



ANNOUNCEMENT

31 January 2017

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2016 PROGRESS IN IDENTIFYING CASH GENERATING ASSET

Coal of Africa Limited (“CoAL” or “the Company”) which operates in South Africa, together with its subsidiaries, hereby provides its update for the quarter ended 31 December 2016. All figures are denominated in United States dollars unless otherwise stated. A copy of this report is available on the Company's website, www.coalofafrica.com.

Salient operational features

- No lost-time injuries (“LTIs”) recorded during the quarter (FY2017 Q1: nil).
- The Integrated Water Use Licence (“IWUL”) for the Makhado Project remains suspended following an appeal to the Department of Water and Sanitation (“DWS”) submitted by the Vhembe Mineral Resources Forum. Discussions continue with the Minister of Water and Sanitation.
- Appeal against the Environmental Authorisation (“EA”) amendment at the Makhado Project has been dismissed by the South African Minister of the Department of Environmental Affairs.
- Continued progress in the identification of possible cash generating assets.
- The EA for the approval of the stream diversion at Vele Colliery has been awarded by the South African Department of Mineral Resources (“DMR”).

Corporate and financial features

- Available cash at period end was US\$7.36 million and restricted cash of US\$0.3million.

QUARTERLY COMMENTARY

Makhado Coking Coal Project (“Makhado Project”) – Soutpansberg Coalfield (100% owned - 74% post BBBEE transaction)

The Makhado Project recorded no LTIs (FY2017 Q1: nil) during the quarter.

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Makhado's 26-month construction phase is expected to begin as soon as all regulatory approvals are in place (expected during CY2017). This delayed start up reflects the complex environment in which South African mining companies operate. CoAL remains committed to ensuring that the requisite processes are completed as efficiently as possible. Post construction, a further four month ramp-up phase will result in the production of 5.5 million tonnes per annum ("Mtpa") of saleable product.

During FY2016 Q2 the Company was granted a 20-year IWUL for the Makhado Project. Following an appeal to the DWS submitted by the Vhembe Mineral Resources Forum and other parties, the IWUL was automatically suspended under Section 148 (2) (b) of the South African National Water Act No 36 of 1998. Representation has been made to the Minister of Water and Sanitation and the Water Tribunal to progress the final conclusion of the appeal.

The interim court interdict to halt any mining or construction activity issued against CoAL in respect of the Makhado Project during Q2 FY2014 remains in place. Subsequent to this, the EA for the Makhado Project was transferred from CoAL to Baobab Mining and Exploration (Pty) Ltd, the operating entity for the Makhado Project in July 2016 by the DMR and the Limpopo Department of Economic Development, Environment and Tourism (LEDET). The validity period for the commencement of activities was also further extended for an additional five years. This authorisation is fully executable and will facilitate the commencement of the Makhado Project upon resolution of the IWUL.

CoAL has successfully launched the Makhado Centre of Learning which aims to develop skills within communities to enable access to opportunities offered within the Makhado Project

CoAL remains committed to the sustainable development of the Makhado Project, whilst recognising its potential to drive significant socio-economic transformation. The Company continues to engage with all stakeholders to ensure the on-going implementation of a co-existent model, seeking co-operation between mining, agriculture and heritage land uses.

Mooiplaats Colliery – Ermelo Coalfield (74% owned)

The Mooiplaats thermal coal colliery was placed on care and maintenance during Q1 2014, and recorded no LTIs during the period (FY2017 Q1: nil).

During the current quarter the Company continued discussions with potential purchasers and is assessing various options regarding a transaction at the colliery. Interested parties are in various stages of the due diligence process.

Vele Colliery – Limpopo (Tuli) Coalfield (100% owned)

The Vele coking and thermal coal colliery (“Vele Colliery”) recorded no LTIs during the quarter (FY2017 Q1: nil).

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 Plant Modification Project (“PMP”) at the colliery.

The DMR has recently granted an EA in terms of the National Environmental Management Act (“NEMA”) (Act 107 of 1998) and the Environmental Impact Assessment Regulations (2014) for Vele Colliery for stream diversion and associated infrastructural activities.

CoAL awaits the approval of an IWUL from the DWS which is the final approval required to complete the regulatory approvals for the stream diversion in respect of the PMP.

Greater Soutpansberg Project (MbeuYashu) (74% owned)

The MbeuYashu Project recorded no LTIs (FY2017 Q1: nil) during the period.

No other significant matters to report.

Corporate

The Company is in the process of evaluating a number of opportunities to acquire a cash generating asset. We continue to engage with potential funders to ensure any potential opportunity can be appropriately funded. As noted previously any purchase of this nature does not confer any certainty and the Company will keep the market informed in a timely manner. The Company is also aware of the current cash balances and the requirement to fund the last legacy liability in June 2017 and is also in discussions to ensure the payment of this liability can be funded and provide sufficient funding to move forward on the Makhado Project.

Markets

Hard coking coal prices have experienced tremendous movement over the last six months starting at US\$86 in June 2016 surging to over US\$300 a tonne by the end of the quarter. Post the quarter end of December

2016 the hard coking prices have settled to a more acceptable US\$170 per tonne. At the end of the previous quarter the Company expressed concerns on the sustainability of the current pricing, but are more comfortable with the current levels of pricing. The Company is optimistic about the increase in project value that these pricing levels contribute to the future projects.

