutions should consult their professional adviser.

With respect to taxation implications of the Conditional Resolutions, it is strongly recommended that Cokal shareholders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

In this IER we provide our opinion on whether the Proposed Transaction is fair and reasonable to the Shareholders.

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and those Shareholders entitled to vote, to assist them in their decision to vote in favour of or against the Conditional Resolutions. This IER is to accompany the Notice of Meeting to be sent to Cokal shareholders to consider the Conditional Resolutions and was not prepared for any other purpose. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without our written consent. We accept no responsibility to any person other than the Directors and the Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this IER with the Notice of Meeting. Apart from this IER, we are not responsible for the contents of the Notice of Meeting or any other document associated with the Conditional Resolutions. We acknowledge that this IER may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to Cokal shareholders.

The scope of procedures we have undertaken has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this IER we considered the necessary legal requirements and guidance of the Corporations Act, ASIC regulatory guides and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this IER including:

- We have performed our analysis on the basis that the conditions precedent to the Royalty Agreement are satisfied;

- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- All information which is material to the Shareholders' decision on the Conditional Resolutions has been provided and is complete, accurate and fairly presented in all material respects;
- Cokal's market disclosures and other publicly available information relied on by us is accurate, complete and not misleading;
- If the Proposed Transaction is implemented, that it will be implemented in accordance with the stated terms;
- The legal mechanism to implement the Proposed Transaction is correct and effective;
- There are no undue changes to the terms and conditions of the Proposed Transaction or complex issues unknown to us; and
- Other assumptions, as outlined in this IER.

In this IER we have not provided any taxation, legal or other advice of a similar nature in relation to the Proposed Transaction. Other advisers have provided advice in relation to those matters to Cokal in relation to the Proposed Transaction.

Cokal has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity including a fiduciary capacity.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by the Board, executives and management of all the entities.

3.4 Purpose of this IER

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act, the Corporation Regulations 2001, the regulatory guides ('RGs') published by ASIC and in some cases the listing requirements of the relevant exchanges. These requirements have been set out in Sections 3.4.1 and 3.4.2 below.

3.4.1 Requirements of the Corporations Acts

This IER has not been prepared for the purpose of meeting any requirements under the Corporations Act.

3.4.2 Listing Requirements

ASX Listing Rule 10.1

ASX Listing Rule 10.1 of Chapter 10: *Transactions with persons in a position of influence* states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a substantial holder or a related party without the approval of holders of the entity's ordinary securities. Pursuant to ASX Listing Rule 19, the definition of 'dispose' includes using an asset as collateral and decreasing an economic interest.

Under ASX listing Rule 10.1.3, a shareholder is considered a 'substantial holder' of the Company, if it and its associates have a relevant interest, or had a relevant interest at any time in the last 6 months before the proposed transaction, in at least 10% of the total votes attached to the Company's voting securities.

ASX Listing Rule 10.2 defines an asset as 'substantial' if its value or the consideration for it is, or in ASX's opinion is, 5% or more of the value of the equity interests of the entity, as set out in the latest accounts given to the ASX in accordance with the ASX listing rules.

Having regard to the Proposed Transaction and the definitions contained in ASX Listing Rules 10.1 and 10.2 we note the following:

- The Financiers are considered substantial holders for the purposes of Listing Rule 10.1 as, in the last 6 months, the Financiers, together with their associates, have held a relevant interest of 12.5% (refer to section 11.4.ii of the NOM);

- b) The granting of security to the Financiers is considered to be a disposal of an asset of the Company for the purposes of ASX Listing Rule 10.1;
- c) The payment of the Royalty is considered to be a disposal of an asset of the Company for the purposes of ASX Listing Rule 10.1 as it will reduce the Company's economic interest in the BBM Project and Tbar Project; and
- d) The Directors have formed the view that the assets being 'disposed' of for the purposes of ASX Listing Rule 10.1 are a 'substantial asset' for the purposes of ASX Listing Rule 10.2.

ASX Listing Rule 10.10.2

Under ASX Listing Rule 10.10.2, where shareholder approval is sought for the purpose of complying with Listing Rule 10.1, the Notice of Meeting distributed to shareholders in relation to the transaction must include a report prepared by an independent expert, which states the expert's opinion as to whether the transaction is fair and reasonable to the shareholders.

This IER has been prepared to comply with the requirements of ASX Listing Rules 10.1, 10.2 and 10.10.2.

3.5 Current Market Conditions

Our opinion and the analysis set out in this IER is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this IER and result in any valuation or other opinion becoming quickly outdated and in need of revision.

In circumstances where we become aware of and believe that a change in these conditions, prior to the AGM, results in a material statement in this IER becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Cokal. BDOCF is not responsible for updating this IER following the AGM or in the event that a change in prevailing circumstance does not meet the above conditions.

3.6 Reliance on Information

Cokal recognises and confirms that, in preparing this IER, except to the extent to which it is unreasonable to do so, BDOCF, BDO (QLD) Pty Ltd or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Cokal, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether or not the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of Management the information was evaluated through analysis, inquiry and review to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the reliability of the information we have relied on. However, in many cases, the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Directors of Cokal represent and warrant to us, for the purpose of this IER, that all information and documents furnished by Cokal (either by management directly or through advisors) in connection or for use in the preparation of this IER do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this IER.

Under the terms of our engagement, Cokal has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out immediately following the Table of Contents at the start of this IER.

All dollar ('\$') references in this IER are in Australian dollars unless otherwise stated.

3.8 Sources of Information

This IER has been prepared using information obtained from sources including the following:

- Cokal company website (<http://www.cokal.com.au/>);
- Cokal ASX announcements;
- Cokal Annual Reports for the year ended 30 June 2015, 2016 and 2017;
- The Royalty Deed between Cokal and Wintercrest and Northrock dated April 2017;
- Independent Technical Valuation of Coal Interests completed by Tasman Mining;
- Statement of Open Cut Coal Reserves completed by ASEAMCO;
- Bloomberg;
- Consensus Economics;
- Capital IQ;
- IBISWorld;
- Various other research publications and publicly available data as sourced throughout this IER; and
- Various discussions and other correspondence with the Directors and management of Cokal and their advisers.

3.9 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.10 Forecast Information

Any forecast financial information referred to in this IER has been prepared by Management and adopted by the Directors in order to provide us with a guide to the potential financial performance of Cokal. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Cokal. Evidence may be available to support the directors' best-estimate assumptions on which the forecast is based however such evidence is generally future-oriented and therefore speculative in nature.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this IER, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this IER. We disclaim any assumption of responsibility for any reliance on this IER, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Cokal, that all material information concerning the prospects and proposed operations of Cokal have been disclosed to use and that the information provided to use for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Steven Sorbello have prepared this IER with the assistance of staff members. Mr Whittaker, BCom (Hons), CA, CFA, and Mr Sorbello, BCom/LLB, CA, are directors of BDOCF. Both Mr Whittaker and Mr Sorbello have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Whittaker and Mr Sorbello are considered to have the appropriate experience and professional qualifications to provide the advice offered within this IER.

BDO Corporate Finance (QLD) Ltd



Mark Whittaker
Director



Steven Sorbello
Director

Appendix A: Overview of the Proposed Transaction

A.1 Background to the Proposed Transaction

On 2 May 2017, Cokal announced that it had entered into a royalty agreement with Northrock and Wintercrest in relation to the conversion of their loans to a production royalty (the Royalty). The Platinum Loans amount to approximately US\$13.89 million in aggregate and comprise:

- The Wintercrest Loan of approximately US\$3.7 million owing by Cokal to Wintercrest which Wintercrest acquired from Blumont Group Limited;
- The Northrock Loan of approximately US\$10.065 million owing by Cokal to Northrock.

Further background is provided below.

A.1.1 Wintercrest Loan

The Wintercrest Loan comprises loans owing by Cokal to Blumont Group Ltd ('the Blumont Group') which were acquired by Wintercrest.

On 8 October 2013 Cokal announced it had been in discussions with the Blumont Group Ltd regarding a US\$77 million funding package that was designed to fund the equity requirements of the BBM Project. As part of this arrangement, while negotiations were being finalised, the Blumont Group extended a credit facility of up to US\$8 million to finance development of the BBM Project. On 7 November 2013, Cokal announced it had received an advance of US\$2 million from the Blumont Group with a further advance to be received on 19 November 2013. The total amount drawn was US\$3.4 million and the total amount owing as at 31 December 2015 (including interest and fees) is approximately US\$3.7 million ('the Blumont Debt').

On 7 April 2016, in a separate and unrelated transaction, Wintercrest and the Blumont Group entered into a settlement agreement in relation to a dispute between Wintercrest and the Blumont Group unrelated to Cokal under which (amongst other things) the Blumont Group transferred to Wintercrest 60,057,034 shares in Cokal and the Blumont Debt. Wintercrest currently holds approximately US\$2.1 million and US\$1.6 million of the Blumont Debt respectively for Platinum Partners Arbitrage Fund LP and Platinum Partners Credit Opportunity Fund LP beneficially.

A.1.2 Northrock Loan

On 31 March 2014 Cokal announced it had entered into a loan agreement with Platinum Partners Credit Opportunities Master Fund. The original agreement included a US\$3.5 million bridging loan to finance the progress of the BBM Project, in addition to a conditional commitment for a US\$80 - US\$100 million facility to fund the construction and commissioning of the BBM Project. The following amounts were drawn down under this facility:

- On 9 April 2014, Cokal announced they had fully drawn down the US\$3.5 million bridging loan, pursuant to the terms of the loan;
- On or about 25 August 2014, an additional US\$5.7 million was drawn down pursuant to the terms of an amended agreement; and
- On or about 30 January 2015, an additional US\$0.92 million was drawn down pursuant to the terms set out by a second amended agreement.

In aggregate, US\$10.1 million was drawn down and remains outstanding as of the date of this IER. Resolution 10 of the Notice of Meeting provides further details on the background of the Proposed Transaction. For completeness, we note that interest penalty fees have not accrued on these loans. In the event the Company is not able to satisfy the conditions precedent to the Royalty, the Financiers may seek to retrospectively charge interest on amounts owing to them. The Company has issued options relating to the Platinum Loans (refer to Section B.2.1), but as announced on 22 July 2016, if the Proposed Transaction proceeds these will not be exercised.

A.2 The Proposed Transaction

A.2.1 The Royalty

The agreement with Wintercrest and Northrock will, on satisfaction of all conditions, convert approximately US\$13.89 million of loans owing by Cokal (i.e. the Platinum Loans) to a production royalty.

The terms of the Royalty are summarised as follows:

- **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 BBM Project and the TBAR Project;
- **Royalty rate and maximum royalty:** the royalty will be 1% of Cokal's share of the realised selling price FOB, up to a maximum royalty amount of US\$40 million;
- **Early termination:** Cokal or its related parties will have the right to buy out the royalty at any time for the amount of US\$40 million less amounts paid on the royalty at that time; and
- **Security:** the royalty obligations will be filed with the original tenements with the Indonesian authorities and secured by charges over Cokal's interest in the BBM and TBAR Projects. The Financiers have agreed to provide first ranking security to providers of project senior debt finance. For completeness, the Company may encumber the assets solely for the purpose of securing the funds required for the construction of operations to support the production of at least 100,000tpa of coal.

The Royalty is subject to the following initial conditions ('the Initial Conditions'):

- Satisfactory lender due diligence;
- The grant of the agreed security; and
- Shareholder approval and receipt of project funding for the commercial mine by 29 October 2017.

In addition to the Initial Conditions listed above, other conditions precedent of the Proposed Transaction include:

- the commercial production of coal at the rate of 100,000 tpa by 29 October 2018;
- Cokal evidencing to the satisfaction of the lenders (in their sole discretion) that:
 - Cokal's production is not less than 8,500 tonnes per month for a period of six consecutive months; and
 - Cokal's production for three months from the date of first production is not less than the monthly equivalent of 100,000tpa; and
- The Financiers being satisfied with the Company's budgets for all financing proposals ('Further Conditions').

The Initial Conditions and the Further Conditions are the Conditions Precedent to the Proposed Transaction.

The Platinum Loans will be converted upon the satisfaction of the Conditions Precedent as follows:

- One third (~33.33%) of the loans will convert upon the satisfaction of the Initial Conditions; and
- The remaining two thirds (~66.66%) of the loans will convert upon the satisfaction of the Further Conditions.

The Shareholders are voting on the conversion of the Platinum Loans to the Royalty in Resolution 10 at the AGM. If approved, the Royalty will take affect and payments will commence when any or both of the BBM and TBAR Projects produce and sell, in a commercial quantity, not less than 15,000 tons for the entire month proceeding that date. Management expect that the Company will meet both the Initial Conditions and the Further Conditions and that 100% of the loans will be converted, pursuant to the terms of the Royalty.

A.2.2 Options to be Issued to Platinum

As part of the Proposed Transaction, Cokal will also issue 75 million new options to the Platinum Entities with a 5 year term and a strike price of \$0.016. The Options will not vest unless all the Platinum Loans have been released and discharged in full. The Shareholders are voting on the issue of options as Resolution 11 at the AGM. For completeness, we note that Resolutions 10 and 11 are conditional on each other.

A.3 Strategic Rationale

The Directors are of the view that the Proposed Transaction is the best option available at the current time to deal with the Platinum Loans which are currently due and payable. The other options considered by the Directors to repay the Platinum Loans included the possibility of a capital raising or selling certain assets of the Company.

The Directors also believe that the Proposed Transaction will strengthen the competitive position of Cokal by dealing with interest bearing debts which are due and payable at the current time, as the Company targets construction and production of Cokal's metallurgical coals.

