



## Cleansing Prospectus

**Cokal Limited**

**ABN 55 082 541 437**

For the offer of two (2) Shares at an issue price of \$0.10 to raise \$0.20 (Offer).

This Prospectus has been prepared primarily for the purposes of section 708A(11) of the *Corporations Act 2001* (Cth) to remove any trading restrictions on the sale of Securities issued prior to Closing Date.

**ASX Code: CKA**

This Prospectus is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act. This is an important document that should be read in its entirety. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser. The Shares being offered by this Prospectus should be considered speculative. The general advice provided in the Prospectus has been prepared without taking into account the specific personal circumstances of investors.

### **Important Notice**

This Prospectus is dated 2 August 2018 and was lodged with ASIC on that date. Application will be made to ASX for quotation of the New Shares offered under this Prospectus within 7 days of this date.

Information about the Company is publicly available and can be obtained from ASIC and ASX (including ASX's website [www.asx.com.au](http://www.asx.com.au)). The contents of any website or ASIC or ASX filing by the Company are not incorporated into this Prospectus. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company, which has been notified to ASX. Investors should therefore have regard to the other publicly available information about the Company before making a decision whether or not to invest in the Shares.

Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

### **Nature of this Prospectus**

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers to whom investors may consult.

### **Foreign jurisdictions**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### **Disclaimer of representations**

No person is authorised to give any information or make any representation in connection with the Offer described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure

obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

### **Electronic Prospectus**

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus. If you have not, please phone the Company on +61 2 8823 3179 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at [www.cokal.com.au](http://www.cokal.com.au)

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

### **Forward looking statements**

This Prospectus contains forward looking statements that, despite being based on the Company's current expectations about future events, are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors. These known and unknown risks, uncertainties and assumptions, could cause actual results, performance or achievements to materially differ from future results, performance or achievements expressed or implied by forward-looking statements in this Prospectus. These risks, uncertainties and assumptions include, but are not limited to, the risks outlined in section 3 of this Prospectus. Forward-looking statements include those containing such words as 'anticipate', 'estimate', 'believe', 'should', 'will', 'may' and similar expressions.

### **Definitions**

Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in the Glossary.

### **Key risks**

There are risks associated with an investment in the Company, please refer to the key risks set out in Section 3 of this Prospectus.

## Table of Contents

|   |                                            |    |
|---|--------------------------------------------|----|
| 1 | DETAILS OF THE OFFER .....                 | 2  |
| 2 | EFFECT OF THE OFFER ON THE COMPANY .....   | 6  |
| 3 | RISK FACTORS .....                         | 8  |
| 4 | ADDITIONAL INFORMATION .....               | 14 |
| 5 | DIRECTORS' RESPONSIBILITY AND CONSENT..... | 25 |
| 6 | GLOSSARY .....                             | 26 |

## Corporate Directory

### Directors

Mr Domenic Martino (Non Exec. Chairman)  
Mr Gerhardus Kielenstyn (Exec. Director)  
Mr Patrick Hanna (Non Exec. Director)

### Company Secretary

Ms Louisa Martino

### Registered Office

Level 5, 56 Pitt Street  
Sydney NSW 2000

### Share Registry\*

Advanced Share Registry Services  
150 Stirling Highway  
Nedlands WA 6009

\*This entity is included for information purposes only. Advanced Share Registry Services has not been involved in the preparation of this Prospectus and has not consented to being named.

### ASX Code

CKA

### Website

[www.cokal.com.au](http://www.cokal.com.au)

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## **1 DETAILS OF THE OFFER**

### **1.1 Purpose of the Offer**

By this Prospectus, the Company is making an offer to an investor by invitation only of two (2) Shares at an issue price of \$0.10 to raise \$0.20 before expenses. Accordingly, the primary purpose of the Offer is not to raise capital.

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to the Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the Closing Date.

### **1.2 Proposed issue of Shares**

The Company anticipates the potential need to issue the following Shares during the Offer Period (**Conversion Shares**).

#### **(a) Conversion of Convertible Notes**

On 20 October 2017, the Company issued 1,577,234 Convertible Notes under the Convertible Note Agreement with MEF I, L.P. As at the date of this Prospectus, 297,234 Convertible Notes remain outstanding. A conversion Notice for 75,000 Convertible Notes has been received, converting to 3,888,975 shares.

The Convertible Notes were issued without disclosure under Chapter 6D of the Corporations Act, in reliance on an exemption in section 708 of the Corporations Act. Under the terms of the Convertible Note Agreement, the Company is obliged to ensure the Shares issued upon conversion of the Convertible Notes are freely tradeable (i.e. are not subject to the secondary trading restrictions in the Corporations Act) either by issuing a cleansing notice under section 708A(5) of the Corporations Act, or issuing a prospectus under section 708A(11) of the Corporations Act. The Company is unable to issue a cleansing notice under section 708A(5) of the Corporations Act as its securities were suspended from trading on the ASX for more than five (5) trading days in the last 12 months.

Under the terms of the Convertible Note Agreement, the Convertible Notes are convertible at any time by the holder and the number of Shares to be issued on the conversion of Convertible Notes is calculated in accordance with the formula set out in section 4.6.

#### **(b) Conversion of Loan**

On 25 June 2018, Cokal borrowed \$15,000 from Ms Athena Swan. It has been agreed that the loan (plus interest of \$3,000) be repaid with shares in the Company, at an issue price of 90% of the closing CKA share price on 31 July 2018. The issue price being \$0.0333. The funds were used for working capital purposes and the total number of shares on conversion of the loan will total 540,540.

