



ANNOUNCEMENT

26 August 2014

PRIVATE PLACEMENT

Coal of Africa Limited ("**CoAL**" or "the **Company**") today announces that it has entered into conditional agreements with certain existing and new investors to raise up to approximately GBP38.225 million (or approximately US\$64.9 million)¹ through the issue of up to 695,000,000 new shares in the Company ("**Placement Shares**") at an issue price of GBP0.055 per share ("**Placement**"). The issue price represents a premium of approximately 101.5% to the closing mid-market price on the AIM market of the London Stock Exchange on 22 August 2014.

CoAL is the holder of multiple large-scale coal assets that are strategically located in close proximity to existing logistics and infrastructure in the Limpopo province, with a combined resource base in excess of 2 billion minable tonnes *in situ*, with hard-coking coal as the primary product. Management has embarked on, and has substantially completed, a turnaround strategy with five key priorities, of which the final two outstanding are:

- Completing the planned disposal of certain non-core assets (including the Mooiplaats Colliery); and
- Securing funding of, and regulatory clearances for, the Makhado Project.

As further described below, the Company intends to use the bulk of the proceeds from the Placement, together with the proceeds from the planned disposal of certain non-core assets (including the Mooiplaats Colliery), to unlock the inherent value in the underlying resources over the short, medium and long term and provide working capital for the Company over the next 18 months.

Use of Proceeds

Subject to completion, the Company intends to use the expected proceeds from the Placement and from the planned disposal of certain non-core assets, including the Mooiplaats Colliery, primarily as follows:

Proposed use	Amount
To settle the outstanding acquisition consideration of the tenements comprised in the Company's Greater Soutpansberg Project.	US\$30 million
To implement modifications to the existing plant at the Vele Colliery.	US\$25 million

¹ Based on an exchange rate as at 19 August 2014 of GBP1:US\$1.70

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To resolve the current contractual exposure resulting from the take or pay provisions of the throughput agreement between the Company, Terminal De Carvao Da Matola Limitada and Grindrod Corridor Management Proprietary Limited.	US\$10 million
To settle the Investec Bank Limited working capital facility in accordance with its terms.	US\$6 million
To fund the Company's expected working capital requirements for the next 18 months.	US\$16 million

David Brown, CEO of CoAL commented,

“In terms of CoAL’s strategy going forward, we have allocated the resources into short, medium and long term growth projects. It is important for CoAL to raise these funds to commence the value creation process. The short term plan relates to the plant modification at the Vele Colliery. Vele Colliery is a "brownfields" project, which implies less time and risk to develop the asset compared to a "greenfields" project, and has the potential to become CoAL’s near term cash generator. This would enable CoAL to move forward and develop its medium term project, Makhado. The intention is that this project will be funded at the project level by debt funding and partly through the sale of equity at the asset level. These short and medium term projects would be the enablers for the longer term growth through the development of the Greater Soutpansberg Project assets.”

The Placement

The requirement for the Placement has arisen from a number of factors, including: the delay in and reduction in the expected quantum of consideration for the disposal of the Mooiplaats Colliery; additional costs incurred to complete the product testing at the Vele Colliery for ArcelorMittal South Africa Limited; the Company only partially mitigating its take-or-pay obligations under the throughput agreement between the Company, Terminal De Carvao Da Matola Limitada and Grindrod Corridor Management Proprietary Limited following the placing of the Mooiplaats Colliery on care and maintenance; and the cessation of production at the Vele Colliery in anticipation of the plant modification. The final payment for the acquisition of the assets comprised in the Greater Soutpansberg Project, which represent access to more than 1.6 billion minable tonnes in situ, is also now payable. The Company has been negotiating to defer this payment until it is cash generative, but agreement on this has not yet been reached and the payment is now due.

The Placement Shares are proposed to be issued to the following investors (collectively, "**the Placees**") pursuant to subscription agreements entered into between the Placees and the Company ("**Subscription Agreements**"):

- Haohua Energy International (Hong Kong) Resource Co. Limited ("**HEI**");
- M&G Investment Management Limited ("**M&G**");

- Investec Asset Management (Proprietary) Limited ("**IAM**"); and
- TMM Holdings (Proprietary) Limited ("**TMM**").

The Placees are existing substantial shareholders of the Company, other than TMM, who will be a new substantial shareholder. TMM was established in 2003 and is the umbrella company for a number of specialised entities that offer a variety of industry specific integrated security solutions. One of TMM's objectives is to seek out investment opportunities in any business sector which presents sustainable growth opportunities.

The Placement Shares are proposed to be issued in two separate stages:

- the issue of 251,000,000 shares in the Company ("**Stage 1 Placement Shares**") to raise a total of approximately GBP13.805 million, conditional upon the fulfilment of the Stage 1 Conditions as defined below ("**Stage 1 Placement**"); and
- the issue of 444,000,000 shares in the Company ("**Stage 2 Placement Shares**") to raise a total of approximately GBP24.420 million, conditional upon the fulfilment of the Stage 2 Conditions as defined below ("**Stage 2 Placement**").