Appendix B: Background of Cokal

This section is set out as follows:

- Section B.1 sets out an overview of Cokal and its key assets;
- Section B.2 sets out an overview of the equity structure of Cokal;
- Section B.3 sets out a summary of the share market performance of Cokal shares; and
- Section B.4 sets out a summary of the historical financial information for Cokal;

B.1 Company Overview of Cokal

Cokal is an Australian listed company focused primarily on the exploration of metallurgical coal in Indonesia.

Cokal holds interests in four coal exploration projects in Kalimantan, Indonesia with the flagship projects being the BBM Project followed by the TBAR Project. A summary of the BBM and TBAR Projects is set out in Sections B.1.1 and B.1.2 respectively. A summary of Cokal's other coal exploration projects is set out in Section B.1.3.

B.1.1 Bumi Barito Mineral Project

Cokal has a 60% interest in the BBM Project which covers an area of approximately 14,980 hectares ('ha'). The BBM Project is located near the Barito River in Central Kalimantan, Indonesia, immediately adjacent to BHP Billiton's Juloi Project.

The BBM Project has total JORC resources of 267 million tonnes ('Mt') (20 Mt measured, 23 Mt indicated and 224 Mt inferred) which is 90% coking coal and 10% semi-soft coking/pulverised coal injection ('PCI') coal.

A Mining License ('IUP') was granted to Cokal in May 2013. The IUP allows Cokal to develop a project with production of up to six million tonnes per annum ('Mtpa') over a period of 20 years, with two ten year extensions permitted. All approvals and government processes have been submitted to allow development of an operation of up to 6 Mtpa capacity.

Cokal announced on 24 February 2015 that the BBM Project port facilities have received both construction and operation approval. The approval is for an initial 15 year period comprising a five year construction window and a ten year operational period. The approval also allows the BBM Project to obtain future extensions to the operational period.

Subsequently on 13 August 2015, Cokal announced it had received the Borrow and Use of Forest Area Permit IPPKH, which allows for the construction and operation of the port, haul road and initial mine development areas for Cokal's initial mine plan of 2 Mtpa of coking coal from the BBM Project. The initial approved area is 1,242 ha, which will be reviewed by the Mining Department and extended as required to meet the planned mine development. The issuance of this forest permit concludes the final approval process necessary to allow the Company to start construction and mining.

The coal at the BBM Project has the potential to be economically extracted using both open pit and underground mining methods. The coal will then travel approximately 700 kilometres down the Barito River using barges and tugs designed specifically for the BBM Project.

Cokal has entered into a joint venture with Meratus Advance Maritime ('MAM') to manage the shallow river barges and tugs designed specifically for the BBM Project. MAM is part of the Meratus Group which has operated in Indonesian shipping since 1957 and has provided barging and shipping services to a number of major Kalimantan coal operations. Cokal holds a 50% interest in the joint venture with MAM.

On 23 August 2017, Cokal announced it had completed the initial construction phase of the BBM Project (which is a sub-project called BBM Anak PCI Coal project) and had commenced mining operations. The project plans to produce 10,000 tonnes of coal per month which will be barged down the Barito River, to an intermediate stockpile at Muara Tewah, where domestic customers can collect the coal on larger barges. The Company also announced that negotiations were underway with a number of domestic buyers for coal supply contracts.

On 11 October 2017, Cokal announced that BBM Anak (the first phase of the BBM Project) is achieving anticipated production volumes and the Company is focussed on the next phase of growth and continues to advance the development of the BBM PCI mining area (the second phase of the BBM Project). Once the BBM PCI project is online, production is expected to increase by 500Ktpa. The Company has also entered into a Convertible Note Agreement with New York based MEF I, L.P. (Magna), whereby Cokal will raise up to A\$4 million through the issue of convertible notes in three tranches.

Cokal have estimated that it will require further funding of approximately US\$63 million to construct a mine capable of producing 2 Mtpa of coking coal from the BBM Project. The Directors have instructed us that while negotiations with interested parties are ongoing, they have not yet received any proposals for the provision of the funding required.

B.1.2 Tambang Benua Alam Raya Project

Cokal has a 75% interest in the TBAR Project, with Cakra holding the other 25% interest. The TBAR Project covers an area of approximately 18,850 ha adjacent to the south eastern boundary of the BBM Project in Central Kalimantan.

Cokal's exploration to date includes a high-resolution light detection and ranging topographic survey covering the entire tenement area, in addition to a preliminary outcrop mapping program. The objective of the surface mapping was to observe the dips and strikes of coal and non-coal outcrops and to correlate the seam outcrops with the adjacent BBM tenement.

A total of 69 outcrops have been identified in the central, northern and western parts of the tenement. These outcrops indicate that TBAR has the potential to contain a large exploration target which is considered to be of metallurgical grade coal. Cokal is confident that it can develop a low cost metallurgical coal project in TBAR and expect that a comprehensive drilling exploration program will define a significant coal resource in TBAR in accordance with the JORC Code.

B.1.3 Cokal's Other Projects

A summary of Cokal's other coal exploration projects is set out in Table B.1 below.

Table B.1: Summary of Cokal's Coal Exploration Projects

Project	Description
Borneo Bara Prima Project	Cokal has a 60% interest in the Borneo Bara Prima Project ('the BBP Project'). The BBP Project is located in the North Barito Basin in Central Kalimantan and covers an area of approximately 13,050 ha immediately adjacent to BHP Billiton's Maruwai Coal Project. Exploration activities have comprised an initial reconnaissance mapping programme which has identified the presence of multiple coal seams from outcrops. Initial laboratory results indicate that coal from the southern part of the BBP Project is suitable for the PCI and anthracite markets and is a bright coal with a low in-situ ash, low sulphur content, ultra-low phosphorous and high energy.
Anugerah Alam Manuhing Project	Cokal has a 75% interest in PT Anugerah Alam Manuhing ('the AAM Project') covering an area of 5,100 hectare (ha) in the Seribu Riam and Sumber Barito District, Central Kalimantan Province. Since 2010, AAM has been conducting an exploration programmes involving geological mapping surveys which produced preliminary information about the coal geology of the project area. Based on the mapping results it was determined that are at least five (5) coal seams within the AAM tenement with varying thickness of 0.8m to 1.8m. One outcrop from a 2009 mapping survey was sampled and analysed. The results indicate the coal is good quality anthracite with low ash and good specific energy.

Source: Cokal website and company announcements

B.2 Equity Structure of Cokal

B.2.1 Equity and Options Currently on Issue

As at 12 September 2017, the Company had 612,812,149 ordinary shares on issue. The top 10 holders of Cokal ordinary shares as at 12 September 2017 are set out in Table B.2 below.

Table B.2: Top 10 Cokal Shareholders as at 12 September 2017

	Shareholder	Number of Shares	Percentage Holding
1	HSBC Custody Nominees (Australia) Limited	94,186,611	15.37%
2	BNP Paribas Nominees Pty Ltd	52,855,266	8.63%
3	Wintercrest Advisors LLC	34,241,293	5.59%
4	Patrick Joseph Hanna	25,000,000	4.08%
5	Mrs Laura Lynch	17,500,000	2.86%
6	Gebrun Pty Ltd	17,500,000	2.86%
7	Mr Stephen Rodney Hariono	15,665,269	2.56%
8	Mr Michael Christopher Horvath	15,603,634	2.55%
9	Xin Hua Pty Ltd	12,631,200	2.06%
10	TJ Smock & Co Pty Ltd	10,000,000	1.63%
	Other	317,628,876	51.83%
	Total Shares on issue	612,812,149	100.00%

Source: Cokal Management as at 12 September 2017

Cokal also had approximately 51 million options on issue as at 11 September 2017. Share options issued and outstanding as at 20 October 2017 are shown in Table B.3 below.

Table B.3: Share Options Issued and Outstanding as at 20 October 2017

Number of Options	Expiry Date	Exercise Price
10,000,000	24/02/2019	0.126
25,000,000 ¹	06/02/2019	0.13
15,000,000 ¹	27/08/2018	0.20
1,000,000	19/09/2020	0.10

Source: Cokal ASX announcement: Appendix 3B

¹ If the Proposed Transaction proceeds these options will not be exercised, pursuant to the announcement made by the Company on 22 July 2016.

B.2.2 Convertible Notes

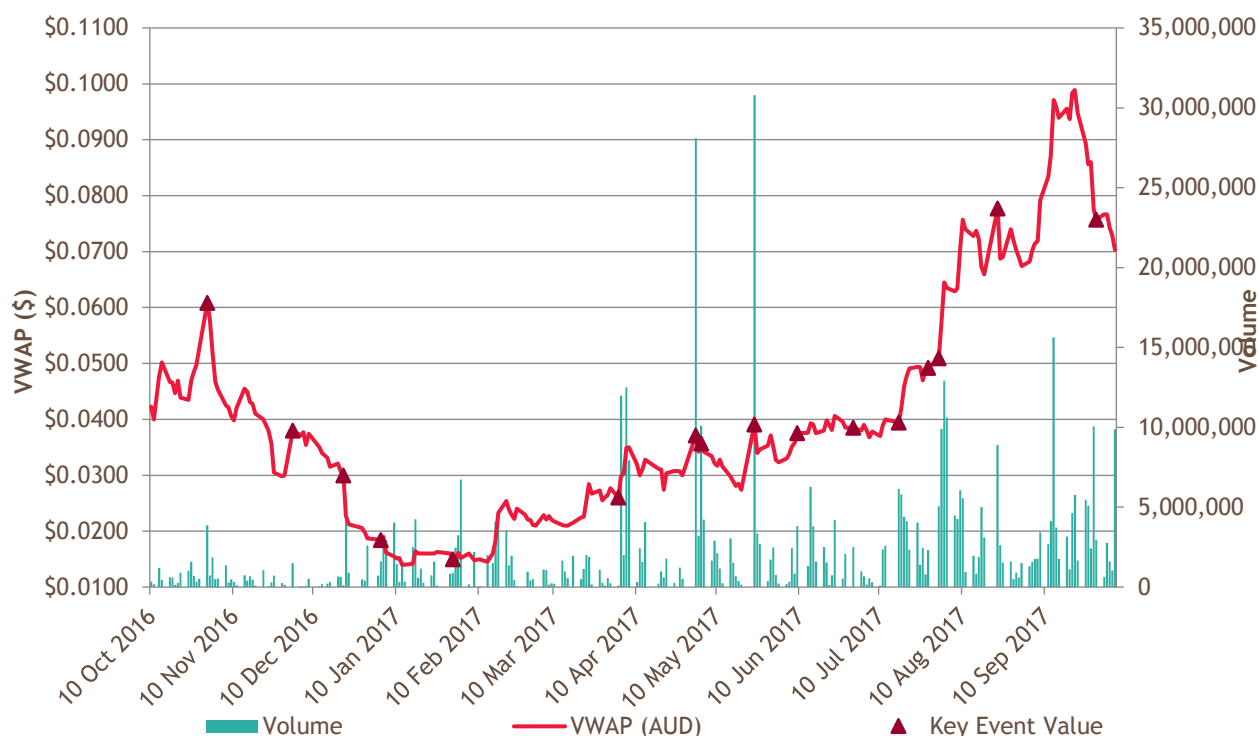
As at the date of this IER, the Company has 1,577,234 convertible notes on issue, these convertible notes were issued on the terms set out in Cokal's announcement on 11 October 2017.

B.3 Share Market Performance of Cokal

B.3.1 Volume-weighted Average Share Price and ASX Announcements

Figure B.1 sets out the daily volume-weighted average share price ('VWAP') and daily volume of Cokal shares traded on the ASX over the period 10 October 2016 to 06 October 2017 inclusive.

Figure B.1: Daily VWAP and Volume of Cokal Shares Traded from 10 October 2016 to 06 October 2017



Source: Capital IQ as at 09 October 2017

Over the 12 month period graphed in Figure B.1 above, Cokal's daily VWAP shows a period low of \$0.014 on 13 January 2017 and a period high of \$0.099 on 21 September 2017.

In addition to the share price and trading data of Cokal shown above, we have also provided additional information in Table B.4 below to assist readers to understand the possible reasons for the movement in Cokal's share price and volume over the period analysed. The selected ASX announcements in Table B.4 below show the Company's key announcements from 10 October 2016 to 11 October 2017.

Table B.4: Selected Cokal ASX Announcements from 10 October 2016 to 11 October 2017

Date	Announcement
31/10/16	Cokal released its quarterly report for the three months ended 30 September 2016. The report announced the completion of the scoping study for the proposed underground mining operation. Furthermore, the report announced a proposed debt restructure and capital raising of AUD1.2 million by issuing 75 million fully paid ordinary shares at a price of AUD 0.016 per share.
31/10/16	Cokal released Appendix 5B, quarterly cash flow report showing negative net cash from operating activities of \$648,000.
02/12/16	Cokal announced an update in relation to the debt conversion agreement with the Platinum Group (first announced 22 July 2016). The Company announced that the Platinum Group was undertaking an internal restructure which resulted in Platinum Partners Value Arbitrage fund being placed in liquidation. The company advised that it did not expect this to have a material impact on the announced debt conversion.
21/12/16	Cokal announced that it had become aware that an indictment had been unsealed in a US Federal Court alleging serious misconduct against current and former senior members of the Platinum management team. The Company announced that it had no reason to believe that Platinum's commitment to the announced debt conversion had changed.
04/01/2017	Cokal announced that Bart Schwartz had been appointed receiver of the relevant Platinum Partners fund. The receiver had advised that the debt conversion transaction is being reviewed with the purpose to finalise and the receiver had the full authority to enter into an agreement.
27/01/17	Cokal announced that co-founder and non-executive Chairman Peter Lynch passed away as a result of a tragic plane accident in Perth.