Relevantly, Section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

(a) the relevant securities are in a class of securities that are quoted securities of the body; and

(b) either:

(i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or

(ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and

(c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

This Prospectus has also been issued to provide information on the Offer being made under this Prospectus.

### 1.3 Details of the Offer

By this Prospectus, the Company is making an invitation to apply for two (2) Shares at an issue price of \$0.10 to raise \$0.20 before expenses of the Offer. The Offer is open to persons by invitation from the Company only. An Application Form will only be provided to these persons.

### 1.4 Timetable

|                                    |               |
|------------------------------------|---------------|
| Lodge Prospectus with ASIC and ASX | 2 August 2018 |
| Opening Date                       | 2 August 2018 |
| Closing Date                       | 9 August 2018 |

The above dates are indicative only and may be subject to change. The Directors reserve the right to vary these dates, including the Closing Date, without prior notice but subject to any applicable requirements of the Corporations Act or the Listing Rules. This may include extending the Offer, either generally or in particular cases or withdrawing the Offer. No cooling-off rights apply to applications submitted under the Offer. The commencement of quotation of the Shares is subject to confirmation from ASX.

### 1.5 Applications

You can only apply for the Shares using the Application Form which accompanies a paper copy of this Prospectus. Applications can only be made by persons who are invited to do so by the Company.

Application Forms must be delivered or mailed together with a cheque in Australian currency made payable to "**Cokal Limited**" and crossed "**Not Negotiable**" to:

Level 5, 56 Pitt Street, Sydney NSW 2000

**not later than 5.00pm (EDST) on the Closing Date** (which may be varied as noted in Section 1.4 above).

## **1.6 Issue and Allotment of Shares**

As noted in Section 1.1, the primary purpose of this Prospectus is to facilitate secondary trading of the Conversion Shares and any Shares that may be issued by the Company upon conversion of the Convertible Notes.

If the Directors decide to issue Shares under this Prospectus, the Shares will be issued as soon as practicable after the Closing Date. The Director will decide the recipients of the Shares in their absolute discretion. The Directors reserve the right to reject any application or to allocate any Applicant fewer Shares than the number applied for.

Until allotment and issue of the Shares under this Prospectus, the application monies will be held in trust in a separate bank account maintained for that purpose only. Any interest earned on the application money will be for the benefit of the Company and will be retained by it irrespective of whether allotment and issue of the Shares takes place. Application money will be refunded to unsuccessful applicants without interest as soon as reasonably practicable after the close of the Offer.

The Shares will not be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

## **1.7 Use of Funds**

After paying the expenses of the Offer, no funds will be raised from the Offer.

## **1.8 ASX Listing**

The Company will make an application to ASX within seven (7) days following the date of this Prospectus for official quotation of the Shares to be offered pursuant to this Prospectus. If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot or issue the Shares. A decision by ASX to grant official quotation of the Share is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the Shares now offered for subscription.

## **1.9 Overseas investors**

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. No action has been taken to register or qualify the Shares or the Offer or otherwise to permit an offering of securities to any jurisdiction outside Australia.

## **1.10 Market Prices of Shares on ASX**

The highest and lowest closing market prices of Shares on ASX during the period during the 3 months up to and including 31 July that the Company's Shares were trading on ASX (i.e. since 1 May 2018) and the respective dates of those prices were \$0.05 on 10 May 2018 and \$0.031 on 25 July 2018. The latest available closing market price of Shares on ASX on 31 July 2018 was \$0.037.

## **1.11 Substantial shareholders**

Based on available information as at the date of this Prospectus, those persons who, together with their associates, have a relevant interest in 5% or more of the Shares on issue are set out below:

| Substantial shareholder                                                                                          | Number of Shares | Voting Power |
|------------------------------------------------------------------------------------------------------------------|------------------|--------------|
| Platinum Partners Liquid Opportunities Master Fund, LP and Platinum Partners Credit Opportunities Master Fund LP | 70,455,379       | 9.87%        |
| Peter Anthony Lynch (estate) and Lara Anne Lynch                                                                 | 56,052,000       | 7.85%        |
| Platinum Partners Value Arbitrage Fund, LP and Wintercrest Advisors LLC                                          | 50,307,602       | 7.05%        |
| Domenic Vincent Martino and Sandra Gae Martino                                                                   | 37,120,001       | 5.20%        |

### 1.12 Privacy

The Company collects information about each applicant from an Application Form for the purposes of processing the application and, if the application is successful, to administer the applicant's security holding in the Company.

By submitting an Application Form, each applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, the Company's related bodies corporate, agents, contractors and third-party service providers (including mailing houses), the ASX, the ASIC and other regulatory authorities.

If an applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

### 1.13 Forward Looking Statements

This Prospectus contains forward-looking statements, which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and such other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and the Directors.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 3 of this Prospectus.

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## **2 EFFECT OF THE OFFER ON THE COMPANY**

### **2.1 Principal effects**

The principal effects of the Offer (assuming full subscription and the issue of the Shares) are:

- the Company will issue two Shares;
- the Company's cash funds will decrease by approximately \$8,400 (being the estimated expenses of the Offer);
- the total number of Shares on issue will be 729,652,806 (729,652,806 after issue of Shares as noted in the capital structure table in section 2.2 below); and
- the secondary trading sale restrictions on the Shares issued during the period the Offer is open under this Prospectus will be removed.

