

ASX ANNOUNCEMENT / MEDIA RELEASE

14 July 2021

Cokal Executes Binding Agreements for Funding of BBM Coking Coal Project

Key Highlights

- **Cokal has concluded a binding commitment for a US\$20m debt financing facility for development of the Bumi Barito Mineral (“BBM”) Coking Coal Project**
- **Coal Marketing Agreement also completed, assisting with the Company’s working capital**
- **Attractive financing structure negotiated by Cokal, which avoids any dilution for Cokal shareholders**
- **Drawdown of the financing facility is to commence July 2021**

Cokal Limited (ASX:CKA, “**Cokal**” or “the **Company**”) is pleased to announce that its 60% owned subsidiary and owner of the BBM Project, PT Bumi Barito Mineral (“**BBM**”), has executed two binding agreements, a Capital Participation Agreement and International Coal Marketing Agreement, to fund the development of the BBM Project in Central Kalimantan, Indonesia and its coal mining operations.

The binding Capital Participation Agreement is for the provision of US\$20m in funding and has been entered into with International Commodity Trade Pte Ltd (“**ICT**”). ICT is a company incorporated in Singapore whose main business is investment and trading in coal. The commitment to provide funding is binding, subject to drawdown upon execution of a Corporate Guarantee by Cokal and BBM. ICT has advised the Company that funds are available for drawdown.

The binding International Coal Marketing Agreement also entered into with ICT will enable BBM to market its coal to the international market and will also assist BBM in financing its coal stockpile at the river jetty. In return, BBM agrees to provide international coal marketing rights to ICT for the marketing of BBM’s coal for its overseas markets.

The Company’s Chairman, Mr Domenic Martino said *“this is a very exciting time for Cokal, with the funding of the project and additional working capital support placing the Company in a tremendous position to commence mining and production at BBM. This funding fully funds the BBM Project and allows the Company to progress into production and generate cashflows from BBM.”*

Upon entering into the agreements with ICT, BBM has given a notice of immediate termination to China Railway 21st Bureau Group International engineering Co.,Ltd (“**CR**”) and Beijing Fidick International Trade Co.Ltd. (“**Beijing Fidick**”) in respect of a previous funding agreement (refer to ASX Annoucnement 14 October 2020). Covid-19 travel restrictions and security requirements for this previous funding have adversely affected the ability to drawdown on this debt finance which has consequently caused BBM to delay the commencement of its coal production. There are no payments to be made by the Company on termination of this agreement.

The ICT funding facility and coal marketing agreement provide an attractive and strategic funding solution for Cokal, transforming the Company to a major international coal producer. Cokal has chosen to obtain the funding from ICT as it is available immediately and on similar terms to the previous funding arrangement that was to be provided by CR and Beijing Fidick which was negotiated at arms’ length. In addition to the previous funding sought from CR and Beijing Fidick, Cokal has over the past few years sought to fund the project through BMA (21 September 2018) and Domain International Holdings Ltd (11 May 2018). The Company has also canvassed financing options from banks, financing institutions and private investors. Cokal has been unable to conclude any of these other financing options. The funding from ICT is attractive and fair for Cokal shareholders as it allows for the funding of the BBM project without dilution of ownership.

About the BBM Project

BBM is Cokal’s most advanced project – a high quality metallurgical coal project. Cokal is focused on the near-term development of BBM and the debt facility will provide the capital required for mine construction through to production.

BBM is located in the Central Province, Kalimantan, Indonesia with an area of 14,980 ha. Delivering the BBM Coking Coal Project will allow Cokal to assess the next phase of its growth strategy with an aim to become a multi-project coal producer focussed on the Central Kalimantan region.

Financing available in accordance with the Capital Participation Agreement will be used to fund the development of the BBM Project which includes:

- Removal of overburden;
- Construction of the Mine Infrastructure such as site camp, site office, maintenance workshop, magazine warehouse, fuel storage tank, and other related facilities to support the mine operation;
- Upgrading and construction of an existing logging road to transport coal from the mine site to the proposed stockpile and river jetty at Muara Lahung, 165km downstream from Krajan;
- Construction of a Coal Handling Preparation Plant (CHPP) at the mine site to prepare coking and PCI coal for sale;
- Development of an Intermediate Stockpile facilities (ISP) at Buntok where barging of coal can be done throughout the year without interruption due to water level.