Date	Announcement
31/01/17	Cokal announced its quarterly activities and cash flow report. Key highlights included the reduction of costs highlighted with the updated BBM definitive feasibility study and the proposed debt restructuring.
03/04/17	Cokal announced that discussions were continuing in relation to the conversion of the Platinum loans to a production royalty.
28/04/17	Cokal announced its quarterly activities and cash flow report. Key highlights included the proposed TBAR exploration program and the appointment of Mr Garry Kielenstyn as a director.
02/05/17	Cokal announced that it had entered into a royalty agreement with its senior lenders in relation to the conversion of all of its outstanding loans to a production royalty.
04/05/17	Cokal announced its strategy to accelerate the commencement of mining operating in the BBM Project. The company had 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. The objective of the project is to deliver a low cost operation to produce premium PCI coal in a relatively short time frame in order to generate positive cash flow to assist funding the large BBM project.
24/05/17	Cokal announced that it had secured \$10 million in funding for the development of BBM PCI via a limited joint venture agreement with Investment Advisor Alliance. Under the agreement, Investment Advisor Alliance will fund AUD\$10 million in project capital expenditure in return for 50% of Cokal's share of profits from BBM PCI Operations.
09/06/17	Cokal announced that the Company and Platinum were proceeding with the implementation plans to finalise the royalty agreement. Due diligence of the royalty by Platinum had been satisfied and the Company will progress to seek shareholder approval of the transaction.
30/06/17	Cokal announced that preparations are advanced, with coal production imminent from BBM Anak. The Company had acquired the relevant regulatory approvals including the mining, environmental and forestry approvals from the various Indonesian Government Departments. The Company expects to build a stockpile of coal beside the Barito River in July/August and commence barging to local coal producers downstream on the river.
17/07/17	Cokal announced the successful completion of a \$700,000 capital raising to sophisticated and professional investors. The placement consisted of 19,444,445 fully paid ordinary shares to be issued at \$0.036 per share. The funds raised will be used by Cokal for working capital as their flagship BBM coal project advances towards initial production.
28/07/17	Cokal announced the release of a coal reserve statement for economic openpit coal in the eastern portion of the BBM coal project. The total reserve estimate was 20.2Mt of Run-of-Mine, producing 16.9Mt of marketable reserves in accordance with the 2012 JORC Code.
01/08/17	Cokal announced an update to the release of a coal reserve statement for economic openpit coal in the eastern portion of the BBM coal project.
23/08/17	Cokal announced the Company had completed the initial construction phase and commenced mining operations for premium PCI coal at BBM Anak. The mine is planning to produce about 10,000 tonnes per month from the B, C and D seams close to the Barito River.
29/09/17	Cokal announced the Company's 2017 annual report.
11/10/2017	Cokal announced that BBM Anak is achieving anticipated production volumes and the second phase of the BBM Project (BBM PCI) is near-term development which will increase production of low-cost premium PCI coal by approximately 500Ktpa. Cokal also announced that it had entered into a Convertible Note Agreement with MEF I, L.P. under which Cokal will raise up to A\$4 million through the issue of convertible notes.

Source: Cokal ASX Announcements from 01 October 2016 to 06 October 2017

In Table B.5 below we have set out Cokal's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 9 October 2017.

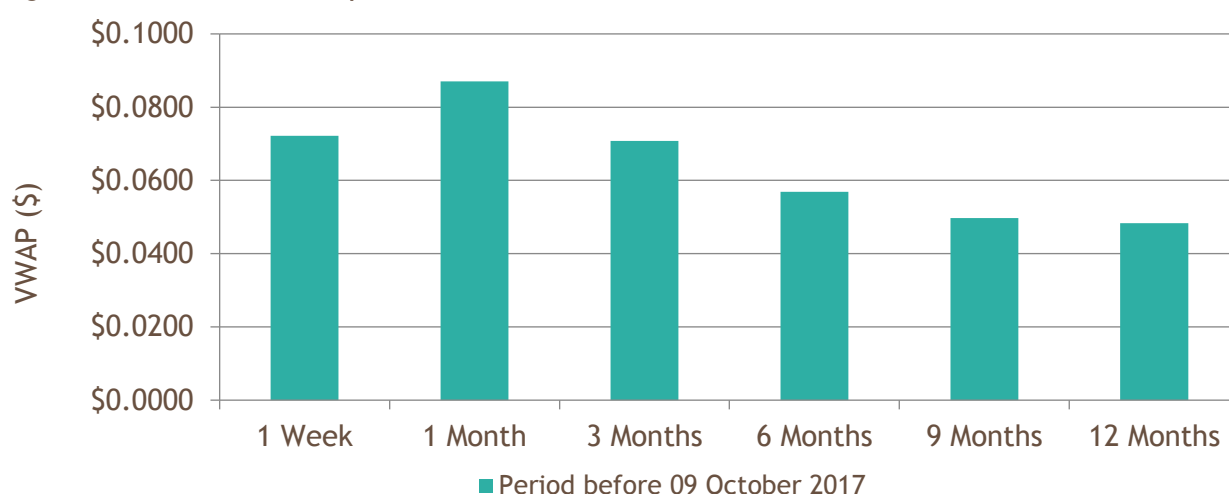
Table B.5: Cokal's VWAP for Specified Periods Prior to 09 October 2017

Period Prior to 11 September 2017	VWAP (A\$)
1 Week	\$0.0722
1 Month	\$0.0870
3 Months	\$0.0708
6 Months	\$0.0569
9 Months	\$0.0498
12 Months	\$0.0483

Source: Capital IQ as at 11 September 2017

The information presented in Table B.5 is shown graphically in Figure B.2 below.

Figure B.2: Cokal's VWAP for Specified Periods Prior to 09 October 2017



Source: Capital IQ as at 09 October 2017

B.3.2 Share Liquidity

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table B.6 summarises the monthly liquidity of Cokal shares from 01 October 2016 to 06 October 2017. Liquidity has been summarised by considering the following:

- Volume of Cokal shares trades per month;
- Value of total trades in Cokal shares per month;
- Number of Cokal shares traded per month as a percentage of total Cokal shares outstanding at the end of the month; and
- Volume-weighted average price per month.

Table B.6: Liquidity of Cokal Shares on the ASX

Month	Volume	Value (A\$)	Shares Outstanding	Volume / Shares Outstanding	Monthly VWAP (A\$)
October 2017 ¹	15,918,340	1,149,494	612,812,149	2.60%	\$0.0722
September 2017 ¹	81,555,930	7,173,660	612,812,149	13.31%	\$0.0880
August 2017	89,296,880	5,921,602	612,681,200	14.57%	\$0.0663
July 2017	41,579,710	1,839,274	603,895,170	6.89%	\$0.0442
June 2017	35,879,920	1,372,868	593,092,700	6.05%	\$0.0383
May 2017	100,896,040	3,662,784	593,092,700	17.01%	\$0.0363
April 2017	48,471,270	1,568,006	593,092,700	8.17%	\$0.0323
March 2017	16,732,100	396,156	593,092,700	2.82%	\$0.0237
February 2017	35,394,230	663,136	593,092,700	5.97%	\$0.0187
January 2017	28,798,440	464,538	593,092,700	4.86%	\$0.0161
December 2016	13,038,400	335,103	593,092,700	2.20%	\$0.0257
November 2016	11,063,960	485,295	593,092,700	1.87%	\$0.0439
October 2016	14,307,430	714,198	593,092,700	2.41%	\$0.0499
Total	532,932,650	25,746,114	597,872,650	89.14%	\$0.0483

Source: Capital IQ as at 09 October 2017

1 For trading data up to 06 October 2017

Assuming a weighted average number of 597,872,650 Cokal shares on issue over the period, approximately 89.14% of the total shares on issue were traded over the period 1 October 2016 to 06 October 2017. In our view, this indicates that Cokal shares display a moderate level of liquidity.

B.4 Historical Financial Information of Cokal

This section sets out the historical financial information of Cokal. As this IER contains only summarised historical financial information, we recommend that any user of this IER read and understand the additional notes and financial information contained in Cokal's Annual Reports. This includes the full statements of comprehensive income, statements of financial position and statements of cash flows.

Cokal's Annual Reports have been audited by Ernst and Young. BDOCF has not performed any audit or review of any type on the historical financial information of Cokal and we make no statement as to the accuracy of the information provided.

B.4.1 Cokal's Statement of Comprehensive Income

Table B.7 summarises the consolidated statement of comprehensive income of Cokal for the 12-month periods ('FY') ended 30 June 2015, 2016 and 2017.

Table B.7: Summarised Cokal Statements of Comprehensive Income

	12 Months Ended 30 June 15 Audited (US\$)	12 Months Ended 30 June 16 Audited (US\$)	12 Months Ended 30 June 17 Audited (US\$)
Revenue and other income	69,300	425,923	60,516
Gross profit	69,300	425,923	60,516
Employee benefits expense	(1,718,508)	(1,057,027)	(1,261,480)
Depreciation expense	(200,940)	(130,923)	(41,884)
Finance costs	(2,863,531)	(382,116)	(8,796)
Legal expense	(415,353)	(138,988)	(129,449)
Administration and consulting expenses	(1,983,786)	(1,388,056)	(968,608)

	12 Months Ended 30 June 15 Audited (US\$)	12 Months Ended 30 June 16 Audited (US\$)	12 Months Ended 30 June 17 Audited (US\$)
Exploration expenditure de-recognised	(5,250,000)	(25,655,222)	(9,177,568)
Loss on sale of exploration tenement	-	(1,728,233)	-
Other expenses	(681,229)	(275,075)	(326,480)
Profit before income tax	(13,044,047)	(30,329,717)	(11,853,749)
Income tax expense	-	-	-
Profit for the year	(13,044,047)	(30,329,717)	(11,853,749)
Other comprehensive income	-	-	-
Total comprehensive income	(13,044,047)	(30,329,717)	(11,853,749)

Source: Cokal FY2015, FY2016 and FY2017 Annual Reports

Regarding Table B.7 above, we note the following:

- Cokal received no revenue directly from the sale of coal in FY2015, FY2016 and FY2017. Revenue and other income came predominantly from interest income from external parties in FY2015, consulting fees in FY2016 and gain on disposal of subsidiary in FY2017;
- As the Company agreed in principal to the Royalty in July 2016, no interest expense has been recorded that relates to the Proposed Transaction;
- Exploration expenditure de-recognised relates to the write off of exploration expenditure assets that is not likely to be developed in the foreseeable future. In FY2016 and FY2017 these expenses included the write off of exploration and expenditure assets for BBP, AAK, SNR and TBAR. Furthermore, FY2016 included approximately US\$1.7 million pertaining to the loss on the sale of Cokal's AAM project¹; and
- Higher than average finance costs in FY2015 was attributed to:
 - Facility fees and other borrowing costs of approximately US\$1.6 million; and
 - Expenses relating to the options issued for the extension of a loan repayment of approximately US\$1.06 million.

B.4.2 Cokal's Statement of Financial Position

Table B.8 summarises Cokal's statement of financial position as at 30 June 2015, 2016 and 2017.

Table B.8: Summarised Cokal Statements of Financial Position

	As at 30 June 15 Audited (US\$)	As at 30 June 16 Audited (US\$)	As at 30 June 17 Audited (US\$)
Assets			
Current assets			
Cash and cash equivalents	1,753,213	462,770	28,264
Short term deposits	1,538,595	167,655	138,916
Accounts receivable	138,402	129,230	163,878
Other current assets	232,742	-	6,849
Total current assets	3,662,952	759,655	337,907
Non-current assets			
Property, plant and equipment	1,628,081	1,502,019	1,450,895
Exploration and evaluation assets	59,424,333	32,740,312	23,460,617
Other non-current assets	191,312	186,150	35,362
Total non-current assets	61,243,726	34,428,481	24,946,874
Total assets	64,906,678	35,188,136	25,284,781

¹ For completeness, the carrying amount of exploration and evaluation assets as at 30 June 2017 represents only the BBM Project.

	As at 30 June 15 Audited (US\$)	As at 30 June 16 Audited (US\$)	As at 30 June 17 Audited (US\$)
Liabilities			
Current liabilities			
Accounts payable and others	939,821	1,157,841	1,937,079
Interest bearing loans	10,065,000	13,892,302	13,892,302
Total current liabilities	11,004,821	15,050,143	15,829,381
Non-current liabilities			
Deferred liability	72,409	14,482	-
Interest bearing loans	3,656,836	-	-
Total non-current liabilities	3,729,245	14,482	-
Total liabilities	14,734,066	15,064,625	15,829,381
Net assets	50,172,612	20,123,511	9,455,400
Equity			
Issued capital	83,622,140	83,622,140	84,752,154
Reserves	4,571,178	4,851,794	4,907,414
Accumulated losses	(38,020,706)	(68,350,423)	(80,204,168)
Total equity	50,172,612	20,123,511	9,455,400

Source: Cokal FY2015, FY2016 and FY2017 Annual Report

Regarding Table B.8 above, we note the following:

- Accounts payable increased in FY2016 due to a deferred liability relating to the deposit received for the sale of SNR and KNR tenements. The increase in accounts payable in FY2017 includes loans payable to directors and employees, and accrued expenses;
- The reduction in exploration and evaluation assets in FY2016 and FY2017 relates to the write down of exploration expenditure relating to BBP, AAK, SNR and TBAR assets. The company announced that they decided to focus on the core Kalimantan assets as they considered them more likely to be developed in the short term and accordingly wrote down the other assets based on the assessment under AASB 6; and
- The increase in current interest bearing loans in FY2016 was due to the Blumont Group Facility becoming due on 5 November 2016. We note that this loan remains outstanding and is subject to the Proposed Transaction; and
- Approximately US\$10.07 million of current interest bearing loans in FY2016 relates to the Platinum Loan that was payable on 6 August 2015. This loan remains outstanding and also forms part of the Proposed Transaction.

