



ANNOUNCEMENT

5 April 2017

FINANCE FACILITIES

Coal of Africa Limited (“**CoAL**” or “the **Company**”) is pleased to announce that the Company has entered into a loan agreement (the “**Loan Agreement**”) with the Industrial Development Corporation of South Africa* (“**IDC**”) and Baobab Mining and Exploration Proprietary Limited (“**Baobab**”), a subsidiary of CoAL and owner of the mining right for the Makhado Project, in terms of which the IDC shall advance loan funding up to R240 million (two hundred and forty million rand) (approximately US\$17.6million) to Baobab for use in the Makhado Project (“**Loan Funding**”). The Loan Funding will be used to advance the operations and implementation of the Makhado Project, CoAL’s flagship project.

Salient Features

- The IDC will advance to Baobab in two equal tranches of R120 million (one hundred and twenty million rand) (approximately US\$8.8million) upon written request from Baobab;
- Upon the third anniversary of each advance from IDC to Baobab, Baobab will be required to repay to IDC the amount advanced to it plus the amount equal to a real after tax internal rate of return equal to 16% of the amount of each advance to Baobab (collectively the “**Required Amount**”);
- Baobab shall be permitted to request of IDC that it prepay some or all of the Required Amount before the scheduled repayment date;
- Subject to the provisions of the Loan Agreement CoAL shall stand as surety for Baobab's obligations to make payment of the Required Amount in instances in which Baobab defaults on such payments;
- CoAL shall issue IDC with warrants (in respect of CoAL shares) pursuant to each advance date as soon as the relevant shareholder approval for the issue of such warrants occurs, in accordance with the following salient terms:
 - A. Following advance of the first tranche of the Loan Funding, the Company shall issue to IDC warrants over ordinary shares equating to 2.5% of the entire issued share capital of CoAL as at 5 December 2016;
 - B. Following advance of the second tranche of the Loan Funding, the number of warrants to be issued to IDC shall be equal to 2.5% of the entire issued share capital of CoAL as at the date of the second advance;

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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

- C. The price at which IDC shall be entitled to purchase the CoAL shares (in terms of which the warrants shall be 'converted' into ordinary shares in the issued share capital of Coal of Africa), shall be an amount equal to a 30% (thirty percent) premium to the 30 day Volume Weighted Average Price of the CoAL shares as traded on the JSE as at 5 December 2016, equating to R0.60 per share; and
- D. IDC shall be entitled to exercise the warrants for a period of 5 years from the date of their issue (as contemplated in (A) and (B) above).
- Upon each advance date, Baobab shall be required to, issue new ordinary shares in Baobab to IDC which shall be equivalent to 5% of the entire issued share capital of Baobab at such time; and such CoAL's shareholding in Baobab will be diluted accordingly. Notwithstanding such dilution, CoAL will retain a majority shareholding in Baobab;
 - If the second advance of R120million is not required by Baobab, and therefore not advanced by the IDC, the IDC may elect to exercise one of the following rights:
 - A. Baobab shall issue new ordinary shares in Baobab equivalent to 5% of the entire issued share capital of Baobab to IDC for an aggregate subscription price of R60million (sixty million rand) (approximately US\$4.4million); or,
 - B. Baobab shall issue ordinary shares in Baobab equivalent to 1% of the entire issued share capital of Baobab to IDC for an aggregate subscription price of R1 (one rand); or,
 - C. a penalty fee of R12 million (twelve million rand) (approximately US\$880k) shall be paid to the IDC;
 - If some or all of the repayment amount is not paid by Baobab to the IDC when due, IDC may elect to exercise one of the following rights, in full discharge of its right to receive the then outstanding portion of the Required Amount:
 - A. IDC may be issued further shares in Baobab (and CoAL's shareholding in Baobab shall be diluted accordingly); or,
 - B. IDC may exercise its rights against CoAL under a suretyship agreement;
 - Baobab and CoAL will provide IDC with warranties, representations and undertakings which are customary in a loan funding agreement of this nature; and
 - For so long as the Required Amount is payable to the IDC, IDC shall be entitled to nominate 1 (one) person for appointment to the board of directors of Baobab and to be a member of the project steering committee of the Makhado Project.

David Brown, Chief Executive Officer of CoAL, commented:

"Whilst final agreements have now been executed, the transaction with the IDC was initially agreed in December 2016, and is reflective of the Company's position at that time. The funding of pre-project activities

at Makhado is welcomed as we progress the project towards a construction start subject to regulatory and funding requirements. We continue to focus on the upliftment and dismissal of the appeal against the Integrated Water Use Licence and securing the remaining surface rights of the project. This is a defining step towards the bringing the project to reality. We welcome the IDC as a supportive shareholder in the Makhado project who will work with CoAL to promote future success.”

*The IDC is a national development finance institution set up to promote economic growth and industrial development. They are owned by the South African government under the supervision of the Economic Development Department

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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).

This announcement is inside information for the purposes of article 7 of EU Regulation 596/2014.