### **2.2 Effect of the Offer and proposed issue of Shares on the capital structure**

An illustrative pro-forma capital structure of the Company following the Offer and the proposed issue of the Conversion Shares under section 1.2, and all remaining Convertible Notes referred to in section 1.2, is set out below.

The table has been prepared on the assumption that the number of Shares to be issued on the conversion of Convertible Notes has been calculated on the maximum dilution basis set out in table in section 4.6.

| Capital                                                                                                    | Number of Shares |
|------------------------------------------------------------------------------------------------------------|------------------|
| Shares currently on issue                                                                                  | 713,699,792      |
| Shares on Conversion of Convertible Notes (Conversion Notice received) (refer section 1.2(a))              | 3,888,975        |
| Potential number of shares to be issued upon conversion of remaining Convertible Notes (refer section 4.6) | 11,523,497       |
| Shares on Conversion of Loan (refer section 1.2(b))                                                        | 540,540          |
| Shares offered under this Prospectus                                                                       | 2                |
| Potential total Shares on issue after completion of the Offer and issue of Shares (under section 1.2)      | 729,652,806      |

Please note that actual total number of Shares on issue following completion of the Offer, assuming the Shares issued under this prospectus and the issue of Shares under section 1.2 and on conversion of the remaining Convertible Notes will differ from this table due to the formula for calculation of conversion shares under the remaining Convertible Notes.

| Unlisted Options                                     | Number of Options |
|------------------------------------------------------|-------------------|
| Exercise price \$0.126, expiry date 24/02/2019       | 10,000,000        |
| Exercise price \$0.20, expiry date 27/8/2018         | 15,000,000        |
| Exercise price \$0.13, expiry date 6/2/2019          | 25,000,000        |
| Exercise price \$0.10, expiry date 19/9/2020         | 1,000,000         |
| Director Options (Note 1)                            | 5,000,000         |
| Platinum Options (Note 2)                            | 75,000,000        |
| Total Options on issue after completion of the Offer | 131,000,000       |

**Notes:**

- At the Company's Annual General Meeting held on 29 November 2017, shareholders approved the issue of 5,000,000 options to Gerhardus Kielenstyn on the following terms. These options were issued on 22 December 2017 as follows.

| 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. |

- At the Company's Annual General Meeting held on 29 November 2017, shareholders approved the issue to 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. These options were issued on 20 February 2018.

### **2.3 Financial effect of the Offer**

After paying for the expenses of the Offer of approximately \$11,500, there will be no proceeds from the Offer. The expenses of the Offer will be met from the Company's existing cash reserves. The Offer will affect the Company's financial position, being receipt of funds of \$0.20 less expenses of the Offer of \$11,500. As the issue of the two (2) Shares under this Prospectus will not have a material impact on the Company's financial position, a pro-forma statement of financial position of the Company showing the financial effect of the Offer has not been included in this Prospectus.

### **2.4 Effect of the Offer on control**

The Offer will not have an impact on control of the Company.

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## **3 RISK FACTORS**

As with any share investment, there are risks associated with an investment in the Company. The numerous risk factors are both of a specific and a general nature. Some can be mitigated using safeguards and appropriate systems and controls, but some are outside the control of the Company and its Directors and cannot be mitigated.

This Section 3 identifies the major areas of risk identified by the Directors associated with an investment in the Company, but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed now or may be in the future. You should read the entire Prospectus and consult your professional advisers before deciding whether to apply for the Shares offered pursuant to this Prospectus.

### **3.1 Specific risks**

The risks outlined below are specific to the Company's operations and to the industry in which the Company operates.

#### **(a) Completion of BBM Coking Coal Project Finance**

As announced on ASX on 11 May 2018, the Company has entered into a Term Sheet for the funding of the BBM Coking Coal Project. The proposed terms of the agreement are set out in that announcement. As stated in the announcement, the current proposal is non-binding unless an initial payment of A\$1 million is received and it is conditional on formal documentation, shareholder and regulatory approvals, where required. Consequently, there is a risk that this transaction may not complete and the Company will need to access further capital for the development of its BBM operations (see below).

#### **(b) Completion of BBM PCI Project Finance**

As announced on ASX on 1 August 2018 the Company has executed a Term Sheet to fully fund the development of the BBM PCI Project. There is a risk that this transaction may not complete and the Company will need to access further capital for the development of its BBM operations (see below).

(c) Additional requirements for capital

Whilst the Company has been in the process of securing funding, trade payables have increased by approximately US\$1.3 million since December 2017.

Unless both of the above financing arrangements are completed in a timely manner, Cokal may need to enter into delayed payment arrangements with its trade creditors and seek finance from new sources to fund its current liabilities and future construction of both BBM Projects.

The issue of the Conversion Shares described under section 1.2 will reduce the Company's placement capacity (being its ability to issue shares without shareholder approval under the Listing Rules) to 3,831,167 Shares until that capacity is refreshed. The reduced placement capacity will diminish the Company's ability to raise equity capital quickly without shareholder approval.

There is no guarantee that either financing arrangement will complete in a timely manner or at all and there can be no guarantee that the Company will be able to access alternative funding or, more generally, the funds necessary to finance its activities and successfully achieve all the objectives of the Company's overall business strategy on terms acceptable to the Company, or at all. Any equity financing may be dilutive to shareholders and any debt financing, if available, may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital, if and when needed, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities and its ability to pay its debts as and when they fall due.