B.4.3 Cokal's Statement of Cash Flows

Table B.9 summarises Cokal's statement of cash flows for the 12-month periods ended 30 June 2015, 2016 and 2017.

Table B.9: Summarised Cokal Statements of Cash Flow

	12 Months Ended 30 June 15 Audited (US\$)	12 Months Ended 30 June 16 Audited (US\$)	12 Months Ended 30 June 17 Audited (US\$)
Cash flows from operating activities			
Payments to suppliers and employees	(3,795,296)	(2,457,877)	(1,813,380)
Interest income	69,300	425,923	2,643
Finance costs paid	(1,815,000)	-	(8,796)
Net cash generated from/(used in) operating activities	(5,540,996)	(2,031,954)	(1,819,533)
Cash flows from investing activities			
Payment for property, plant and equipment	(935,628)	(5,000)	-
Decrease/ (increase) in deposits maturing after three months and restricted deposits	(42,793)	1,370,940	-
Payments for exploration and evaluation assets	(3,154,690)	(759,171)	-
Proceeds from sale of tenements	-	150,000	160,000
Security deposit receipts/ (payments)	27,230	10,028	-
Receipts from other non-current assets	-	-	28,739
Net cash used in investing activities	(4,105,881)	766,797	188,739
Cash flows from financing activities			
Proceeds from issue of shares and options	2,027,373	-	1,130,014
Transaction costs on share issue	(116,106)	-	-
Proceeds from borrowings	6,965,000	-	47,702
Net cash generated from financing activities	8,876,267	-	1,177,716
Net (decrease)/increase in cash and cash equivalent	(770,610)	(1,265,157)	(453,078)
Cash and cash equivalents at the beginning of period	2,593,011	1,753,213	462,770
Net foreign exchange differences	(69,188)	(25,286)	18,572
Cash and cash equivalents at the end of the period	1,753,213	462,770	28,264

Source: Cokal Annual Report FY2014, FY2015 and FY2017

With Regard to Table B.9 above, we note the following:

- Proceeds from the sale of tenements relates to the sale of Cokal's SNR and KNR tenements; and
- Cokal has relied on a mixture of debt and equity to fund its operations.

Appendix C: Industry Overview

The information presented in this appendix has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe to.

C.1 Coal Overview

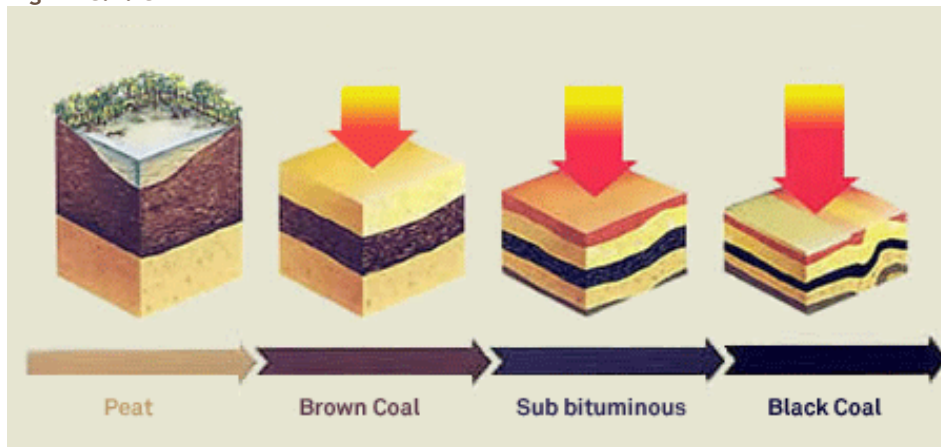
C.1.1 Coal Properties and Uses

Coal is combustible, sedimentary, and organic rock formed from ancient vegetation that has been compressed and transformed by the combined effects of microbial action, pressure, and heat over millions of years. This process is known as ‘coalification’.

Peat, the precursor of coal, is initially converted into lignite or brown coal and is considered to have low organic ‘maturity’. Over many more millions of years, the continuing effects of temperature and pressure progressively change the lignite and increase its maturity, transforming it into the range known as sub-bituminous coals. As this process continues, further chemical and physical changes take place until these coals become blacker, harder, and more mature, at which point they are classified as bituminous or hard coals. Under the right conditions and after a sufficient period of time, progressive increases in organic maturity will ultimately lead to anthracite.

Figure C.1 below illustrates the coalification process from peat to black coal.

Figure C.1: Coalification Process



Source: Australian Coal Association

The degree of coalification undergone by a coal, as it matures from peat to anthracite, has an important bearing on its physical and chemical properties, and is typically referred to as the ‘rank’ of the coal.

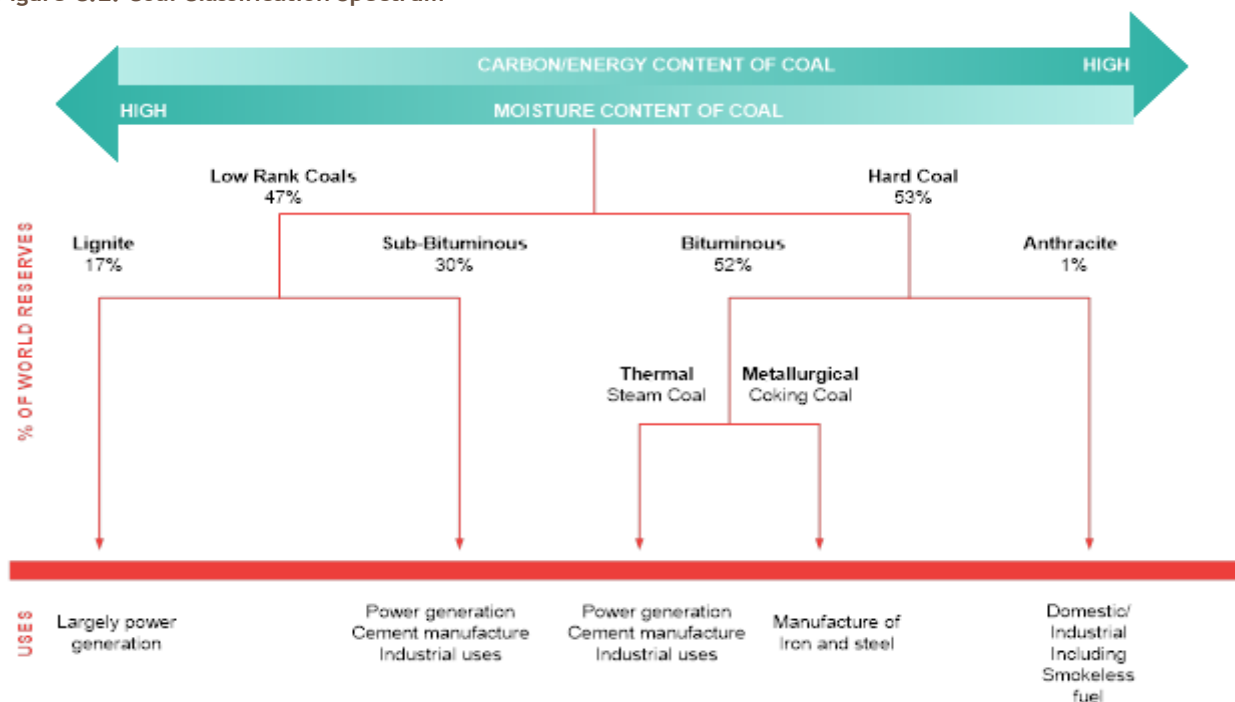
Lower rank coals, such as lignite and sub-bituminous coal are typically softer, friable materials with a dull, earthy appearance. These coals have low energy content due to high moisture levels and low carbon content.

Sub-bituminous coal is generally unlikely to be of sufficient energy or combustion characteristic to satisfy export markets. Sub-bituminous coal is difficult to stockpile and/or transport due to its tendency to self-combust and its high moisture content. Accordingly, sub-bituminous coal is typically consumed at the point at which it is mined.

Higher rank coals, such as bituminous coal and anthracite, are typically harder and stronger and tend to have a black vitreous lustre. Higher rank coals have a high energy content due to low moisture levels and a high carbon content. Anthracite is the type of coal with the highest carbon content and the lowest moisture level and is therefore the type of coal with the highest energy content.

Figure C.2 below illustrates the coal classification spectrum.

Figure C.2: Coal Classification Spectrum



Source: World Coal Association

The world market for coal primarily consists of higher rank coals, including thermal coal and coking coal.

Coking (or metallurgical) coal, due to its high carbon content and coking characteristics, is generally used for the production of metallurgical coke, which is used as a reductant in the production of iron and steel. Coking coal is further categorised in order of its level of carbon content as follows:

- Hard coking coal (which has the highest carbon content) is more favoured in the production of coke and therefore trades at a premium to lower grade coking coals; and
- Semi-soft coking coals and PCI (which have a lower carbon content) are predominantly used for blending with hard coking coal where they are used as an auxiliary fuel source to increase the effectiveness of blast furnaces, ultimately resulting in lower production costs.

Thermal (or steam) coal, which generally contains less carbon than all types of coking coal, is used in the generation of electricity.

The markets for coking coal and thermal coal generally have different demand determinants and operate independently.

C.1.2 Global Coal Reserves²

As at the end of 2016, it is estimated that there are over 1,139 billion metric tonnes of proven coal reserves worldwide.³ Approximately 78.6% of the world's proven recoverable coal reserves are located in the following five countries:

- United States of America (22.1%);
- Russian Federation (14.1%);
- People's Republic of China (21.4%);

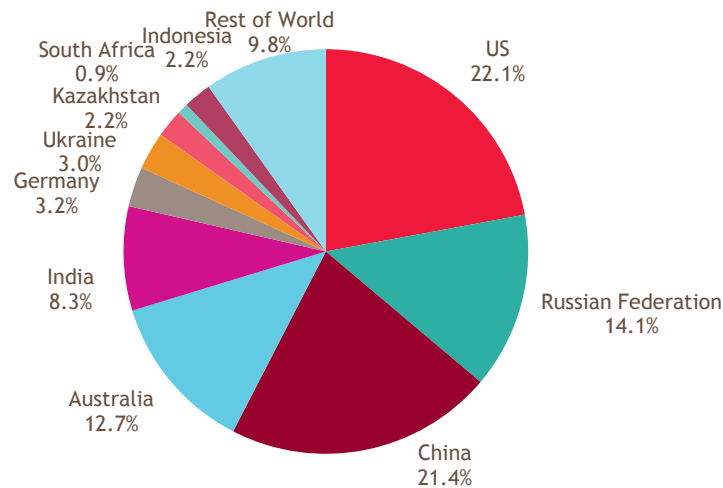
² Proved reserves include reserves that are not only considered to be recoverable but that can also be recovered economically. This means that proved reserves take into account what current mining technology can achieve and the economics of recovery. Proved reserves will therefore change according to the price of coal. If the price of coal is low, proved reserves will decrease.

³ BP Statistical Review of World Energy June 2017

- Australia (12.7%); and
- India (8.3%).

Figure C.3 below shows the geographic spread of proven coal reserves by country as at the end of 2016.

Figure C.3: Global Proven Coal Reserves by Country at the end of 2016



Source: BP Statistical Review of World Energy 2017

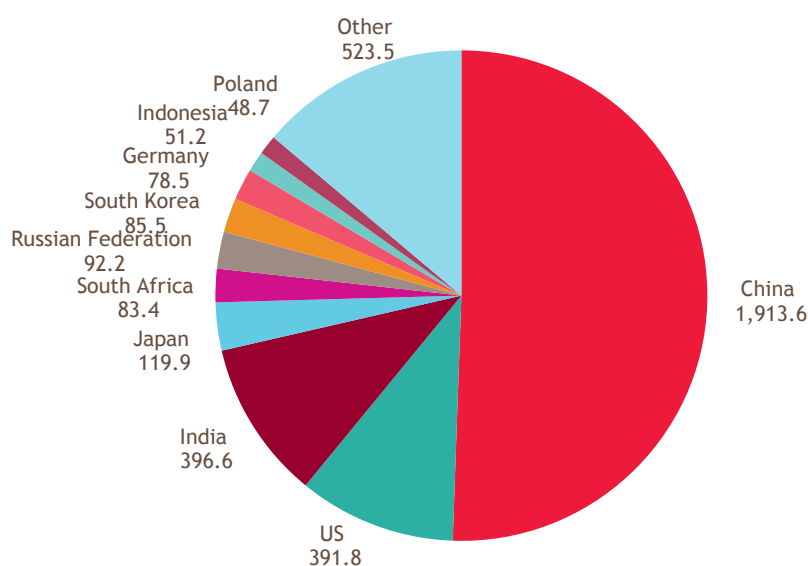
C.1.3 Global Coal Consumption

Coal's share of global primary energy consumption fell to 29.2% in 2015 from 30.0% in 2014. The five largest users of coal - China, India, the United States, Japan and Russian Federation - account for approximately 76% of total global coal use. The biggest market for coal is in Asia-Pacific which accounted for 73% of global coal consumption in 2015.

