



ANNOUNCEMENT

5 April 2017

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Coal of Africa Limited

(Incorporated and registered in Australia)

Registration number ABN 008 905 388

ISIN AU000000CZA6

JSE/ASX/AIM

share code: CZA

("CoAL" or the "Company")

ACQUISITION OF THE UITKOMST COLLIERY

1. Introduction

Shareholders are advised that on 4 April 2017 CoAL entered into a sale of shares and claims agreement ("the Agreement") with Pan African Resources Plc ("Pan African") to acquire 100% of the shares in and claims against Pan African Resources Coal Holdings Proprietary Limited ("PAR Coal") for a purchase price of R275 million (US\$ 20.5 million) (the "Purchase Price") ("the Acquisition").

PAR Coal holds a 91% shareholding in Uitkomst Colliery Proprietary Limited ("Uitkomst") with the remaining 9% held by broad-based trusts (including employees and communities) and a strategic entrepreneur's trust.

2. CoAL's Rationale for the Acquisition

CoAL has continued to restructure its balance sheet to align its project pipeline and ensure that it is well positioned to unlock shareholder value through its flagship Makhado development project. As part of this restructuring, the Company recognised that limited cash flow will be generated during the Makhado pre-production phase over the next three to four years and therefore the Company has been focussed on acquiring a cash generating asset. The Uitkomst Acquisition represents a highly compelling and attractive value proposition that CoAL believes to be value accretive and

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Bernard R. Pryor – Chairman, David H. Brown – Chief Executive Officer, De Wet O Schutte
Non-executive directors: Peter G. Cordin, Andrew D Mifflin, Khomotso B. Mosehla, Thabo F Mosololi, Rudolph H. Torlage, Shangren Ding

which will provide cash flows to support CoAL as the Company continues to progress its flagship Makhado project.

CoAL believes that Uitkomst will complement CoAL's flagship Makhado project and development project pipeline:

- Creating a sustainable, multi-product mining group with a skilled team with excellent resources adding to the development profile;
- Providing positive cash flows from Uitkomst;
- Enlarging the asset base which provides a stronger proposition to access the necessary funding required to pursue the development of the enlarged group's growth opportunities; and,
- Positioning CoAL as a potential consolidator with a management team capable of delivery.

3. Background Uitkomst

Uitkomst is a high grade thermal export quality coal deposit with metallurgical applications, which is situated in the Utrecht coalfields in KwaZulu Natal. Uitkomst consist of an existing underground coal mine (Uitkomst - South Mine) and a planned life of mine extension into the northern area (Klipspruit - North Mine). The South Mine is an easily accessible and well-established operating mine. Existing infrastructure such as power supply, water supply, buildings, workshops, weighbridge, water storage and management facilities are all in place. Uitkomst currently employs approximately 520 employees (including contractors).

For the 6 months ending 31 December 2016 the operation processed 236 011 tonnes and sold, including acquired coal, 327 202 tonnes of metallurgical quality coal which generated a revenue of R225 million with an EBITDAⁱ of R38 million. Uitkomst had a net asset value of R209 million and made operating profits of R21.3 million for the 6 months ended 31 December 2016 as disclosed in the interim financial statements of Pan African.

4. Terms of the Acquisition

Under the terms of the Agreement the Purchase Price is to be settled on the effective date as follows:

- R125 million (US\$9.3 million) payable in cash ("Cash Consideration"); and
- A R25 million (US\$1.8 million) deferred consideration ("the Deferred Consideration"). The Deferred Consideration can be repaid by CoAL at any time prior to the 24 month anniversary of effective date of the Acquisition. The Deferred Consideration will bear interest at the prime rate, and shall be repaid on the second anniversary of the effective date. CoAL shall be entitled to prepay any amounts in respect of the Deferred Consideration. If not settled after 24 months the balance outstanding can be settled through the issue of new CoAL shares at the 30 day volume weighted average price as traded on the JSE ("CoAL VWAP") on the date immediately prior to the date on which Pan African gives its election;

- To the extent that certain coal buy in opportunities are not secured by or with the assistance of Pan African, within two years from the effective date, which would result in CoAL suffering a lower economic benefit, the Deferred Consideration can be reduced by such value, subject to a maximum of R15 million; and
- 261 287 625 newly issued CoAL shares (equivalent to R125 million) equating to approximately 9.3% of the total issued share capital of CoAL (“Share Consideration”). The deemed issue price of the Share Consideration is based on an 8% discount to the CoAL VWAP as at 31 March 2017, being R0.52.