(d) Coal sales / Commodity Risk

Cokal has completed coal sales from its BBM Anak site in Central Kalimantan. There can be no guarantee of any future sales of the Company's coal and the price at which they may be made.

If the Company's existing projects are developed further to production, its revenue will be derived from the sale of coal. Therefore, its earnings will be closely related to the price and arrangements it enters into for sale of its products. Product prices fluctuate and are affected by factors including the relationship between global supply and demand, forward selling by producers, the cost of production and general economic conditions, such as inflation, interest rates and currency exchange rates.

Fluctuations in coal prices will significantly affect the Company's future operations and profitability. Declines in the prices for coal could cause the continued development of, and eventually the commercial production from, the Company's projects to be rendered uneconomic.

The Company gives no assurance that fluctuations in commodity prices will not affect the timing and viability of its projects.

(e) General operating risk

Cokal's mining operations at BBM Anak and forecast production at the BBM PCI and BBM Coking Coal operations may encounter operational difficulties that may impact on the amount of coal produced, delay coal deliveries or increase the cost of mining for a varying length of time. Such difficulties include weather and natural disasters, unexpected maintenance or technical problems and failure of key equipment. Other difficulties may arise as a result of variations in mining conditions from those projected, such as variations in coal seam thickness and quality, variations in the amount of rock and soil overlaying a coal deposit, variations in rock and other natural materials and variations in geological conditions.

These unforeseen geological difficulties could cause a loss of revenue due to lower production than expected, higher operating and maintenance costs and/or ongoing unplanned capital expenditure. Any such geological conditions may adversely affect Cokal's financial performance.

(f) Development, mining and processing risks

The future profitability of the Company and the value of its Shares are directly related to project development. Until the Company can realise ongoing value from its projects, through continued production and sales, operating costs cannot be covered. There are risks in undertaking development activities including:

- access to adequate capital for project development;
- design and construction of efficient development and production infrastructure within capital expenditure budgets;
- securing and maintaining title to tenements;
- obtaining regulatory consents and approvals (including environmental) necessary for the Company's development and production activities;
- local community actions;
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriate skilled and experienced employees, contractors and consultants; and
- adverse weather conditions, mechanical difficulties, shortages or delays in the delivery.

Whether or not continual income will result from projects undergoing development programs depends on successful establishment of production facilities and the negotiation of sales agreements on suitable commercial terms with acceptable counterparty(s). Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful development and mining operations.

Industry operating risks include fire, explosions, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases

or geological uncertainty. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

These factors affect the Company's ability to establish mining operations, continue with its projects, earn income from its operations and will affect the Share price.

(g) Resource and reserve estimates

Resource and reserve estimates (refer Company's announcement 1 August 2017) are stated to the JORC Code and are expressions of judgement based on knowledge, experience and industry practice. Often these estimates were appropriate when made, but may change significantly when new information becomes available. There are risks associated with such estimates, including that coal mined may be of different quality, tonnage or strip ratio from the estimates. Resource and reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resources and reserves could affect Cokal's development and mining plans.

(h) Country risk

The Company's operations in Indonesia are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to, currency exchange rates, high rates of inflation, labour unrest, social unrest, civil disobedience, renegotiation or nullification of existing concessions, licences, permits and contracts, changes in taxation policies, changing political conditions, war and civil conflict, lack of law enforcement, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Indonesia may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of interests.

(i) Tenement rights

As noted above, the Company's operations and mineral permits are located in Indonesia and the Company's exploration permits are subject to the Mining Code and Mining Regulations. Exploration permits and other mining permits are granted for a specific term and their grant, transfer and renewal are subject to Ministerial or Presidential discretion.

(j) Exchange rate risk

The revenues and earnings of the Company will be exposed to exchange rate fluctuations, particularly as international prices of coal are denominated in USD, whereas a significant portion of its operating expenses will be incurred in USD, Australian or local currency. Fluctuations in exchange rates between currencies in which the Company invests, reports, incur costs, purchases capital equipment or derives revenue may cause fluctuations in the Company's financial results that are not necessarily related to the Company's underlying operations. For example, a weakening in the value of the USD as compared to the Australian dollar would have an effect of reducing the Australian dollar value of USD coal sales. Alternatively, a weakening of the Australian dollar as compared to the USD would have an effect of increasing the Australian dollar cost of expenses incurred in USD. This may adversely affect the Company's financial position and operating results.

(k) Transport

It is anticipated that coal from the BBM PCI site (currently in production development) will use the Barito River to barge product as well as a 7 km haul road to connect the mine area to the barge loading port (refer Appendix B, 11 December 2017 announcement).

A number of factors could disrupt these transport services, including weather related problems, port capacity constraints, key equipment and infrastructure failures.

(l) Reliance on Third Parties

As stated in the Company's ASX announcement, it is assumed that contractors will perform all mining functions for Cokal in respect of the BBM Project. There is no guarantee that an appropriate contractor will be engaged on terms acceptable to Cokal. Cokal will also be reliant on contractors for the success of operations. While the situation is normal for the mining industry, problems caused by third parties may arise which have the potential to impact the performance of Cokal.

The risks outlined below are some of the general risks that may affect an investment in the Company.

(m) Securities investments and share market conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of a company. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

(n) Economic risk

Changes in both Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency

fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings.

(o) Competition

Cokal faces competition from other producers of coal. An increase in production or reduction in price of competing coals from both Indonesia and internationally may adversely impact Cokal's ability to sell its coal products and the price attained for sales.