Global coal consumption fell by 1.39% in 2016, well below the ten year average growth rate of 1.9% across 2005 to 2015. The weak growth in consumption was driven by a decline in consumption in the United States (-8.8%) and China (-1.6%). OECD consumption fell by 6.4% and non-OECD consumption fell by less than 0.05%.

Figure C.4 below sets out coal consumption in 2016 by the top coal users.

Figure C.4: Coal Consumption in 2016 (million tonnes)



Source: BP Statistical Review of World Energy 2017

C.1.4 Coal Prices

Most coal traded in international markets is bought and sold pursuant to term contract arrangements between the world's major producers (such as BHP Billiton, Xstrata, Rio Tinto and Vale) and the world's major buyers (such as Indian, Chinese, Korean and Japanese steel mills). The term contract arrangements set out a number of key terms including:

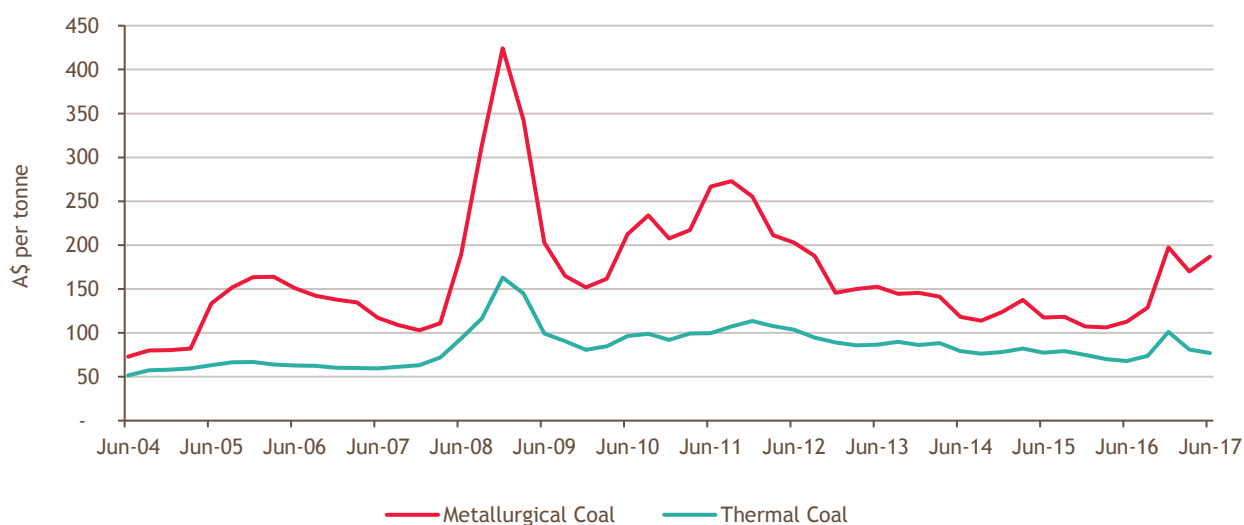
- The benchmark prices at which coal will be traded;
- The volume of coal to be traded;
- The energy content of the coal to be traded;
- The method and cost of transportation; and
- Any other specifications as required.

Existing term contracts generally serve as the reference point when negotiating updated term contract arrangements.

The benchmark prices negotiated and agreed between the major producers and buyers generally determine the price at which subsequent coal contracts will settle at following adjustments for the specific energy specifications of the coal.

Figure C.5 below shows the average export price for thermal coal and metallurgical coal from the quarter ended 30 June 2004 to the quarter ended June 2017 in Australian dollars per tonne.

Figure C.5: Average Export Price of Coal (June 2004 - June 2017)



Source: *Resources and Energy Quarterly*, Australian Department of Industry and Science

Figure C.5 above shows that the average spot price of thermal and metallurgical coal has been volatile.

C.2 Royalty or Revenue-Based Financing

Revenue or royalty-based financing ('RBF') is a type of financial capital provided to growing businesses in which investors inject capital into a business in return for a percentage of ongoing revenue. RBF is commonly used in industries without tangible assets that are suitable collateral for debt financing or companies that have lumpy or hard to predict revenues such as mining, film production, drug development and early stage technology companies.

RBF is generally described as falling somewhere between a debt investment, typically requiring collateral, and an equity investment. As royalty-based financing is not subject to the liabilities, operating expenses or capital outlays that are associated with business it is, on average, considered less risky than an equivalent equity investment. Furthermore, RBF has the potential to provide an attractive return to investors without the need for an exit strategy. The primary risk associated with royalty-based financing is that the cash flows are tied to the company's revenue, as opposed to a defined and mandated timing schedule, making royalty-based financing more risky from the perspective of an investor, than an equivalent debt investment.

From a company perspective, RBF is an attractive form of funding for companies wishing to maintain control or prevent dilution. Furthermore, it allows capital to be paid off on a schedule that is based on a monthly allocation of revenue which can have tangible benefits for cash flow management particularly in the early or growth stages of the business cycle.

Appendix D: Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this IER assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this IER, we have considered, amongst other metrics, the valuation methodologies recommended by ASIC in *RG 111: Content of Expert Reports*. The methodologies include those mentioned directly below.

D.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

D.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

D.3 Asset Based Valuation ('ABV')

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets, however, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

D.4 Market Based Valuation ('MBV')

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

D.5 Industry Based Metrics (Comparable Analysis)

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to alternative measures of value.

For resource companies, it is common for market analysts to have regard to multiples related to resources and tenement size.

Appendix E: Valuation of the Royalty

E.1 Our Valuation Approach

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this IER include the discounted cash flow ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV') and market-based valuation ('MBV') methodologies (these valuation methodologies are discussed further in Appendix D). RG 111 does not prescribe which methodology should be used by the expert but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

We have considered each of the valuation methodologies outlined above and formed the view that the most appropriate methodology for calculating the value of the Royalty is a DCF valuation. In forming this view, we considered the following:

- Royalties are often valued using DCF valuation methodologies as they typically relate to future cash flows over a set period of time. For the purposes of the analysis set out in this IER, we have been provided with information sufficient for us to prepare cash flow projections to utilise in a DCF valuation methodology;
- The Royalty relates to a future cash flow stream from production and does not incorporate any underlying identifiable assets suitable for an ABV; and
- There is no readily observable market that would allow a value for the Royalty to be calculated or approximated from similar transactions.

As set out in Appendix A of this IER, the Royalty entitles the Financiers to a yearly royalty equal to 1% of the realised selling price on coal sold from Cokal's share of production from the BBM Project and the TBAR Project, up to a maximum royalty amount of US\$40 million. Having regard to this, we have set out our valuation of the Royalty as follows:

- Sections E.2 and E.3 set out our view of the most appropriate coal production and coal pricing assumptions to adopt for our analysis;
- Section E.4 sets out our view of an appropriate discount rate to apply in our analysis;
- Section E.5 sets out an analysis of the sensitivity of our valuation to changes in key assumptions; and
- Section E.6 concludes on the value that we consider appropriate to adopt for the Royalty for the purposes of the analysis set out in this IER.

E.2 Coal Production Assumptions

The Royalty will be payable on Cokal's share of coal produced from the BBM Project and the TBAR Project. We have set out a summary of our consideration of the assumed coal production from each of these projects below.

E.2.1 The BBM Project

The BBM Anak Sub-Project

As part of the Company's strategy to accelerate the commencement of mining operations in the BBM Project, Cokal had evaluated the technical and financial feasibility of a small-scale initial start-up project, producing PCI coal.⁴ Cokal propose to sell the coal produced to local coal companies for blending with their lower quality coals.

⁴ For completeness we note that the BBM Anak sub-Project is the initial phase of the BBM commercial project outlined in Section B.1.1 of this IER.

On 23 August 2017, Cokal announced they had completed the initial construction phase and had commenced mining operations at BBM Anak. The Company is planning to produce approximately 10,000 tonnes per month from the start-up project which the Company estimates has 220,000 total tonnes of PCI coal. Sales generated from the BBM Anak Sub-Project will provide the Company with cash flow that will be used to assist the Company throughout the construction process of the commercial BBM Project. For completeness, we note that as the anticipated production schedule of the BBM Anak sub-project falls below the 15,000 tonne sales threshold required to trigger the commencement date for the Royalty, pursuant to the terms of the Royalty Agreement, we have assumed that the BBM Anak sub-project will not on its own trigger the Royalty payments. Refer to Section A. 2.1 for further details on the terms of the Royalty.

The BBM PCI Sub-Project

Cokal has a strategy to transform BBM Anak sub-project into a larger mining operation called BBM PCI sub-project. This project will continue to mine the low-volatility PCI coal at a rate of between 40,000 tonnes and 50,000 tonnes per month. The coal will be targeted for the export market, specifically aimed at the nearby Asian steel mills which use PCI coal in their blast furnaces to enrich the carbon content of the coke bed. Asian steel makers pay a premium for low-volatility, low ash, low sulphur and low phosphorus PCI coals which can be produced from BBM.

Cokal has delineated 2.5 million tonnes of this premium PCI coal within the BBM Reserves as estimated by Aseamco. It is estimated that the cost to construct the expansion is in the order of US\$10 million, and Cokal will seek to part fund this through coal sales from BBM Anak, and source the balance through a number of parties which have expressed an interest in securing off-take. For completeness, we have included production for the BBM PCI Sub-Project within Figure E.1.

BBM Coking Coal Project

To determine the coal production assumptions for the Open Pit BBM Project over the forecast period we have had regard to:

- The definitive feasibility study ('the DFS') for the BBM Project dated February 2014. The DFS was commissioned by Cokal and prepared by PT Resindo Resources Indonesia.⁵ The DFS was updated in October 2016. The DFS outlines the feasibility associated with a mine capable of producing 2Mtpa; and
- A statement of open cut coal reserves for the BBM Project as at 26 July 2017. The report was prepared by ASEAMCO⁶ and was completed in accordance with JORC Code, 2012. The report indicated that the BBM Project has resources of 266.6Mt, of which 20.2Mt are open pit Run-of-Mine reserves that are expected to generate 16.9Mt of marketable reserves. The marketable coal reserves comprise of 12.8Mt coking coal and 4.1Mt PCI product.

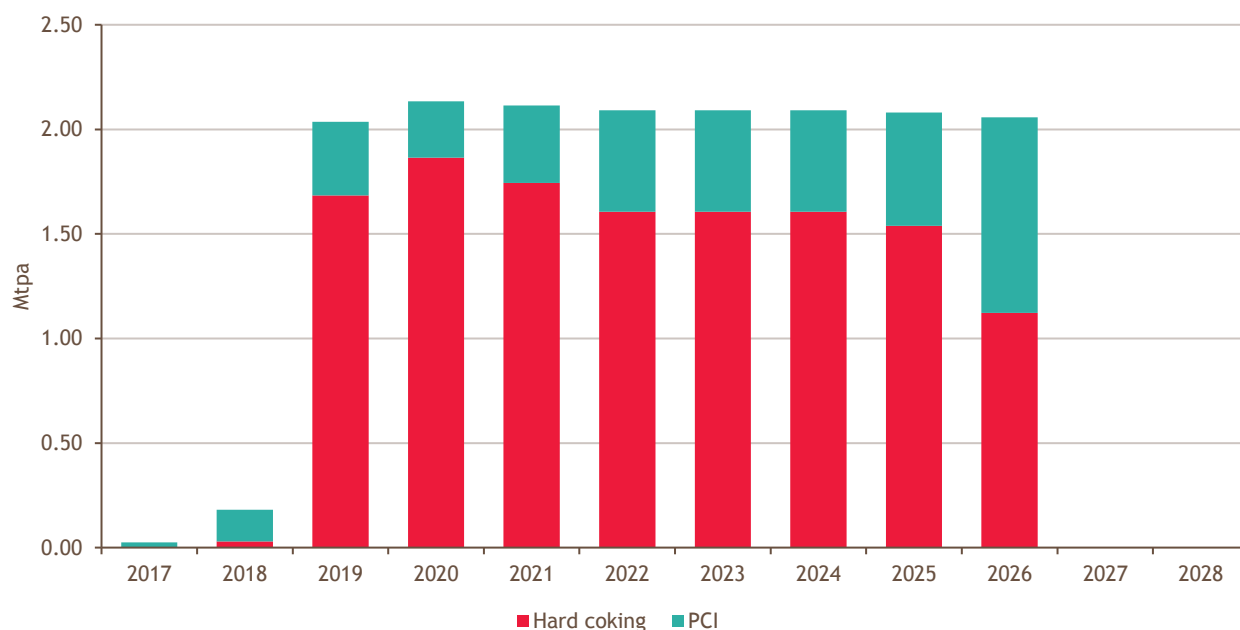
We have critically analysed the above documents, to the extent we consider necessary, to confirm that they are appropriate to rely on for the purposes of the analysis set out in this IER. We have also made enquiries of management to understand and critically evaluate the basis of those assumptions.

Figure E.1 below sets out the assumed coal production, by marketable production and by product type, of the BBM Project over the forecast period with regard to the DFS. We note that the DFS assumes 24Mt of reserves which is greater than the current level of marketable reserves as determined by ASEAMCO in the most recent statement of open cut coal reserves. We have adjusted the production schedule to reflect the marketable reserves as determined by ASEAMCO. For completeness, we also note that Figure E.1 shows the total projected production schedule for 100% of the BBM Project. However, the Royalty will apply only to Cokal's 60% share of any coal sales revenue that is generated from the BBM Project. For the purposes of the valuation set out in this IER, we have assumed that the coal will be produced and sold in the same month.