There will be no change to the CoAL Board of directors as a result of the Acquisition.

5. Funding of the Acquisition

The Cash Consideration of the Acquisition will be funded through internal cash resources and through the proceeds of an aggregate US\$13 million equity investment from Summer Trees Pte Ltd and M&G Investment Management Limited at a subscription price of R0.52 (US\$0.03878) per CoAL Share, resulting in the issue of 335 250 000 shares (“Subscription Shares”) pursuant to agreements with CoAL.

6. Conditions Precedent

The implementation of the Acquisition is both subject to and conditional on the fulfilment of conditions precedent customary for a transaction of this nature and include, *inter alia*, the following:

- CoAL has obtained all of the requisite shareholder, AIM, JSE and ASX approvals to implement the Acquisition and ancillary transactions;
- Uitkomst has entered into a supply of coal agreement on terms acceptable to CoAL;
- Uitkomst has been released, in writing, from its obligations as a guarantor in terms of Pan African facility agreements;
- Pan African has been released from its obligations as guarantor from the financial provisions provided to the DMR (“the Guarantee”) and the Guarantee has been replaced in a manner and form acceptable to CoAL;
- Pan African and CoAL have entered into a transitional services agreement;
- The approval by the Competition Authorities in terms of the Competition Act; and,
- Any exchange control approval which might be required from the Exchange Control Authorities, in terms of the Exchange Control Regulations is obtained.

7. Management and Employees of Uitkomst

Pan African will for a period of six months (which period can be extended by mutual agreement between the Parties) post the effective date of the Acquisition, assist CoAL with the transition of the management and marketing of Uitkomst. CoAL places a high value on its people and views Uitkomst as a well-managed business and believes that retaining key personnel within Uitkomst will be key for delivering the business' strategy.

8. Posting of Documentation

Details of the Acquisition will be included in the CoAL circular, which will contain, inter alia, a notice of the CoAL general meeting and a form of proxy ("Circular"). The Circular is expected to be posted to CoAL shareholders in mid-April. The salient dates and times pertaining to the Acquisition will be published at the time of posting of the Circular. Although shareholder approval is not specifically required for the approval of the Acquisition, CoAL will require shareholders to approve the issue of the Share Consideration and Subscription Shares.

9. Implementation of the Transaction

Subject to the Acquisition becoming unconditional, it is expected to be implemented in June 2017.

10. Presentation and Webcast

CoAL will make a presentation by webcast regarding the Acquisition at 10am (South Africa Time) on Wednesday, 5 April 2017. The presentation and webcast details are available on the CoAL website (www.coalofafrica.com).

Johannesburg
5 April 2017

Enquiries

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This announcement contains information which constitutes inside information within the meaning of Article 7 of the Market Abuse Regulation (Regulation (EU) No. 596/2014)

Forward-Looking Statements

This Announcement, including information included or incorporated by reference in this Announcement, may contain "forward-looking statements" concerning CoAL and/or Pan African that are subject to risks and uncertainties. Generally, the words "will", "may", "should", "continue",

"believes", "expects", "intends", "anticipates" or similar expressions identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond CoAL ability to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behaviour of other market participants. CoAL cannot give any assurance that such forward-looking statements will prove to have been correct. The reader is cautioned not to place undue reliance on these forward looking statements. CoAL and Pan African assume no obligation and do not undertake any obligation to update or revise publicly any of the forward-looking statements set out herein, whether as a result of new information, future events or otherwise, except to the extent legally required.

Statements of intention

Statements of intention are statements of current intentions only, which may change as new information becomes available or circumstances change.

Exchange rates

The following exchange rates have been applied in this announcement: US\$ / ZAR of 13.41.

¹ Earnings before interest, taxation, depreciation and amortisation, impairments and profit/loss on disposal of investments.

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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).