The development of new steel making technologies or practices may also lead to greater use of lower quality coals or other carbons sources in substitution for the metallurgical coals produced by Cokal. This is likely to lower demand for and the price of metallurgical coals produced by Cokal.

Cokal may also encounter competition from other mining companies for the acquisition of new projects to increase coal production. This competition may impact the ability of Cokal to acquire interests in new or existing mines on acceptable terms.

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## 4 ADDITIONAL INFORMATION

### 4.1 Continuous disclosure obligations

As the Company is admitted to the Official List, the Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. As a listed company, the Company is required to continuously disclose to the market any information that it has, which a reasonable person would expect to have a material effect on the price or value of its Shares.

The Board has adopted a policy on Continuous Disclosure, which sets out the obligations of Directors, officers and employees of the Company to ensure that information about the Company which may be market sensitive and may require disclosure is brought to the attention of those responsible for ensuring that the Company complies with its continuous disclosure obligations in a timely manner and is kept confidential. The Board has also adopted Continuous Disclosure Compliance Procedures that, among other things, are designed to ensure that information about the Company, which may be market sensitive, and which may require disclosure under Listing Rule 3.1 is promptly assessed to determine whether it requires disclosure and if it does, is given to ASX promptly and without delay.

In accordance with section 713 of the Corporations Act, the Company is able to issue a "transaction specific prospectus". In general terms, a transaction specific prospectus is only required to contain information in relation to the effect of the issue of the securities offered on a company and the rights attaching to the securities offered. It is not necessary to include general information in relation to the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company, which has been notified to ASX and does not include all the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before deciding whether or not to invest. Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

As a disclosing entity under the Corporations Act, the Company states that:

- (a) it is subject to regular reporting and disclosing obligations;
- (b) copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person who so requests during the application period under this Prospectus:
  - (i) the Annual Financial Report of the Company for the year ending 30 June 2017;
  - (ii) continuous disclosure notices given by the Company during the period after lodgement of the Annual Financial Report of the Company for the year ending 30 June 2017 and before the lodgement of this Prospectus with ASIC:

| Date       | Announcement                                                          |
|------------|-----------------------------------------------------------------------|
| 1/08/2018  | Funding Secured for Development of PCI Coal Mine at BBM               |
| 31/07/2018 | Quarterly Activities Report                                           |
| 31/07/2018 | Quarterly Cash Flow Report                                            |
| 27/07/2018 | Cokal Appoints CEO for Development of BBM Projects                    |
| 19/06/2018 | BBM Project Funding Update                                            |
| 04/06/2018 | BBM Coking Coal Project Update                                        |
| 28/05/2018 | BBM Coking Coal Project Funding Update                                |
| 11/05/2018 | Term Sheet for Development of BBM Coaking Coal Project                |
| 30/04/2018 | Quarterly Cashflow Report                                             |
| 27/04/2018 | Quarterly Activities Report                                           |
| 18/04/2018 | Funding Update                                                        |
| 16/03/2018 | Half-Year Report                                                      |
| 13/03/2018 | Response to ASX Query Appendix 5B                                     |
| 01/03/2018 | Supplementary Prospectus - Amended Closing Date                       |
| 20/02/2018 | Supplementary Prospectus - Appendix 3B                                |
| 16/02/2018 | Supplementary Prospectus - Extension of Closing Date                  |
| 08/02/2018 | Supplementary Prospectus - Appendix 3B                                |
| 02/02/2018 | Supplementary Prospectus - Successful Completion of Capital Raising   |
| 02/02/2018 | Successful Completion of Capital Raising                              |
| 31/01/2018 | Supplementary Prospectus - Halt, Cashflow, Activities Report          |
| 31/01/2018 | Quarterly Cashflow Report                                             |
| 31/01/2018 | Quarterly Activities Report                                           |
| 31/01/2018 | Trading Halt                                                          |
| 18/01/2018 | Supplementary Prospectus - Update on Coal Off-Take LOI and Coal Sales |

|            |                                                                |
|------------|----------------------------------------------------------------|
| 16/01/2018 | Update on Coal Off-Take LOI and Coal Sales                     |
| 02/01/2018 | Supplementary Prospectus - Update on Coal Off-Take LOI, 3B     |
| 02/01/218  | Appendix 3B                                                    |
| 02/01/2018 | Update on Coal Off-Take Finance LOI                            |
| 22/12/2017 | Supplementary Prospectus - Convertible Notes, 3B, 3Y           |
| 22/12/2017 | Change of Director's Interest Notice                           |
| 22/12/2017 | Appendix 3B                                                    |
| 22/12/2017 | Convertible Notes and ASX LR 7.1                               |
| 20/12/2017 | Supplementary Prospectus - Update on Coal Off-Take Finance LOI |
| 20/12/2017 | Update on Coal Off-Take Finance LOI                            |
| 19/12/2017 | Appendix 3B                                                    |
| 18/12/2017 | Cleansing Prospectus                                           |
| 13/12/2017 | Coal Sale Update                                               |
| 11/12/2017 | Reinstatement to Official Quotation                            |
| 11/12/2017 | Coal Off-Take Finance LOI and Maiden Coal Sale                 |
| 11/12/2017 | Section 708A Notice                                            |
| 04/12/2017 | Appendix 3B                                                    |
| 01/12/2017 | Suspension from Official Quotation                             |
| 29/11/2017 | Results of Annual General Meeting                              |
| 29/11/2017 | 2017 AGM Presentation                                          |
| 29/11/2017 | Trading Halt                                                   |
| 24/11/2017 | Section 708A Notice and Appendix 3B                            |
| 31/10/2017 | Quarterly Activities Report                                    |
| 31/10/2017 | Quarterly Cashflow Report                                      |
| 31/10/2017 | TBAR Project Update                                            |