⁵ Resindo is a project and technology specialist Indonesian company, experienced in project design and development for the minerals, mining, oil and gas, and power generation assets.

⁶ ASEAMCO is an independent geological and mining engineering consultancy providing services to mining and financial institutions with offices in New South Wales, Australia and Indonesia.

Figure E.1: Marketable Coal Production of the BBM Project



Source: The Financial Model and BDOCF analysis

Figure E.1 above shows that the BBM Project is forecast to produce approximately 2.0Mtpa of coal from 2020 to 2026. This production forecast is consistent with the steady state export level of the BBM Project supported by the mining plan that is outlined within the DFS.

For completeness, we note that the proportion of hard coking coal to PCI coal is expected to reduce over the life of the mine. Over the mine life, 75.7% of the total product coal is hard coking coal and 24.3% is PCI coal.⁷

E.2.2 The TBAR Project

As set out in Appendix A of this IER, the payment of the Royalty is dependent on the amount and timing of production from the BBM Project and the TBAR Project. As of the date of this IER, exploration on the TBAR Project has not progressed to a level sufficient to estimate measured and indicated resources under JORC requirements. A pre-feasibility study has not been completed that is in accordance with the JORC Code, 2012.

To assist us in forming a view on the expected coal production from the TBAR Project, we have considered a range of factors including, but not limited to:

- Discussion and enquires with management regarding their intentions to develop the TBAR Project;
- Independent Technical Valuation of Coal Interests report, completed by Tasman Mining⁸ and dated 30 June 2017; and
- A DCF model that was developed to analyse a range of production scenarios (in terms of timing and volumes) for the purpose of projecting the potential cash flows for the TBAR Project.

Having regard to the information set out above, for the purposes of the analysis set out in this IER, in our view it is not appropriate to assume any production from the TBAR Project. In forming this view, we had regard to the following:

- As of the date of this IER, exploration has not progressed to a level sufficient to estimate measured and indicated resources in accordance with JORC standards. The Company announced on 28 April 2017 that it is

⁷ Figure E.1 shows the production schedule for the BBM project. For completeness, we note that Cokal have a 60% stake in this production.

⁸ Tasman Mining operates as a Perth Based independent consultant providing resource evaluation, mining engineering and mine valuation services to the resources and financial services industries.

expected that a comprehensive drilling exploration program will define a significant coal resource in TBAR in accordance with the JORC standards;

- Management have indicated that while long term intentions are to develop the TBAR Project, it is not currently a priority of the Company and is not likely to become a priority until construction of the BBM project has been completed and a point of steady state production has been achieved;
- As of the date of this IER, no feasibility study has been completed for the TBAR Project and no detailed assessment has been conducted that outlines the profitability, viability or practicality of the proposed project;
- In FY2016, the Company derecognised the exploration expenditure relating to TBAR under AASB 6 *Exploration for Evaluation of Mineral Resources*. The Company stated that while they still intended to maintain and pursue the TBAR Project, they were not planning to focus on or expend substantive expenditure for the evaluation of those tenements in the near future; and
- Any production for the TBAR Project is contingent on the required funding being secured for the construction of the project. As of the date of this IER, no funding has been negotiated or secured specifically for this project.

Notwithstanding our view above, we have completed a scenario in Section E.5 where we assume that the TBAR Project has 17Mt of Marketable Reserves at a steady state production schedule of 2Mtpa, commencing at 1 October 2023. We have also included a range of other scenarios that flex this timing. In completing this scenario analysis, we had regard to the following:

- TBAR is a 18,500ha site that adjoins BBM, effectively doubling the size of the BBM exploration area;
- While exploration has not progressed to a level sufficient to estimate measured and indicated resources, the Company has indicated exploration targets of between 50Mt and 100Mt; and
- Although drilling is yet to be completed, Management has informed us that the initial site review indicates TBAR has the potential to be of similar size and quality as the BBM Project. Notwithstanding, drilling may return results that could be substantially different.

E.3 Coal Price Assumptions

E.3.1 Hard Coking Coal

For the purpose of determining coal price assumptions for valuing the Royalty, we have researched brokers' consensus forecasts for hard coking coal. The coal prices have been determined based on brokers' consensus forecasts, taken from a Consensus Economics survey dated 17 July 2017. We have also considered forecast spot and forward prices from Bloomberg. These prices are all based on Newcastle coal, we consider this benchmark a conservative approach for determining both export and domestic coal prices.⁹

Table E.1 below sets out the calculation of the median forecast hard coking coal price from December 2017 to December 2021 along with the long term coal price forecast, all quoted in nominal terms.¹⁰

Table E.1: Brokers' Hard Coking Coal Price (US\$/tonne) - nominal terms

Broker	Dec-17	Jun-18	Dec-18	2019	2020	2021	Long Term
	US\$/T	US\$/T	US\$/T	US\$/T	US\$/T	US\$/T	US\$/T
Investec	160.0	158	155	147.5	135	125	115.0
RBC Capital Markets	165.0	150	150	120	120	120	120.0
Australia Dept of Industry	137.0	135	127.9	124.5	120.8	120.8	N/A
BoA Merrill Lynch	130.0	130	130	130	N/A	N/A	N/A
Credit Suisse	125.0	130	120	120	120	110	N/A

⁹ The Indonesian coal price mechanism is regulated by the Ministry of Energy and Mineral Resources ('ESDM'). The ESDM release a monthly coal price reference that is known as the Harga Batubara Acuan which outlines the FOB price for benchmark coal. The price setting mechanism is made up of the Indonesian Coal Index (25%), the Platt59 (25%), the Newcastle Export Index (25%) and the Newcastle Global Coal Index (25%). The price setting mechanism predominantly refers to the Newcastle Index and we have had regard to the forecast pricing for FOB Newcastle Coal in determining coal price assumptions.

¹⁰ Based on analysts' consensus nominal pricing

Broker	Dec-17	Jun-18	Dec-18	2019	2020	2021	Long Term
	US\$/T	US\$/T	US\$/T	US\$/T	US\$/T	US\$/T	US\$/T
Macquarie	125.0	130	125	130	135	140	N/A
Deutsche Bank	130.0	120	100	120	124.7	129.4	N/A
Liberum Capital	140.0	120	120	120	120	120	N/A
UBS	135.0	120	120	105.25	118.5	120	N/A
Citigroup	130.0	115	105	105	N/A	N/A	N/A
Morgan Stanley	130.0	115	110	103.3	111.3	117.3	105.1
Societe Generale	110.0	110	110	110	110	110	N/A
Commonwealth Bank	120.0	100	94.2	95.5	98.0	105	114.4
ING Bank	110.0	90	100	90	90	N/A	N/A
Consensus (Median)	130.0	120.0	120.0	120.0	120.0	120.0	114.7
Consensus (Mean)	131.9	123.1	119.1	115.8	116.9	119.8	113.6

Source: Consensus Economics, 17 July 2017

Notes: N/A means that a forecast was not available

Table E.2 below summarises the nominal coal prices we have adopted for the purpose of the valuation of the Royalty. In forming our view of the appropriate coal prices to adopt, we had regard to contract and spot prices including the following:

- The forecast prices presented in Table E.1;
- The forecast and spot prices taken from Bloomberg;
- The monthly coal price reference in Indonesia (Harga Batubara Acuan); and
- The typical product qualities of the BBM project in comparison to the benchmark pricing in Table E.1. Management have informed us that they expect to be able to realise a price higher than the benchmark prices as a result of the coal properties of the BBM Project.

Table E.2: Hard Coking Coal Price Adopted (US\$/tonne) - nominal terms

Coking Coal	2017	2018	2019	2020	2021	Long Term
Price Forecast(US\$/t)	150.0	130.0	130.0	130.0	130.0	120.0

Source: BDOCF analysis

E.3.2 Low Volatility PCI Coal

To determine the forecast for medium to low volatility PCI coal prices in nominal terms, we have assumed a 20% discount to the above hard coking coal price forecasts set out in Table E.2 above. This discount was estimated having regard to the statement of open cut coal reserves for the BBM Project as at 26 July 2017, the Tasman Valuation Report and other industry publications. These documents considered the observed price differential between hard coking coal and PCI based on recent historical prices.

We note that price relativities between different ranking coal products change depending on the market demands of the day. We are of the view that a 20% discount is appropriate in the circumstances of this Report, as at the date of this IER.

E.4 Discount Rate

We have selected a nominal pre-tax discount rate of 14% to discount the forecast royalty payments to their present value. In forming this view, we considered the following:

- Our calculation of a post-tax WACC for the BBM and TBAR Projects in the range of approximately 13.9% to 16.5% (set out in further detail in Appendix G). We note that there are a number of methodologies often used to convert a post-tax WACC into a pre-tax discount rate. We have considered:
 - amendments to the post-tax WACC calculation;
 - considered grossing up the post-tax WACC by a factor to estimate a pre-tax discount rate; and
 - considered that the timing of tax payments on the BBM and TBAR Projects are not likely to occur in the earlier years of development and operation.

Having regard to the above and for the purposes of our analysis we estimate that a pre-tax rate discount rate relevant to the BBM and TBAR Projects could reasonably be estimated as 16% to 19%;

- The risk profile of the Royalty compared to the overall BBM Project. Specifically, as outlined in Appendix A of this IER, the Royalty applies to Cokal's share of revenue generated by the BBM and TBAR Projects. As such, holding the Royalty does not incur the liabilities, operating expenses or capital outlays that are associated with the construction or operation of the project. Furthermore, the Royalty does not carry the burden of non-profitable prospecting or exploration;
- The primary risk associated with the Royalty is the possibility of reduced, delayed or nil income. Consequently, the Royalty has a prior lien on operating cash flows and, as such, should have a discount rate that is equal to or less than that applied to the whole project; and
- Cokal have estimated that it will require further funding of approximately US\$63 million to construct a mine capable of producing 2Mtpa of coal from the BBM Project. No detailed cost estimate has been completed for the construction costs associated with the TBAR Project. Among other things, the production forecasts in Section E.2 are significantly dependent on Cokal's ability to secure funding sufficient to construct the BBM and TBAR Projects. If the funding is not obtained, the Royalty payments will be delayed or reduced accordingly. The Directors have instructed us that while negotiations with interested parties are ongoing, they have not yet received any proposals for the provision of the funding required.

We have selected a nominal pre-tax discount rate of 14% having regard to our analysis and the matters mentioned above. We note that our selected rate is below the low end of the range of our pre-tax discount rate range and within the low end of the range of our post-tax WACC range. We consider that the risk of holding the Royalty, factoring the early stages of the BBM and TBAR Projects, broadly similar to but possibly lower than the risk of the overall project. For completeness, the spread is likely to increase as the project progresses towards production due to, among other things, a decline in funding risk.

We note that if a higher discount rate is adopted then the value of the Royalty will decrease and on that basis we consider that the pre-tax discount rate of 14% is relatively conservative in the context of this Report.

E.5 Analysis of Valuation Sensitivity to Key Inputs

In forming our view of an appropriate value to adopt for the Royalty for the purposes of this IER we have considered the sensitivity of the present value of the projected cash flows to key input variables.

We have analysed the key assumptions and prepared sensitivities to demonstrate the way in which these inputs impact the value of the Royalty. These sensitivities have been prepared to assist the Shareholders to consider the potential impact, on the value of the Royalty, of a change in the assumptions we have adopted. For completeness, we note that all values presented have been calculated on Cokal's share of the revenue (i.e. 60% for BBM and 75% for TBAR). All cash flows were discounted back to the date of this IER and assume no timing differences between the production and sale of coal. We consider this a conservative approach for the purposes of the valuation set out in this IER.

E.5.1 Base Case Value Adopted for Sensitivity Analysis

In forming our view of an appropriate value to adopt for the purposes of this IER, we have considered a base case scenario as set out in Section E.2, E.3 and E.4 of this IER. The base case scenario assumes production of the BBM Coking Project will commence in October 2018 utilising the assumptions set out above. This assumes funding is received for the commercial mine and the construction is completed within a 12-month period. No production is assumed in the base case for the TBAR Project.

Having regard to the base case set of assumptions set out above, the net present value of the Royalty is US\$6.21 million.

E.5.2 Discount Rate and Coal Prices

Table E.3 below sets out the present value of the forecast royalty payments under a range of scenarios that adjust the discount rate and coal price assumptions. Each variable was adjusted in isolation, while all other assumptions were held constant.