David Brown, CEO commented: “The focus of the last quarter was on four main elements – firstly to acquire a cash generating asset, secondly to ensure sufficient funding is available to meet all of the Company’s obligations, thirdly to continue with obtaining all of the outstanding regulatory requirements for both Vele and Makhado and finally the continued drive to dispose of the Mooiplaats asset. We continue to make progress with each of these developments and look forward to updating the market in due course.”

Authorised by

David Brown

Chief Executive Officer

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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).

Tenements held by CoAL and its Controlled Entities

Project Name	Tenement Number	Location	Interest	Change in quarter
Chapudi Project*	Albert 686 MS-	Limpopo~	74%	
	Bergwater 712 MS--		74%	
	Remaining Extent and Portion 2 of Bergwater 697 MS--		74%	
	Blackstone Edge 705 MS		74%	
	Remaining Extent & Portion 1 of Bluebell 480 MS-		74%	
	Remaining Extent & Portion 1 of Bushy Rise 702 MS--		74%	
	Castle Koppies 652 MS--		74%	
	Chapudi 752 MS --		74%	
	Remaining Extent, Portions 1, 3 & 4 of Coniston 699 MS--		74%	
	Driehoek 631 MS--		74%	
	Remaining Extent of Dorps-rivier 696 MS--		74%	
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS & Remaining Extent of Grootvlei 684 MS)--		74%	
	Remaining Extent and Portion 1 of Grootboomen 476 MS-		74%	
	Grootvlei 684 MS--		74%	
	Kalkbult 709 MS		74%	
	Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 & 8 of Kliprivier 692 MS-		74%	
	Remaining Extent of Koodoobult 664 MS-		74%	
	Koschade 657 MS (Was Mapani Kop 656 MS)-		74%	
	Malapchani 659 MS-		74%	
	Mapani Ridge 660 MS-		74%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	Melrose 469 MS-		74%	
	Middelfontein 683 MS-		74%	
	Mountain View 706 MS-		74%	
	M'tamba Vlei 654 MS		74%	
	Remaining Extent & Portion 1 of Pienaar 635 MS-		74%	
	Remaining Extent & Portion 1 of Prince's Hill 704 MS-		74%	
	Qualipan 655 MS-		74%	
	Queensdale 707 MS-		74%	
	Remaining Extent & Portion 1 of Ridge End 662 MS-		74%	
	Remaining Extent & Portion 1 of Rochdale 700 MS-		74%	
	Sandilands 708 MS-		74%	
	Portions 1 & 2 of Sandpan 687 MS--		74%	
	Sandstone Edge 658 MS-		74%	
	Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS--		74%	
	Sutherland 693 MS-		74%	
	Remaining Extent & Portion 1 of Varkfontein 671 MS--		74%	
	Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS-		74%	
	Vleifontein 691 MS-		74%	
	Ptn 3, 4, 5 & 6 of Waterpoort 695 MS--		74%	
	Wildebeesthoek 661 MS-		74%	
	Woodlands 701 MS-		74%	
Kanowna West and Kalbara	M27/41	Coolgardie^	23.68%	
	M27/47		23.68%	
	M27/59		23.68%	
	M27/72,27/73		23.68%	
	M27/114		23.68%	
	M27/181		21.31%	
	M27/196		23.68%	
	M27/414,27/415		23.68%	
	P27/1826-1829		23.68%	
	P27/1830-1842		23.68%	
	P27/1887		23.68%	
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty	
Kookynie Royalty	ML40/061	Leonora^	Royalty	
	ML40/135,136		Royalty	
Holfontein	Remaining extent, Remaining Extent of portions 1, 5 and 11 and portions 4, 6, 9, 10, 12 and 13 of the farm Holfontein 138 IS	Mpumalanga~	100%	
Makhado	Fripp 645 MS	Limpopo~	100%#	

Project Name	Tenement Number	Location	Interest	Change in quarter	
Project	Lukin 643 MS		100%#		
	Mutamba 668 MS		100%#		
	Salaita 188 MT		100%#		
	Tanga 849 MS		100%#		
	Daru 848 MS		100%#		
	Windhoek 847 MS		100%#		
	Generaal Project	Beck 568 MS--	Limpopo~	74%	
		Bekaf 650 MS-		74%	
		Remaining Extent & Portion 1 of Boas 642 MS-		74%	
		Chase 576 MS-		74%	
Coen Britz 646 MS-			74%		
Fanie 578 MS-			74%		
Portions 1, 2 and Remaining Extent of Generaal 587 MS-			74%		
Joffre 584 MS-			74%		
Juliana 647 MS			74%		
Kleinenberg 636 MS-			74%		
Remaining Extent of Maseri Pan 520 MS-			74%		
Remaining Extent and Portion 2 of Mount Stuart 153 MT--			100%		
Nakab 184 MT--			100%		
Phantom 640 MS--			74%		
Riet 182 MT--			100%		
Rissik 637 MS-			100%		
Schuitdrift 179 MT-			100%		
Septimus 156 MT--			100%		
Solitude 111 MT-			74%		
Stayt 183 MT--			100%		
Remaining Extent & Portion 1 of Terblanche 155 MT--			100%		
Van Deventer 641 MS-			74%		
Wildgoose 577 MS-		74%			
Mopane Project*	Ancaster 501 MS--	Limpopo~	100%		
	Banff 502 MS-		74%		
	Bierman 599 MS-		74%		
	Cavan 508 MS		100%		
	Cohen 591 MS--		100%		
	Remaining Extent, Portions 1 & 2 of Delft 499 MS-		74%		