The financing of Cokal’s stockpiled coal by ICT through the Coal Marketing Agreement provides working capital to BBM, providing for 30% of the coal value to be received when the coal is ready at the BBM ISP and an additional 50% of the coal value upon completion of the loading of coal to barges from the BMM ISP.

About ICT

ICT is controlled by a party that also controls Aahana Mineral Resources Sdn Bhd, a substantial shareholder of Cokal holding 19.97% of the Company’s shares, who has one representative on the Company’s Board of Directors.

ICT is a company incorporated in Singapore whose main business is in investment and trading in coal. The largest shareholder of ICT is Eddie Chin Wai Fong, an ex-CEO and a founding member of PT

Bayan Resources Tbk, listed on the Jakarta stock exchange (BYAN.JK). Mr Chin, who has over 30 years of experience in the coal industry in Indonesia, has the contacts, experience and financial capability to complete the funding transaction and marketing of the coal.

Capital Participation Agreement Terms

The US\$20m funding will be injected into PT Bumi Barito Mineral (BBM), of which Cokal holds a 60% interest.

- The ICT debt finance facility comprises the following terms:
 - Debt finance of US\$20m to fund the development of BBM;
 - Able to be drawn-down in multiple tranches, as required and elected by BBM within 6 months from the first drawdown date;
 - Each tranche is repayable within 5 years from the date of draw-down;
 - The debt will be repaid from project operations with no recourse to Cokal (other than pursuant to the Corporate Guarantee);
 - The fee for the debt finance is linked to BBM mining operations and is calculated as follows:
 - Total Fee for debt finance of US\$0.20 per BCM of overburden removal at BBM;
 - Total Fee for debt finance is capped at a maximum amount of 200,000,000 BCM of overburden work which equates to a maximum amount of US\$40m (this fee includes interest payable);
 - The fee is payable on a monthly basis, based on actual overburden removal with a minimum of 2,000,000 BCM of overburden a month (US\$400,000);
 - The fee payable must be paid within 8 years and 4 months from the first drawdown date.
 - The Fee for ICT shall be paid on a monthly basis by BBM and shall be based on the actual overburden being stripped during the month as follows:
 - At the beginning of each month, BBM shall submit a survey report to ICT on the actual volume of overburden work done in the previous month; and
 - ICT shall then submit an invoice to BBM based on the survey report (Invoice); and
 - Upon receipt of the Invoice, BBM shall make payment to ICT within thirty (30) days from the cut-off period of each production month.
- Funding is available for draw down upon execution of:
 - Delivery by BBM to ICT of the certified true copies of the resolutions passed by BBM's board of directors authorising BBM to execute, deliver and perform under this agreement;
 - The agreement signed and witnessed by representatives of both BBM and ICT and notarised by a Notary Public; and
 - Corporate Guarantee in a form satisfactory to ICT. This agreement has been signed and its terms are set out below.

There are no other Conditions Precedent.

- The events triggering a default are as follows:
 - Payment default, which attracts interest at a rate of 10%p.a. until the default is remedied;
 - BBM fails to comply with the Agreement any such failure is not remedied within 30 days;
 - BBM ceases operation of all or a material part of its business;
 - Any representation or statement made by BBM is determined to be incorrect or misleading in any material respect;

- Legal action is levied, enforced or instituted against the assets of BBM which has a material adverse effect on BBM's business;
 - It becomes unlawful for BBM to comply with the Agreement; or
 - Any corporate action, legal proceedings or other procedure or step is taken in relation to the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, provisional supervision or re-organization by way of voluntary arrangement, scheme of arrangement or otherwise or such analogous event.
- The only other consequence of a default by BBM is that ICT can enforce the Corporate Guarantee.

Corporate Guarantee Agreement

The Corporate Guarantee Agreement does not require registered charges over the assets of Cokal, however Cokal guarantees ICT punctual performance by BBM of all obligations under the Capital Participation Agreement and provides that should BBM not pay any amount as required under the Corporate Guarantee, including but not limited to the Guaranteed Amount (being the amounts owing under the Capital Participation Agreement), the Guarantor (Cokal) will immediately on demand pay that amount not paid.

The Corporate Guarantee provided by Cokal may require the sale of the assets of BBM and/or Cokal to meet all obligations under the Capital Participation Agreement. This is an unsecured corporate guarantee which could force the sale of the BBM Project, or any other asset of the group including TBAR, BBP and/or AAK Projects to meet payment obligations.