Table E.3: Sensitivities of Present Value of the Royalty to Discount Rate and Coal Prices

Flex	Discount Rate (US\$'millions)	Coal Price (US\$'millions)
+10%	5.88	6.83
+5%	6.04	6.52
Base Case	6.21	6.21
-5%	6.39	5.90
-10%	6.57	5.59

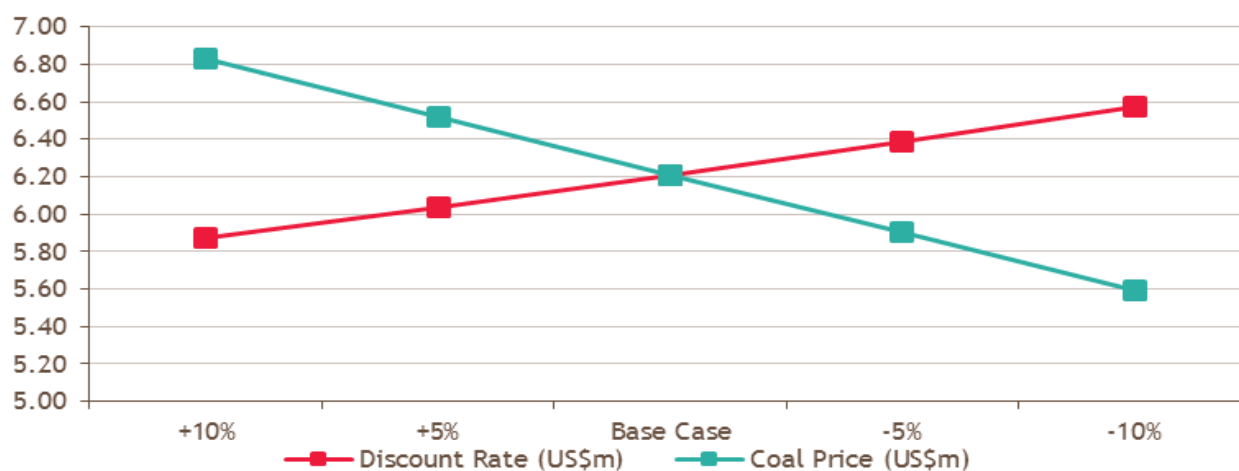
Source: BDOCF Analysis

With regard to Table E.3, we note the following:

- Given the life of the mine and the production schedule, the value of the Royalty is sensitive to coal prices and has a direct positive linear relationship (i.e. a 10% increase (decrease) in coal prices will result in a 10% increase (decrease) to the value of the BBM component of the Royalty); and
- The discount rate has a negative relationship with the value of the Royalty. Consequently any increase (decrease) in the assumed discount rate will reduce (increase) the value of the BBM component of the Royalty.

Figure E.2 below provides a graphical representation of Table E.4 above.

Figure E.2: Sensitivities of Present Value of the Royalty to Discount Rate and Coal Prices



Source: BDOCF Analysis

E.5.3 Production Scenarios

For the purpose of determining an appropriate value of the Royalty, we have also considered the present value of the forecast royalty payments under a range of production scenarios that incorporate both the BBM Project and the TBAR Project.

Changes to the BBM Project Production Scenario

Table E.4 below sets out the present value of the forecast royalty payments under a range of scenarios that flex the timing of the production assumptions for the BBM Project. Each variable was adjusted in isolation while all other assumptions were held constant.

Table E.4: Sensitivities of Present Value of Royalty to the Timing of Production for the BBM Project

Flex	NPV (US\$ 'million)
+1 year	5.45
+2 years	4.78
+3 years	4.19

Source: BDOCF Analysis

With regard to Table E.4, we note the following:

- The sensitivities shown all relate to production at the BBM Project being delayed. We note that the base timing assumption assumes that Cokal is able to arrange funding in the near future and construct the BBM Coking Project by October 2018. We have discussed this assumption with Management and understand that the base assumption is essentially a best case scenario and that it would be difficult to accelerate the processes required prior to commencement and it is unlikely that the Company would commence production of the BBM Coking Project before this time; and
- The timing has a negative relationship with the value of the Royalty. Consequently, any increase in the timing of production will reduce the value of the Royalty.

Incorporating the TBAR Project into the Production Scenarios

Table E.5 below sets out the value of the Royalty under a range of scenarios that incorporate the TBAR Project at different times relative to the BBM Project. Each variable was adjusted in isolation and all other assumptions were held constant.

All scenarios presented in Table E.5 assume approximately 17Mtpa of coal will be produced over a nine year mine life (refer Section E.2.2 for additional information), while previous scenarios assumed no production for the TBAR Project to reflect the uncertainty associated with the timing and the quantity of reserves. We note that under the production and price assumptions set out in Tables E.3 and E.4 the cumulative amount of the Royalty payments did not reach the Royalty cap of \$40 million. Table E.5 below provides scenarios where any remaining amount of the \$40 million Royalty cap is paid in full, as a residual payout, upon the exhaustion of the resources in the TBAR project.

Table E.5: Sensitivities of Present Value of Royalty to the Timing of Production for the TBAR Project

Production Date	NPV (US\$'million)	NPV (US\$'million) Including Residual Payout
1 October 2023 (5 years after commencement of BBM)	10.02	11.94
1 October 2025 (7 years after commencement of BBM)	9.14	10.62
1 October 2027 (upon completion of BBM)	8.47	9.61

Source: BDOCF Analysis

With regard to Table E.6, we note the following:

- The increase in value arises as a result of Cokal not being in a position to pay the full amount of the Royalty cap of \$40 million based solely on production from the BBM Project (refer Section E.2.1 above). As a result, the additional production assumed for the TBAR Project increases the value of the Royalty; and
- Under all three scenarios, the undiscounted royalty payments failed to meet the Royalty cap of \$40 million. The right hand column includes hypothetical residual payouts that assume that Cokal pays out the remainder of the

Royalty at the end of the TBAR Project. For completeness we note that this scenario is hypothetical (i.e. for illustration purposes only) and the Directors have indicated that they currently do not expect this circumstance to occur in the foreseeable future and that Cokal is not obliged in any circumstances to pay out any amount above and beyond that stipulated in the terms of the Royalty (refer to section A.2). We note that the calculation should be considered in the appropriate context as it simply provides an indication of additional value in the Royalty if further coal resources are able to be mined.

E.6 Adopted Value for the Royalty

In our view, for the purposes of the analysis set out in this IER, it is appropriate to adopt a value for the Royalty in the range of US\$5.0 million to US\$10.0 million as at the date of this IER. In forming this view, we considered matters including the following:

- The base case value of the Royalty adopted for the purpose of our sensitivity analysis was US\$6.21 million;
- We completed a range of sensitivities on price and discount rates for the Royalty which resulted in a value range of US\$5.88 million to US\$6.83 million at the $\pm 10\%$ variation incorporated;
- We completed several sensitivities of a delay in the construction of the BBM Project which resulted in a reduction of the value of the Royalty in the range of US\$4.19 million to \$5.45 million;
- The base case value of the Royalty adopted for the purpose of our sensitivity analysis did not include any production for the TBAR Project. Assuming production from the TBAR Project results in an increase in the value of the Royalty of up to US\$10.02 million. Further, if it is assumed that Cokal is required to pay the full US\$40 million in royalties in accordance with the assumptions we have made (which are not supported at the current time based on the information available) then the value of the Royalty increases further up to as much as US\$11.94 million;
- We have only considered the present value of the Royalty obligation over the life of the projects. In scenarios where production was exhausted before the Royalty cap was reached, the royalty arrangement was assumed to be terminated¹¹;
- We have only considered the present value of the Royalty obligation due over the life of the projects and it was assumed that no voluntary payments were made;
- We have applied the Royalty to Cokal's share of gross revenue (i.e. revenue before any costs have been subtracted); and
- As the Royalty is based on the sale of coal, the DCF model and resulting value calculated in Section E.5, assumes that funding for the required capital expenditure is obtained in full and the relevant project reaches production.

This IER considers the value of the Royalty as at the date of this IER. A number of the assumptions adopted in our valuation of the Royalty may be subject to material change in short periods of time. Changes in these assumptions may have a material impact on the overall value determined for the Royalty in this IER. There can be no guarantee that the cash flow forecasts or valuation calculations will hold for any length of time as circumstances are continually changing.

¹¹ With the exception of column 3 in Table E.6

Appendix F: Valuation of the Options

As set out in Appendix A, under the terms of the Proposed Transaction, Cokal will issue 75 million options with a five year term and an exercise price of 1.6 cents to the Financiers. The Options will vest and be exercisable if the Platinum Loans are discharged and released in full.

To determine the value of the Options, we consider it appropriate to adopt the Black Scholes Options Pricing Model. Table F.1 below sets out the key variables we used in the Black Scholes Options Pricing Model to determine the value of each option over Cokal shares.

Table F.1: Key Variables used in the Black Scholes Model to Value the Options

Key Driver	Value	Calculation Method
Share Price	AUD\$0.0870	The share price we have used to calculate the value of the Options are equal to the 1 month VWAP as set out in Appendix B of this IER.
Exercise Price	AUD\$0.016	As set out in the terms of the Options, the exercise price of the Options is equal to \$0.0160 per Cokal share.
Volatility of Share Price	90%	We have assumed an expected volatility of 90% is reflective of Cokal's volatility over the five year life of the Options.
Risk Free Rate	2.17%	Having regard to the average monthly yield on five year Commonwealth Government Treasury Bonds sourced from the Reserve Bank of Australia website, we consider it appropriate to adopt a risk free rate of 2.17% as at the date of this IER.
Time to Maturity	5 years	We have adopted the time to maturity based on the term of the Options as set out in Appendix A.
Annual Dividend Yield	0%	We have assumed that Cokal will pay no dividends before the Options expire. Cokal management have confirmed this assumption.

Source: Capital IQ, RBA and BDOCF Analysis

Table F.2 below sets out our valuation of the Options adopting the inputs contained in Table F.1 above and utilising the Black Scholes Pricing Model.

Table F.2: Key Variables used in the Black Scholes Model to Value the Options

	Value
Number of Call Options Issued	75,000,000
Value per Call Option (AUD)	0.0780
Total Value of Options Issued (AUD)	5,847,784
US\$/AUD exchange rate ¹²	0.804
Total Value of Options Issued (US\$)	4,699,279

Source: BDOCF Analysis

From Table F.2 above, the total value of the Options, based on the assumptions set out in Table F.1, is approximately US\$4.7 million. Given the sensitivity of the Options valuation to a number of key variables and to provide additional information to shareholders, we have set out a sensitivity table in Table F.3 below showing the impact of value arising from a change in volatility and a $\pm 10\%$ movement in the share price adopted.

Table F.3: Sensitivity Analysis of Key Variables (Value of Options in US\$)

Volatility	Share Price at Grant Date (AUD\$)		
	0.0783	0.0870	0.0957
70.00%	4,038,078	4,547,380	5,058,753
90.00%	4,190,843	4,699,279	5,209,427
110.00%	4,334,942	4,845,602	5,357,505

Source: BDOCF Analysis

In our view, for the purposes of the analysis set out in this IER, it is appropriate to adopt a value for the Options in the range of US\$4.2 million to US\$5.2 million as at the date of this IER.

¹² Spot exchange rate, 11 September 2017.

Appendix G: Weighted Average Cost of Capital

A company has two principal sources of capital finance: debt and equity. An average of the respective required returns on capital for equity and debt holders, weighted by the relative value of the equity and debt capital of the company is typically used to estimate the company's overall cost of capital. This is commonly referred to as the weighted average cost of capital ('WACC').

The formula typically used to calculate the WACC is:

$$WACC = \left[r_e \times \frac{E}{V} + r_d \times \frac{D}{V} \times (1 - t) \right]$$

Where:

- r_e represents the required return on equity;
- $\frac{E}{V}$ represents the portion of the capital that is equity;
- r_d represents the required return on debt;
- $\frac{D}{V}$ represents the portion of the capital that is debt; and
- t represents the tax rate.

This appendix sets out our view of the appropriate WACC to adopt for the BBM Project which we have used as the basis for determining a discount rate for the Royalty.

G.1 Required Return on Equity

The most widely accepted method of estimating a company's cost of equity capital is the capital asset pricing model ('CAPM'). The CAPM proposes that any asset is priced according to its market or systematic risk (commonly referred to as the beta of the asset). The CAPM formula is as follows:

$$r_e = r_f + \beta \times MRP + CRP$$

Where:

- r_f represents the risk free rate;
- β represents the beta of the company;
- MRP represents the market risk premium, or the additional return an investor requires to invest in a fully diversified market portfolio rather than at the risk free rate; and
- CRP Country risk premium, or the additional return an investor requires to be compensated for the risks associated with investing in a foreign country.

G.1.1 Risk Free Rate

In our view, an appropriate risk free rate to use in calculating the cost of equity capital for the BBM Project is the rate on 10-year United States Government Bonds. We note that bond yields are currently at historical lows. However, these levels may not be indicative of the risk free rate in the longer term. The current low yield levels may not persist over the medium to long term.

Having regard to the above, it is our view that an appropriate risk free rate to use in calculating the cost of equity capital for the BBM Project is the 10-year average of the rate on 10-year United States Government Bonds. As at 29 August 2017, the average 10-year rate on United States Government Bonds was 2.66%.

G.1.2 Beta Estimation

Equity betas are the commonly cited measure of the sensitivity of a company's share price to movements in the overall market.

To determine the appropriate equity beta to use in the CAPM, it is conventional practice to refer to comparable companies listed on stock exchanges. For the purposes of this IER, we have calculated equity betas for broadly comparable companies against the MSCI World Index, based on four years of weekly and monthly data as at 29 August 2017. The MSCI World Index is commonly used as a benchmark for assets that are likely to be attractive to international buyers, which we consider to be the case for the BBM Project.

The equity betas observed for the comparable companies must be adjusted to remove the impact of the debt in the comparable company's capital structure before they can be applied to Cokal's assets. Debt increases the riskiness of a company's cash flows and therefore increases the sensitivity of that company's returns to market movements (i.e. debt serves to inflate equity betas). An equity beta that is adjusted to remove the impact of debt is commonly referred to as an asset beta.

Asset betas provide a measure of the sensitivity of a company's returns to movements in the overall market, independent of a company's capital structure. As a result, asset betas are the more appropriate metric to consider when comparing companies with different capital structures. The asset beta selected for a particular company based on the asset betas observed for comparable companies is then re-levered according to the optimal long-term debt level for the company in order to calculate the appropriate equity beta.