Project Name	Tenement Number	Location	Interest	Change in quarter
	Dreyer 526 MS--		74%	
	Remaining Extent of Du Toit 563 MS-		74%	
	Faure 562 MS		74%	
	Remaining Extent and Portion 1 of Goosen 530 MS --		74%	
	Hermanus 533 MS-		74%	
	Jutland 536 MS--		100%	
	Krige 495 MS-		74%	
	Mons 557 MS-		100%	
	Remaining Extent of Otto 560 MS (Now Honeymoon)-		74%	
	Remaining Extent & Portion 1 of Pretorius 531 MS-		74%	
	Schalk 542 MS-		74%	
	Stubbs 558 MS-		100%	
	Ursa Minor 551 MS--		74%	
	Van Heerden 519 MS--		74%	
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815 MS		74%	
	Remaining Extent of Verdun 535 MS-		74%	
	Voorburg 503 MS--		100%	
Mooiplaats Colliery and prospects		Mpumalanga~	74%	
	Portions 1, 9,14,17,18,19,20 & Remaining Extent of Mooiplaats 290 IT			
	Portion 2, 3 and Remaining Extent of Klipbank 295 IT		74%	
	Portions 1, 2 and Remaining Extent of Adrianople 296 IT		74%	
	Portions 2 & 3 of Willemsdal 330 IT		74%	
	Portions 2, 3, 4 & Remaining Extent) of De Emigratie 327 IT		74%	
	Remaining Extent and Portions 2, 5, 8,10 & 13 of Buhrmansvallei 297 IT		74%	
	Klipfontein 442 IT		74%	
Vele Colliery and prospect		Limpopo~	100%	
	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)			
	Bergen Op Zoom 124 MS		100%	
	Semple 155 MS		100%	
	Voorspoed 836 MS		100%	
	Alyth 837 MS		100%	
Tshikunda	Certain portions of Unsurveyed State Land known as Mutale	Limpopo~	60%	
Coal bed methane	Adelaide 91 MT	Limpopo~	50%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	Adieu 118 MT		50%	
	Alicedale 138 MT		50%	
	Armstice 120 MT		50%	
	Bergwater 697 MS		50%	
	Bergwater 712 MS		50%	
	Blackstone Edge 705 MS		50%	
	Bushy Rise 702 MS		50%	
	Chapudi 752 MS		50%	
	Charlotte 90 MT		50%	
	Chase 576 MS		50%	
	Cross 117 MT		50%	
	Doppie 95 MT		50%	
	Ettie 33 MT		50%	
	Fanie 578 MS		50%	
	Feskraal 85 MT		50%	
	Folorodwe 79 MT		50%	
	Fripp 645 MS		50%	
	Gray 189 MT		50%	
	Hetty 93 MT		50%	
	Jeannette 77 MT		50%	
	Joffre 584 MS		50%	
	Kalkbult 709 MS		50%	
	Laura 115 MT		50%	
	Lukin 643 MS		50%	
	Magazasand 123 MT		50%	
	Malapchani 659 MS		50%	
	Mountainview 706 MS		50%	
	Mount Stuart 153 MT		50%	
	Nakab 184 MT		50%	
	Naus 178 MT		50%	
	Neltox 92 MT		50%	
	Phantom 640 MS		50%	
	Prince's Hill 704 MS		50%	
	Queensdale 707 MS		50%	
	Riet 182 MT		50%	
	Rochdale 700 MS		50%	
	Rynie 158 MT		50%	
	Salaita 188 MT		50%	
	Schuitdrift 179 MT		50%	
	Septimus 156 MT		50%	
	Stayt 183 MT		50%	
	Suzette 32 MT		50%	
	Tanga 648 MS		50%	
	Telema 190 MT		50%	
	Terblanche 155 MT		50%	
	Trevenna 119 MT		50%	
	The Duel 186 MT		50%	
	Truida 76 MT		50%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	Van Deventer 641 MS		50%	
	Wendy 86 MT		50%	
	Wildgoose 577 MS		50%	
	Windhoek 649 MS		50%	
	Zisaan 31 MT		50%	
	Ziska 122 MT		50%	
	Portion of Unsurveyed state land		50%	

- * Form part of the Greater Soutpansberg Project
- Lapsed – Mining Right Application Lodged
- Valid – Mining Right Application Lodged
- ~ Tenement located in the Republic of South Africa
- ^ Tenement located in Western Australia
- # CoAL's interest will reduce to 74% owned on completion of the Broad Based Economic Empowerment transaction