The Placement Shares are proposed to be issued to the Placees as set out in the table below:

Placees	Number of Stage 1 Placement Shares	Number of Stage 2 Placement Shares	Total number of Placement Shares
HEI	98,000,000	117,000,000	215,000,000
TMM	26,000,000	189,000,000	215,000,000
M&G	97,000,000	88,000,000	185,000,000
IAM	30,000,000	50,000,000	80,000,000
Total Placement Shares to be issued	251,000,000	444,000,000	695,000,000
Total amount to be raised (GBP)	13.805 million	24.420 million	38.225 million

Under the Subscription Agreements, the Stage 1 Placement is conditional upon the following conditions ("**Stage 1 Conditions**"):

- the approval by the Company's shareholders of the Placement as required by the ASX Listing Rules at an extraordinary general meeting of the Company ("**EGM**");
- HEI and M&G each having received confirmation from the Treasurer of the Commonwealth of Australia under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) that it has no objection to the acquisition by HEI and M&G of their respective Placement Shares; and
- HEI having received all necessary regulatory approvals within the People's Republic of China for it to acquire its Placement Shares.

The Stage 1 Placement Shares will be issued and paid for within three business days of the date on which CoAL notifies the Placees that each of the Stage 1 Conditions has been satisfied.

If any of the Stage 1 Conditions has not been satisfied by 23 November 2014, or such later date as the Company and the Placees agree (not to be later than the Stage 2 Cut-Off Date, as defined below), the Subscription Agreements will automatically terminate and the Placement will not proceed.

Under the Subscription Agreements, the Stage 2 Placement is conditional upon the following conditions ("**Stage 2 Conditions**"):

- completion of the Stage 1 Placement having taken place ("**Stage 1 Completion Condition**"); and
- TMM having obtained sufficient funds to purchase its Stage 2 Placement Shares or the Company having found a substitute investor or investors to subscribe for TMM's Stage 2 Placement Shares and each such investor having entered into a subscription agreement with the Company in respect of some or all of TMM's Stage 2 Placement Shares on substantially similar terms to the Subscription Agreements ("**TMM Condition**").

The Stage 2 Placement Shares will be issued and paid for within three business days of the date on which CoAL notifies the Placees that the TMM Condition has been satisfied (unless the TMM Condition is satisfied before the Stage 1 Completion Condition has been satisfied, in which case the Stage 2 Placement Shares will be issued and paid for at the same time as the Stage 1 Placement Shares).

Under the Subscription Agreement with TMM, if TMM has not obtained sufficient funds to purchase its Stage 2 Placement Shares by 1 December 2014, then the Company has the right to terminate TMM's participation in the Stage 2 Placement. In that case, the Company may seek to find one or more other investors to take up TMM's Stage 2 Placement Shares at the issue price of GBP0.055 per share and otherwise on substantially similar terms. The company has already engaged with third parties who, for timing reasons, have been unable to participate in the Placement and who could possibly absorb TMM's Stage 2 Placement Shares.

If the Stage 1 Completion Condition has been satisfied, but the TMM Condition has not been satisfied, by the earlier of (1) 24 December 2014 and (2) the date which is three Business Days earlier than three months after the date of the EGM (the "**Stage 2 Cut-Off Date**"), then the Stage 1 Placement will proceed but the Stage 2 Placement will not proceed.

The Company will notify ASX as and when it receives notice that a condition has been fulfilled.

If the Placement is not approved at the EGM or does not proceed in whole or in part for any other reason, including as a result of any of the other Placement conditions not being satisfied, or if the Company is not able to achieve the planned disposal of certain non-core assets, including the Mooiplaats Colliery (whether at all or for the expected amount), within the next 18 months, the Company will need to seek funding from other sources to meet its future capital expenditure and working capital needs. As has been previously disclosed, the Company is committed to the disposal of certain of its non-core assets, including the Mooiplaats Colliery, and the directors of the Company are confident of completing one or more of these disposals. However, there can be no guarantee that any of these initiatives will be successful. Further, even if successful, these planned disposals would not provide all the funding required to satisfy the Company's needs without the Placement proceeds. The Company would therefore need to immediately seek funding from other sources, and there can be no guarantee that such funding will be available at all or that, if available, it will be on terms which are commercially acceptable to the Company. It is therefore vitally important for the continued operation of the Company that the Placement be approved by shareholders at the EGM.

The Company will apply for admission of the Placement Shares on ASX, on AIM and on the JSE. Upon issue, the Placement Shares will be fully paid ordinary shares in the capital of the Company and rank equally in all respects with the existing fully paid ordinary shares on issue.

Under the AIM Rules for Companies, M&G and HEI are related parties of the Company as a result of the current level of their shareholding in the Company of approximately 23.6% and 15.37%, respectively. HEI's subscription for a total of up to 215 million Placement Shares (98 million Stage 1 Placement Shares and 117 million Stage 2 Placement Shares) and M&G's subscription for a total of up to 185 million Placement Shares (97 million Stage 1 Placement Shares and 88 million Stage 2 Placement Shares), are therefore considered related party transactions under the AIM Rules. The directors of the Company consider, having consulted with the Company's Nominated Adviser, Investec Bank plc, that the terms of each of these related party transactions are fair and reasonable in so far as the Company's shareholders are concerned.

The EGM

The EGM is expected to be held at 10 a.m. (London time) on 25 September 2014 at Tavistock Communications, 8th Floor, 131 Finsbury Pavement, London EC2A 1NT. The Company intends to dispatch the Notice of EGM and Explanatory Memorandum to shareholders later today.

Authorised by

David Brown

Chief Executive Officer

26 August 2014

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Investec Bank Limited is the nominated JSE Sponsor

About CoAL:

CoAL is an AIM/ASX/JSE listed coal exploration, development and mining company operating in South Africa. CoAL's key projects include the Vele Colliery (coking and thermal coal), the Greater Soutpansberg Project /MbeuYashu, including CoAL's Makhado Project (coking and thermal coal).
