



ANNOUNCEMENT

29 September 2017

FULL YEAR RESULTS FOR THE PERIOD ENDING 30 JUNE 2017

Coal of Africa Limited ("CoAL" or "the Company") is pleased to provide its audited financial statements for the year ended 30 June 2017 (the "Period"). All figures are denominated in United States dollars unless otherwise stated and the full report is available on the Company's website, www.coalofafrica.com.

Highlights

- No lost-time injuries ("**LTIs**") recorded during the year (FY2016: none) – a third consecutive year of zero LTIs.
- Acquisition of a cash generating asset with the purchase of the Uitkomst Colliery for R275 million (\$21.1 million) of which R25 million (\$1.9 million) is deferred.
- Debt facility for up to R240 million (\$18.0 million) secured from the Industrial Development Corporation of South Africa ("**IDC**") for the development of the Makhado Coking and Thermal Coal Project ("**Makhado Project**" or "**Makhado**") and drawdown of initial tranche of R120 million (\$9.2 million).
- Repayment of the final \$18.2 million owing to Rio Tinto for the acquisition of the Greater Soutpansberg Project ("**GSP**") assets.
- Conversion of the Yishun Brightrise Investment PTE Limited ("**YBI**") \$10.0 million loan to equity.
- Successful placement of \$2.0 million by M&G Investment Management Ltd for working capital purposes.
- The suspension of the Integrated Water Use Licence ("**IWUL**") for the Makhado Project was lifted by the South African Minister of the Department of Water and Sanitation ("**DWS**").
- Mooiplaats Thermal Coal Colliery ("**Mooiplaats Colliery**") and the Vele Coking and Thermal Coal Colliery ("**Vele Colliery**") remained on care and maintenance.
- Granting of an Environmental Authorisation ("**EA**") in terms of the National Environmental Management Act (Act 107 of 1998) and the Environmental Impact Assessment Regulations (2014) to Vele Colliery for a stream diversion and associated infrastructural activities.
- Sale of Holfontein Investments Proprietary Limited ("**Holfontein**") to Taung Gold Secunda Proprietary Limited ("**Taung Gold**").
- Encouraging coking and thermal coal price movements over the Period, principally due to market supply constraints.

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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 Miffilin, Khomotso B. Mosehla, Thabo F Mosololi, Rudolph H. Torlage, Shangren Ding

- Decrease in the loss for the year to \$10.2 million (2016: \$13.1 million) while the Company reflected a positive net working capital balance of \$11.6 million (FY2016: \$9.6 million net current liability).

Financial review

- No revenue generated during the year as result of all operations being on care and maintenance (FY2016: \$nil).
- Non-cash charges of \$9.3 million (FY2016: \$12.8 million) including:
 - Impairment of the intangible asset of \$10.6 million;
 - Unrealised foreign exchange gain of \$2.0 million (FY2016: \$9.6 million loss) as a result of the South African rand strengthening against the United States dollar;
 - Depreciation and amortisation of \$0.4 million (FY2016: \$1.2 million); and
 - Share based payment expense of \$0.3 million (FY2016: \$0.2 million).
- Total unrestricted cash balances at year-end, including cash held by operations available for sale, of \$9.6 million (FY2016: \$19.5 million).

Review of Operations

Uitkomst Colliery (91% owned)

CoAL continued to restructure its balance sheet and evaluated a number of potential cash generating assets during the period. This resulted in the acquisition of 100% of the shares in and claims against Pan African Resources Coal Holdings Proprietary Limited, the owner of 91% of the Uitkomst Colliery, for R275 million (\$21.1 million), of which R25 million (\$1.9 million) is deferred.

The Uitkomst Colliery is a high grade thermal export quality coal deposit with metallurgical applications, comprising an existing underground coal mine and a planned life of mine extension. Uitkomst currently employs approximately 520 employees (including contractors) and has well-established infrastructure including water and power supplies, buildings, workshops, weighbridge and management facilities. The colliery was acquired on 30 June 2017 and for the 12 months prior to this date, produced 508,510 tonnes of saleable coal consisting of 458,350 mined tonnes and 50,160 bought in tonnes and management anticipate that similar volumes will be generated in FY2018.

Makhado Coking Coal Project (95% owned - 69% post Broad Based Black Economic Empowerment transaction)

Baobab Mining and Exploration Proprietary Limited ("**Baobab**"), a subsidiary of CoAL, is the operating entity for the Makhado Project and holds, in addition to the IWUL, the EA and the mining right. During FY2016 the Makhado Project IWUL was appealed by the Vhembe Mineral Resources Forum and other parties resulting in the IWUL being automatically suspended. During the Period this suspension was lifted by the South African Minister of the DWS and representation has been made to the Water Tribunal to progress the final conclusion of the appeal and the Company anticipates that this, as well as surface rights access, will be finalised during H1 FY2018.

The original Makhado Project development plan included a 26 month construction phase followed by a four month ramp up to achieve a production rate of 5.5 million tonnes per annum ("**mtpa**") with a capital requirement of \$281 million. While the Company progressed regulatory matters, it has reviewed Makhado's development plan and re-assessed its strategy, resulting in an amended plan requiring reduced capital expenditure, a shorter construction period and earlier than planned production. This revised strategy anticipates that the Makhado Lite Project will be constructed in 12 months, costing an estimated \$75 million to \$85 million and, allows for the future expansion of mining and production. The Makhado Lite Project will produce approximately 1.7 mtpa of saleable coal, comprising 0.7 mtpa to 0.8 mtpa of hard coking coal and 0.9 mtpa to 1.0 mtpa of export quality thermal coal. The Company anticipates that a substantial portion of the hard coking coal produced will be sold locally with the balance sold on international markets. The table below compares the results of the original Makhado Project with Makhado Lite.