|            |                                       |
|------------|---------------------------------------|
| 31/10/2017 | Mine Operation Manager Appointed      |
| 31/10/2017 | Notice of Annual General Meeting      |
| 27/10/2017 | Research Coverage                     |
| 24/10/2017 | Section 708A Notice and Appendix 3B   |
| 20/10/2017 | Convertible Notes - Appendix 3B       |
| 11/10/2017 | Amendment to Contact Details          |
| 11/10/2017 | Production Update and Funding Secured |

## 4.2 Additional Disclosure

Other than set out in this Prospectus, there is no information that has been excluded from a continuous disclosure notice in accordance with the Listing Rules that:

(a) investors or their professional advisers would reasonably require for the purpose of making an informed assessment of:

(i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and

(ii) the rights and liabilities attaching to the Shares; and

(b) it is reasonable for investors and their professional advisers to expect to find in this Prospectus.

## 4.3 Corporate Governance

The Company has established a corporate governance framework, the key features of which are set out in its corporate governance statement for the year ended 30 June 2017 (**Statement**). In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd edition (Principles & Recommendations). The Company has followed each recommendation in the Principles and Recommendations (recommendation) where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements in its Statement reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation in the Statement and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The Company's corporate governance statement and its corporate governance charters, policies and procedures are available on the Company's website at [www.cokal.com.au](http://www.cokal.com.au).

#### 4.4 Rights attaching to Shares

The Shares offered pursuant to this Prospectus will rank equally in all respects with existing Shares upon issue. Full details of the rights attaching to the Shares are set out in its Constitution, a copy of which can be inspected at the Company's registered office.

The following is a summary of the principal rights that attach to the Shares under the Constitution.

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Voting</b>               | <p>Subject to any rights or restrictions attached to any class of shares at a meeting of members:</p> <p>(1) on a show of hands, each member has 1 vote; and</p> <p>(2) on a poll, each member has 1 vote for each share the member holds.</p> <p>The vote may be exercised in person or by proxy, body corporate representative or attorney.</p> <p>If a share is held jointly and more than 1 member votes in respect of that share, only the vote of the member whose name appears first in the Register counts. This applies whether the vote is cast in person or by attorney. Several executors or administrators of a deceased member are treated, for this purpose, as joint holders.</p> <p>A resolution put to the vote at a meeting of the Company's members must be decided on a show of hands unless a poll is demanded. On a show of hands, a declaration by the chair is conclusive evidence of the result. Subject to section 251AA of the Act, neither the chair nor the minutes need to state the number or proportion of the votes recorded in favour or against.</p> <p>In the case of an equality of votes, whether on a show of hands or on a poll, the chair of the meeting has a casting vote, and also, if the chair is a member, any vote the he or she has in his or her capacity as a member. Notwithstanding this, if the chair would not be entitled to vote on a particular resolution, the chair does not have a casting vote on that particular resolution.</p> |
| <b>Dividends</b>            | Except as permitted by the Act no dividend or bonus or payment by way of bonus is payable to members otherwise than out of profits of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Transfer of Shares</b>   | <p>Except where required or permitted by law, the Listing Rules, the SCH Business Rules or this constitution, there is no restriction on the transfer of shares.</p> <p>The Company may ask SCH to apply a Holding Lock to prevent a proper SCH transfer, or refuse to register a paper-based transfer, in certain circumstances such as the Company is permitted to do so by the Listing Rules, transfer does not comply with an employee incentive plan if served with a court order that restricts the holder's capacity to transfer the securities.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Meetings and Notice</b>  | <p>At least 28 days' notice of a general meeting must be given in writing to those persons who are entitled to receive notices from the Company.</p> <p>Written notice of a meeting of the Company's members must be given individually to:</p> <p>(1) each member entitled to vote at the meeting;</p> <p>(2) each director;</p> <p>(3) the Company's auditor; and</p> <p>(4) every person entitled to a share in consequence of the death or bankruptcy of a member who, but for his or her death or bankruptcy, would be entitled to receive notice of the meeting.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Liquidation rights</b>   | If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the members in kind the whole or any part of the property of the Company and may for that purpose set the value the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the members or different classes of members.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Unmarketable parcels</b> | The Constitution contains provisions permitting it to sell unmarketable parcels of shares on terms consistent with the Listing Rules. Notice must be given to the holder of the intended sale and the holder must be given at least six weeks to notify the Company that it wishes to retain its Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Variation of rights</b>  | <p>Rights attached to shares in a class of shares may be varied or cancelled only:  </p> <p>(1) by special resolution of the Company; and</p> <p>(2) either:</p> <p>(a) by special resolution passed at a meeting of the members holding shares in the</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                      | <p>class; or</p> <p>(b) with the written consent of members with at least 75% of the votes in the class.</p> <p>This applies whether or not the Company is being wound up.</p> <p>The Company must give a notice in writing of the variation or cancellation of shares to members of the class affected within 7 days after the variation or cancellation.</p> <p>The provisions of this constitution relating to general meetings apply so far as they are capable of application and with the necessary changes to every meeting of members holding shares in a class except that:</p> <p>(1) a quorum is constituted by not less than 2 members who, between them, hold or represent 25% of the issued shares of the class; and</p> <p>(2) any member who holds or represents shares of the class may demand a poll.</p>                |
| <b>Listing Rules</b> | <p>The Company is admitted to the Official List, and as such despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.</p> |