The Corporate Guarantee includes the following terms:

- ICT acknowledges and agrees that immediately upon receiving the full amount of the Guaranteed Amount from:
 - BBM pursuant to the Capital Participation Agreement; and/or
 - Cokal pursuant to this Corporate Guarantee,each of Cokal and BBM will be irrevocably and unconditionally discharged from all of its obligations.
- If ICT:
 - is entitled to enforce the Corporate Guarantee Agreement the assets of BBM or Cokal may only be disposed of to ICT or an associate of ICT if such disposal is first approved by all of BBM's and Cokal's shareholders; and/or
 - is entitled to enforce the Corporate Guarantee Agreement and ICT exercises, or appoints a receiver, receiver and manager or analogous person to exercise, any power of sale under the agreement, the assets of BBM or Cokal must be sold to an unrelated third party on arm's length commercial terms and the net proceeds of sale distributed to ICT in accordance with their legal entitlements.
- This agreement can only be amended, supplemented, replaced or novated by another document signed by the parties and any amendment or variation to the terms of this agreement which:
 - advantages ICT in a material respect;
 - disadvantages Cokal and/or BBM in a material respect; or
 - is inconsistent with the terms of the ASX waiver,must be subject to the approval of Cokal and BBM's shareholders.

International Coal Marketing Agreement

This Agreement covers all coal produced from the BBM Project, of which Cokal holds a 60% interest.

The terms of the International Coal Marketing Agreement include:

- Exclusive marketing and selling agent of coal for the international market (outside of Indonesia) including Vietnam, Korea, India, Bangladesh, China and Japan.
- The coal sales customer agreement shall be signed between the buyer of coal (**Buyer**) and BBM. All payment of coal shall also be paid directly into BBM's designated bank account by the Buyer.
- Minimum 8,000,000 metric tonne (MT) of coal is to be marketed by ICT over 8 years, with first delivery expected in early 2022. Prior to the beginning of each calendar year, the parties will agree the volume of coal to be marketed that year.
- ICT shall also provide financial assistance to be provided to BBM as follows:
 - Financing of 30% of the coal value once the cargo is ready at BBM Intermediate Stockpile Jetty capable of berthing at least 8,000 DWT barges (ISP).
 - Financing of 50% of the coal value upon completion of loading of coal to barges from BBM Intermediate Stockpile Jetty (ISP).
 - BBM shall repay the amount financed by ICT free of interest within 3 business days after receiving payment from the Buyer for each shipment of coal.
 - The above financing terms shall be made by ICT as part of the financial assistance subject to satisfactory submission of all legal documents by BBM as per the governing regulation in the Republic of Indonesia required for facilitating the export of Coal.
 - There shall be no financial assistance from ICT if the coal is still at the mine site or in the hauling process. BBM shall be responsible for all cost of delivering the coal to its ISP Jetty, loading onto the barge at ISP, barging from ISP to anchorage at Taboneo and loading of coal onto mother vessel at Taboneo.
- If ICT defaults on the above marketing or financing schedule, BBM has the right to adjust the coal allotment to ICT in line with the actual financing received and BBM has the right to carry out marketing directly into the specified market. This continues until the default is rectified.
- The coal is priced in USD and using the following pricing mechanism:
 - Pricing will be linked to appropriate Index Prices (the "Index Prices") for seaborne traded Coking and PCI Coals which will be obtained from a recognised market data provider (Platts or equivalent); and
 - The Index Price is adjusted for coal quality and specification and any freight differentials.
 - BBM shall make payment of a marketing commission to ICT within 3 business days upon BBM receiving the coal sales payment from the Buyer for each shipment of coal.
- A fee of 6% of the coal sale value is payable to ICT by BBM in consideration for the marketing activities and financing assistance.
- Despite anything to the contrary, at no time will any legal and/or beneficial title, interest or right in the coal the subject of this agreement pass to ICT pursuant to this agreement or otherwise.
- There are no conditions precedent or terms to be satisfied to enable commencement of the International Coal Marketing Agreement.

ENDS

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This ASX announcement was authorised for release by the Board of Cokal Limited.

About Cokal Limited

Cokal Limited (ASX:CKA) is an Australian listed company with the objective of becoming a metallurgical coal producer with a global presence. Cokal has interests in four projects in Central Kalimantan, Indonesia considered prospective for metallurgical coal.

Forward Looking Statements

This release includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of resources or reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company's business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management or beyond the company's control.

Although the company attempts to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be anticipated, estimated or intended, and many events are beyond the reasonable control of the company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

Forward looking statements in this release are given as at the date of issue only. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.