	Original Makhado Project	Makhado Lite*
RoM production	12.6 Mtpa	4 Mtpa
LoM	16 years	29 years
Hard coking coal (HCC) production	2.3 Mtpa	0.7 to 0.8 Mtpa
Thermal coal production	3.2 Mtpa	0.9 to 1.0 Mtpa
Project capital expenditure	\$406 million	\$75 million to \$85 million
Construction period	26 months	12 months
HCC average price	\$206.16	\$120.00
ZAR:US\$ exchange rate used	R9.75	R13.50
Long term HCC price/t	\$206.16	\$120.00
Discount rate (real)	8.0%	10.0%
IRR	30.1%	30% to 50%
NPV	\$697 million	\$135 million to \$260 million

**Makhado Lite parameters are based on internal CoAL estimates and assumptions*

The Makhado Project costs in the 2013 Definitive Feasibility Study (“**DFS**”) were updated for the assumptions and estimates for Makhado Lite. This entailed the Company obtaining proposals for full mining services from four contract mining companies while turnkey processing plant construction and operating quotes were obtained from three potential service providers. The Makhado Lite model anticipates hard coking coal yields of 19.0% (DFS: 18.8%) and thermal coal yields of 25.1% (DFS: 25.8%). The estimated peak funding required to develop Makhado Lite will be between \$90 million and \$110 million with a project payback period of four years.

Mooiplaats Thermal Coal Colliery (74% owned)

The Mooiplaats Colliery was placed on care and maintenance in 2013 and is recognised as an available for sale asset in the FY2017 financial statements. The colliery formed part of a formal sale process during the Period and this is at an advanced stage. The Company will keep shareholders apprised of further progress in this regard.

Vele Coking and Thermal Coal Colliery (100% owned)

The Vele Colliery remained on care and maintenance throughout the Period and CoAL awaits the granting of an IWUL by the DWS, the final approval required for the stream diversion in respect of the Plant Modification Project (“**PMP**”). Once all regulatory approvals are in place, the Company will be in a position to consider prevailing market pricing and conclude an investment decision for the PMP. The IWUL for the Vele Colliery has been renewed for a further 20 years and has also been amended in line with the requirements for the colliery's PMP.

Greater Soutpansberg Project (MbeuYashu) (74% owned)

The exploration and development of the CoAL prospects in the Soutpansberg coalfield is the catalyst for the long-term growth of the Company. The Department of Mineral Resources is considering the Company's mining right applications for the Mopane, Generaal and Chapudi projects.

General

- Loan agreement signed with the IDC for up to R240 million (approximately \$18.0 million) to advance the operations and implementation of the Makhado Project. The Company completed the first drawdown of R120 million (\$9.2 million) during the Period resulting in the IDC owning 5% of Baobab, reflecting the South African Government's support for the project and, the second tranche of R120 million (\$9.2million) is available upon written request from Baobab.
- The Company paid \$18.2 million to Rio Tinto during the Period, settling the historic debt owing for the acquisition of the GSP assets.

- YBI previously agreed to lend the Company \$10.0 million, interest free and repayable in certain circumstances. During the Period the loan was converted to equity resulting in YBI having the right to nominate a director to the CoAL Board.
- During the Period the Company sold 100% of the issued share capital in Holfontein to Taung Gold for R40.0 million (\$3.0 million).
- Confirmation that Fifth Season Proprietary Limited is in the process of funding the outstanding balance of approximately R15.0 million (\$1.1 million) including VAT but excluding accrued interest, owing to the Company for the Opgoedenhoop Mining Right.

Markets

The hard coking price recorded short-term supply constraints owing to weather and infrastructure disruptions and recent price movements reflect the tightness of world supply and, as such, is positive for longer term pricing. Thermal coal prices also reflected more positive fundamentals in the short term.

David Brown, CEO commented:

"I am pleased to report on what has been an extremely positive and transformational year for CoAL. A number of significant milestones have been achieved; with the settlement of significant liabilities during the Period and the transitioning into a coal producer following the acquisition of the cash generative, Uitkomst Colliery. The Uitkomst transaction is value accretive and will assist in changing CoAL into a sustainable, multi-product mining group with excellent resources. The colliery also enlarges the Company's asset base, providing a stronger proposition to access funding and positions CoAL as a potential industry consolidator, with a skilled management team capable of delivery."

"CoAL continued to ensure that it is well positioned to unlock near-term shareholder value from the flagship Makhado Project. As part of this, the Company recognised the limited cash flow that would have been generated during Makhado's pre-production phase and as a result, the CoAL Board approved the Makhado Lite Project in September 2017, ensuring similar returns to the original design with lower capital requirements and a shorter construction phase. The Company's balance sheet was restructured with the acquisition of Uitkomst, achieved alongside the R240 million IDC loan facility, \$10.0 million YBI loan conversion, sale of Holfontein and the final legacy payment to Rio Tinto. The disposal of the Mooiplaats Colliery is at an advanced stage and any proceeds from this transaction will be utilised to progress the development of the

Makhado Project. In the interim CoAL is reviewing potential second cash generating prospects, the conclusion of which will represent another step in the process of becoming self-sufficient.”

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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 Uitkomst Colliery, Makhado Project (coking and thermal coal), Vele Colliery (coking and thermal coal) and the Greater Soutpansberg Project (MbeuYashu).

Join CEO David Brown for a webcast briefing on the results at midday (South African time) on Friday, 29 September 2017.

Link to the webcast window:

<http://themediiframe.eu/links/coalofafrica170929.html>

Conference call details:

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