#### 4.5 Interest of Directors

##### *Directors' Holdings*

At the date of this Prospectus the following shares were held by Directors:

| Director        | Number of Shares |
|-----------------|------------------|
| Domenic Martino | 37,120,001       |
| Patrick Hanna   | 25,800,000       |

At the date of this Prospectus the following options were held by Directors

| Director             | Number of Options |
|----------------------|-------------------|
| Gerhardus Kielenstyn | 9,000,000         |

##### *Remuneration of Directors*

The Constitution of Cokal Limited and the ASX Listing Rules specify that the non-executive directors are entitled to remuneration as determined by the consolidated entity in a general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The aggregate remuneration currently determined by Cokal Limited is AU\$500,000 per annum. Additionally, non-executive directors will be entitled to be reimbursed for properly incurred expenses.

If a non-executive director performs extra services, which in the opinion of the directors are outside the scope of the ordinary duties of the director, the consolidated entity may remunerate that director by payment of a fixed sum determined by the directors in addition to or instead of the remuneration referred to above.

However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive directors. A non-executive director is entitled

to be paid travel and other expenses properly incurred by them in attending directors' or general meetings of Cokal Limited or otherwise in connection with the business of the consolidated entity.

The following table shows the annual remuneration accrued to both Executive and Non-Executive Directors for the financial year ended 30 June 2018.

| Director or Director Associated Entity | Fees (US\$) |
|----------------------------------------|-------------|
| Domenic Martino <sup>1</sup>           | 88,800      |
| Patrick Hanna <sup>1</sup>             | 88,800      |

<sup>1</sup>These fees have not been paid, but treated as a loan from directors.

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the two-year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him/her to become, or to qualify as, a Director, or otherwise for services rendered by him/her or his/her company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer.

### ***Related Party Contracts***

- The Company has signed a Deed of Access and Indemnity with each of its Directors. The Deeds require the Company to maintain a Director's & Officers Insurance Policy for the Director during the Term. Under the Deeds of Access and Indemnity the Company indemnifies, to the extent permitted by law, the Director for any loss which the Director may incur, or be liable for arising from, or in connection with, the Director's position as an officer of a Group Company.
- During the year ended 30 June 2018, Hanna Consulting Services Pty Ltd (of which Pat Hanna is a director) provided to the Group geological consulting services for various exploration projects in Indonesia including site management, geological staff recruitment, preparation of field base camp and geological mapping surveys. Hanna Consulting Services Pty Ltd received US\$ Nil (2017: US\$Nil) for these services during the year. The services were based on arm's length commercial terms and conditions.
- Cokal Limited has an employment agreement with Gerhardus Kielenstyn for the position of Indonesian Country Manager, which commenced on 1 May 2013. Mr Kielenstyn receives an annual base salary up to US\$480,000, inclusive of benefits. Mr Kielenstyn is eligible for an annual performance bonus at the discretion of the CEO, as the Group is an early stage entity. The employment agreement may be terminated at any time by the Company for cause, being serious misconduct or the happening of various events in respect of Mr Kielenstyn's conduct. Mr Kielynstyn was appointed to the role of Chief Operating Officer (COO) effective 24th of June 2016 and Executive Director on 27 January 2017.
- The Company has entered into an agreement with Indian Ocean Corporate Pty Ltd, a company related to Mr Domenic Martino, for the provision of company secretarial services at AU\$4,000 per month on arm's length commercial terms and conditions.
- The Company has entered into an agreement with Indian Ocean Corporate Pty Ltd, a company related to Mr Domenic Martino, for the provision of advisory and financial services on arm's length commercial terms and conditions. For the 2018 financial year Indian Ocean Corporate Pty Ltd received US\$ 205,304 (2017: US\$Nil) for these services

#### **4.6 Convertible Note Agreement**

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 with the following key terms:

1. A total of \$4m in funding, available over three tranches. Cokal has the option, but not the obligation, to issue the Notes according to the following schedule:
  - a. Tranche A: A\$2,000,000 at or around the time of announcement;
  - b. Tranche B: A\$1,000,000 60 days after Tranche A; and
  - c. Tranche C: A\$1,000,000 90 days after Tranche A.
2. 12 month maturity from date of issue;
3. Convertible at any time at the lessor of:
  - a. \$0.10 per share; or

- b. 10% discount from the average of the lowest four daily VWAPs in the ten trading days prior to conversion;
- 4. No interest is payable on the Notes;
- 5. The Notes are unsecured;
- 6. Notes are redeemable at a 110% premium to face value for the first 180 days, and at 115% premium thereafter;
- 7. Notes are held in US\$.