In our opinion, only limited conclusions regarding an appropriate beta estimate can be derived from the observed betas of comparable companies. The beta of an individual coal mining company is heavily driven by risk factors specific to its individual projects and may at times be unrelated to the betas observed for its peers. In light of the limitations mentioned above, we have also considered empirical evidence from the US suggesting that companies operating in the coal and metals and mining industries exhibit an average equity beta in the range of 1.4 to 1.7.

Having regard to the above and considering the nature of the BBM Project, we consider an appropriate asset beta to be within the range of 1.00 to 1.20, which we have then re-levered to arrive at an appropriate equity beta. Based on the capital structure assumptions set out in Section G.3, this results in an equity beta for the BBM Project within the range of 1.20 to 1.45.

G.1.3 Market Risk Premium

To assess an appropriate market risk premium, we have had regard to numerous empirical studies. This research indicates that market risk premiums can be estimated within the range of 4.5% to 7.0% and that the average MRP tends to vary between countries. For the purposes of this IER we consider it appropriate to adopt a market risk premium of 6.0%.

G.1.4 Country Risk Premium

Under the CAPM theory, it is assumed that investors require no additional returns to compensate them for specific risks as these can be diversified away with a diversified portfolio. However, in reality investors will include an additional risk premium to reflect factors such as project location and stage of development, especially when projects are located in areas with high sovereign risk.

The latest country risk profile prepared by Professor Aswath Damodaran of New York University indicates a country risk premium on equity for Indonesia of approximately 3.13%.¹³

Having regard to the above, we consider it reasonable that the risk for a foreign company doing business in Indonesia is higher than it would be if the project was located in the United States or Australia. As such, for the purposes of this IER we have adopted a country risk premium of 3.13%.

G.1.5 Required Return on Equity Adopted

The assumptions set out above result in a return on equity calculation of approximately 12.9% to 16.6%.

G.2 Required Return on Debt

G.2.1 Before Tax Required Return on Debt

In our view, it is reasonable to assume that a hypothetical purchaser would be able to raise debt secured over the BBM Project, given its substantial measured reserves. In forming our opinion of the appropriate return on debt, we have considered the following:

- The median interest expense to total debt of comparable companies over the last twelve months was in the range of 3.1% to 12.4%, with a median of 4.6%;

¹³ Country Risk premium by Aswath Damodaran updated January 2017.

- The yield to worst on corporate BBB rated bonds trading in the US as at 28 August 2017 was approximately 3.44%¹⁴; and
- The long-term target capital structure assumed for the BBM Project as set out in Section G.3 below.

Based on the above, we consider it appropriate to adopt a before tax required return on debt for the BBM Project within the range of 4.0% to 5.0%.

For completeness, we note the original debt agreement signed with Platinum in relation to the financing facility for the BBM Project, carried terms including a 13% interest rate. We have had regard to this information, however, our assessment of the target funding mix and the cost of funds is based on our view of the typical project and funding risks applicable to an asset such as the BBM Project.

G.2.2 After Tax Required Return on Debt

The appropriate tax rate is the tax rate payable in Indonesia. The effective corporate tax rate in Indonesia is currently 25%.

Based on the above, we consider it appropriate to adopt an after tax required return on debt for the BBM Project within the range of 3.0% to 3.8%.

G.3 Capital Structure

To determine an appropriate capital structure for the BBM Project, we have had regard to the average capital structure of companies engaged in developing coal projects considered broadly comparable to the BBM Project. We have estimated the average capital structure for each comparable company by having regard to the average percentage of debt and equity observed in the capital structure as reported in the financial statements of each comparable company over the previous four year period, data permitting.

We have set out a description of broadly comparable companies in Table G.1 below, which we have referred to when estimating a discount rate for the BBM Project. Due to the limited number of Indonesian coal producers we have also considered comparable Australian companies.

Table G.1: Description of Broadly Comparable Companies

Company	Description
Australian Companies	
Baralaba Coal Limited	Baralaba Coal Company Limited engages in the acquisition, exploration, development, production, and operation of coal mining projects. The company focuses on producing metallurgical and thermal coal. Its flagship project is the Baralaba ultra-low volatile pulverized coal injection mine, which covers an area of approximately 56,320 hectares located in the Bowen Basin, central Queensland.
Wollongong Coal Limited	Wollongong Coal Limited engages in the mining, production, sale, and export of coal in Australia. It owns and operates the Russell Vale Colliery and the Wongawilli Colliery located in the Southern Coalfields region of New South Wales.
New Hope Corporation Limited	New Hope Corporation Limited explores, develops, produces, and processes coal, and oil and gas in Japan, Taiwan, China, Chile, Korea, and Australia. It operates through four segments: Coal Mining, Oil and Gas, Marketing and Logistics, and Treasury and Investments. The company has interests in two open cut coal mines in South East Queensland that produce thermal coal, including New Acland project, which is located in north-west of Oakey, Queensland; and Jeebropilly coal mine located in the West Moreton region near Ipswich.
Whitehaven Coal Limited	Whitehaven Coal Limited develops and operates coal mines in New South Wales. The company operates through Open Cut Operations and Underground Operations segments. It operates five mines in North West New South Wales; four open cut mines at Maules Creek, Werris Creek, Tarrawonga, and Rocglen; and one underground mine at Narrabri. The company offers thermal coal and metallurgical coal used in the production of steel. As of August 17, 2017, it had approximately 974 million tons of recoverable coal reserves; and 862 million tons of marketable coal reserves. The company sells its coal primarily in Japan, Taiwan, India, Korea, China, Chile, Malaysia, Vietnam, Noumea, Indonesia, Australia, and Mexico. Whitehaven Coal Limited was founded in 1999 and is headquartered in Sydney, Australia.

¹⁴ The 'yield to worst' represents the minimum return to be earned by an investor on a bond at a particular point in time having regard to specific bond features (such as whether it is callable, puttable or exchangeable), assuming the issuer does not default.

Company	Description
Indonesian Companies	
PT Atlas Resources Tbk	PT Atlas Resources Tbk, together with its subsidiaries, engages in the acquisition, exploration, development, production, and sale of coal in Indonesia and internationally. The company operates its coal mining business through six hubs, including various mining concessions covering an area of approximately 200,000 hectares. It is also involved in the import-export of, and trade in, fuel sources, including coal, briquettes, refractory material, and associated business activities; and transportation of coal, such as the management and maintenance of transportation facilities to support coal mining activities and other related business activities.
PT Adaro Energy Tbk	PT Adaro Energy Tbk, together with its subsidiaries, explores for, mines, and sells coal. It is also involved in coal hauling and trading activities; power generation; and workshop activities, as well as provision of mining contract, infrastructure, and coal logistics services. The company also provides coal handling and barging services; and terminal handling services. It serves power providers and cement manufacturers in Indonesia and internationally.
PT Baramulti Sussessarana Tbk	PT Baramulti Sussessarana Tbk engages in the mining and production of coal in Indonesia. The company holds interests in the coal mines located in the south west concession area of Samarinda, East Kalimantan; and in the north-east of Banjarmasin, South Kalimantan. It is also involved in trading activities and provision of transportation services to mining industry. The company was founded in 1990 and is headquartered in Jakarta, Indonesia.
PT Bayan Resources Tbk	PT Bayan Resources Tbk., together with its subsidiaries, engages in the open cut mining, production, and sale of coal in East and South Kalimantan. It primarily produces semi-soft coking coal and low sulphur sub-bituminous coal. It has rights to mine over a concession area of 81,265 hectares. The company is also involved in the provision of mining contractor, construction, transportation, and trading services, as well as shipping services. PT Bayan Resources Tbk, sells coal primarily to industrial end-users, commodity trading companies, and agents. The company was founded in 1973 and is headquartered in Jakarta, Indonesia.
PT Bukit Asam (Persero) Tbk	PT Bukit Asam (Persero) Tbk, together with its subsidiaries, engages in coal mining activities in Indonesia. The company's coal mining activities include general surveying, exploration, exploitation, processing, refining, transportation, and trading. It is also involved in the maintenance of coal port facilities; operation of steam power plants; provision of consulting services related to the coal mining industry and production; and briquette processing, palm plantation, and palm processing activities. The company also exports its products.

Source: Capital IQ as at 29 August 2017

Table G.2 summarises the average percentage of debt and equity observed in the capital structure of each comparable companies listed in Table C.1 over the previous four year period.

Table G.2: Average Percentage of Debt and Equity Observed in the Capital Structure of Broadly Comparable Coal Companies

Company	Average Debt Percentage	Average Equity Percentage
Australian Companies		
Baralaba Coal Limited	60.8%	39.2%
Wollongong Coal Limited	92.5%	7.5%
New Hope Corporation Limited	1.0%	99.0%
Whitehaven Coal Limited	42.8%	57.2%
Indonesian Companies		
PT Atlas Resources Tbk	49.9%	50.1%
PT Adaro Energy Tbk	43.3%	56.7%
PT Baramulti Sussessarana Tbk	8.8%	91.2%
PT Bayan Resources Tbk	21.9%	78.1%
PT Bukit Asam (Persero) Tbk	10.9%	89.1%
Median	42.8%	57.2%
Mean	36.9%	63.1%

Source: Capital IQ as at 29 August 2017 and BDOCF analysis

After considering the above information as well as our own experience, it is our view that it is appropriate to adopt a long-term target debt level for the BBM Project within the range of 20% to 40%.

G.4 Additional Risk Factors

We note as at the date of the Report, the cash flows may be subject to a number of project specific risks including the following:

- The start date for production and other milestones assumed may not be achieved; and
- The BBM Project is pre-construction stage, and there is a risk that construction costs and timing may differ from that assumed in the Financial Model.

Having regard to the above additional risk factors, we consider it appropriate to include an additional risk premium to account for the stage of the project. To assess an appropriate additional risk premium, we have had regard to empirical studies. This research indicates that additional risk premiums for mining projects based on the stage of the project can be estimated within the range of 3.0% to 5.0% for projects in which a feasibility study has been completed. For the purposes of this IER we consider it appropriate to adopt an additional risk premium of 3.0% to 5.0% for the BBM Project.

G.5 Nominal WACC Calculation for the Company

In our view, based on our high level consideration of the inputs to the WACC as outlined above, it is not unreasonable to adopt a nominal required rate of return (i.e. WACC) to the after tax and before interest cash flows of 13.9% to 16.5%.

Proxy, representative and voting entitlement instructions

PROXIES AND REPRESENTATIVES

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the Corporations Act.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act.

This proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, scanned and emailed or sent by facsimile transmission to the address listed below**, not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Cokal Limited Level 5, 56 Pitt Street, Sydney NSW 2000 Email: louisa@indianoceancapital.com Fax: +61 2 8823 3188 Phone: +61 2 8823 3179
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If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company.

A proxy form is **attached** to this Notice.

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm (Sydney time) on 27 November 2017. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

SIGNING INSTRUCTIONS

You must sign the proxy form as follows in the spaces provided:

Individual:	Where the holding is in one name, the holder must sign.
Joint Holding:	Where the holding is in more than one name, all of the security holders should sign.
Power of Attorney:	To sign under Power of Attorney, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies:	Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

By Delivery / Post:

Level 5, 56 Pitt Street,
Sydney New South Wales, 2000

By email:

Louisa@indianoceancapital.com

By Facsimile:

Fax number: 02 8823 3188
International: +61 2 8823 3188

Proxy Form

being a Shareholder of the Company and entitled to vote at the Annual General Meeting, hereby appoint ¹

or failing such appointment, or if your named appointment fails to attend the Annual General Meeting, the Chairman of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Level 5, 56 Pitt Street, Sydney, New South Wales, 2000 2.00pm (AEDT) on Wednesday, 29 November 2017 and at any adjournment thereof in the manner indicated below or, in the absence of such directions, as he thinks fit. If no directions are given, the chairman will vote for all Resolutions.

The proxy is to vote for or against the Resolutions referred to in the Notice of Meeting as follows:

		For	Against	Abstain
Resolution 1	Adoption of the Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Mr Domenic Martino	☐	☐	☐
Resolution 3	Ratification of Previous Issue of Private Placement Shares	☐	☐	☐
Resolution 4	Ratification of Previous Issue of Shares to Consultant	☐	☐	☐
Resolution 5	Ratification of Previous Issue of Options to Consultant	☐	☐	☐
Resolution 6	Approval to Issue Commitment Shares	☐	☐	☐
Resolution 7	Approval to Issue Shares	☐	☐	☐
Resolution 8	Approval of Options to Director – Mr Gerhardus (Garry) Kielenstyn	☐	☐	☐
Resolution 9	Approval of Performance Rights and Option Plan	☐	☐	☐
Resolution 10	Approval of the Debt Restructure Transaction	☐	☐	☐
Resolution 11	Approval of Issue of Platinum Options	☐	☐	☐

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If I/we have appointed the Chairman of the Meeting as my/our proxy or the Chairman of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1, 8 and 9, I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy in respect of Resolutions 1, 8 and 9 even though Resolutions 1, 8 and 9 are connected with the remuneration of a members of key management personnel for the Company.

Please note that the Chairman intends to vote all undirected proxies in favour of the Resolutions being passed.

Authorised signature/s

This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

¹ Insert name and address of proxy

Contact Daytime Telephone

Date

Proxy Notes

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person or a corporation as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies (an additional Proxy Form will be supplied by the Company on request). Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the meeting must produce the appropriate Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the registered office of the Company Level 5, 56 Pitt Street, Sydney, New South Wales, 2000, Facsimile (02) 8823 3188 if faxed from within Australia or +61 2 8823 3188 if faxed from outside Australia) no later than 2.00pm (AEDT), on Monday, 27 November 2017.