On 20 October 2017, the Company issued 1,577,234 Convertible Notes on receipt of investment funds totalling \$2,000,000. As at the date of this Prospectus 1,280,000 Convertible Notes have been converted into Shares with 297,234 Convertible Notes remaining. The Company has received a Conversion Notice for 75,000 Convertible Notes, converting to 3,888,975 shares. The remaining Convertible Notes have a conversion formula as set out below:

Upon receipt of a Conversion Notice, the Company must convert the Convertible Notes into the number of Shares calculated in accordance with the following formula:

$$A = (N \times V) / CP$$

*Where:*

- A** means the number of Conversion Shares;
- N** means the number of Convertible Notes specified in the Conversion Notice;
- V** means the Face Value of the Convertible Notes specified in the Conversion Notice (converted at the Exchange Rate at the Conversion Date); and
- CP** means the conversion price (**Conversion Price**) being the lower of:
  - (i) the Fixed Price, being the lower of AUD0.10 and an adjusted price if shares are issued below AUD0.10 by the Company after the date of the Agreement; and
  - (ii) a price equal to 90% of the average of the four (4) lowest daily VWAPs over the ten (10) Trading Day period on which trading in Shares occurred on ASX immediately prior to the Conversion Date.

The table below shows a worked example for illustrative purposes, of the number of Shares to be issued on conversion of the remaining 222,234 Convertible Notes, with variances in the exchange rate and Share price at the time of conversion into Shares, please note that the actual number of Shares to be issued on conversion of the Convertible Notes will differ from the table:

|                                                                   | Potential dilution on conversion of 222,234 Convertible Notes                                    |                                                                                  |                                                                                                  |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Exchange rate at time of Conversion into Shares                   | 50% decrease in 90% of Average of the lowest 4 Share prices over last 10 trading days<br>\$0.014 | 90% of Average of the lowest 4 Share prices over last 10 trading days<br>\$0.028 | 50% increase in 90% of Average of the lowest 4 Share prices over last 10 trading days<br>\$0.056 |
| A\$ = US\$0.5542<br>(25% decrease in exchange rate at conversion) | 31,507,115                                                                                       | 15,753,557                                                                       | 7,876,779                                                                                        |
| A\$ = US\$0.7389<br>(Assumed exchange rate at conversion)         | 23,631,402                                                                                       | 11,815,701                                                                       | 5,907,850                                                                                        |
| A\$ = US\$0.9236<br>(25% increase in exchange rate at conversion) | 18,905,633                                                                                       | 9,452,817                                                                        | 4,726,408                                                                                        |

The Company has announced to the ASX that it will not be drawing the remaining two tranches under the Convertible Note Agreement.

#### 4.7 Interests of Named Persons

There is no promoter of the Company or financial services licensee named in the Prospectus, or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus.

#### 4.8 Litigation

As at the date of this Prospectus and other than disclosed elsewhere in this Prospectus, the Company is not involved in any other legal proceedings of a material nature and the Directors are not aware of any other legal proceedings pending or threatened against the Company.

#### **4.9 Expenses of the Offer**

The estimated expenses of the Offer including legal fees, ASX and ASIC fees are estimated to be \$11,500 excluding GST.

#### **4.10 Governing law**

The information in this Prospectus, the Offer and the contracts formed on acceptance of the Offer are governed by the law applicable in New South Wales. Any person who applies for Shares submits to the non-exclusive jurisdiction of the courts of New South Wales.

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## 5 DIRECTORS' RESPONSIBILITY AND CONSENT

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 2 August 2018



.....  
Signed for and on behalf of  
Cokal Limited by  
Domenic Martino

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## 6 GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

|                                   |                                                                                                                           |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| <b>\$, A\$ or Dollars</b>         | Australian dollars unless otherwise stated.                                                                               |
| <b>Applicant</b>                  | a person who submits a valid Application.                                                                                 |
| <b>Application</b>                | a valid application made on an application form approved by the Board to subscribe for Shares under the Offer.            |
| <b>ASIC</b>                       | the Australian Securities & Investments Commission.                                                                       |
| <b>ASX</b>                        | the ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited. |
| <b>Board</b>                      | the board of Directors.                                                                                                   |
| <b>Closing Date</b>               | the date set out in section 1.4.                                                                                          |
| <b>Company or Cokal</b>           | Cokal Limited (ABN 55 082 541 437).                                                                                       |
| <b>Constitution</b>               | the constitution of the Company.                                                                                          |
| <b>Convertible Note Agreement</b> | the agreement entered into with MEF I, L.P. dated 11 October 2017 for the issue of Convertible Notes.                     |
| <b>Convertible Notes</b>          | means the Convertible Notes issued under the Convertible Note Agreement.                                                  |
| <b>Corporations Act</b>           | the <i>Corporations Act 2001</i> (Cth).                                                                                   |
| <b>Deeds</b>                      | the indemnity, insurance and access deeds between the Company and each of the Directors.                                  |
| <b>Director</b>                   | a director of the Company.                                                                                                |
| <b>Listing Rules</b>              | the listing rules of the ASX.                                                                                             |
| <b>Offer</b>                      | means an offer of Shares pursuant to this Prospectus.                                                                     |
| <b>Official List</b>              | the official list of the ASX.                                                                                             |
| <b>Option</b>                     | an option to purchase a Share.                                                                                            |
| <b>Prospectus</b>                 | this Prospectus and includes the electronic prospectus.                                                                   |
| <b>SCH</b>                        | securities clearing house                                                                                                 |
| <b>Share</b>                      | a fully paid ordinary share in the Company.                                                                               |
| <b>Share Registry</b>             | Advanced Share Registry Limited (ABN 14 127 175 946).                                                                     |

|                    |                                                 |
|--------------------|-------------------------------------------------|
| <b>Shareholder</b> | the registered holder of Shares in the Company. |
| <b>US\$</b>        | means United States dollars.                    |