



ANNOUNCEMENT

31 July 2017

**REPORT FOR THE QUARTER ENDED 30 JUNE 2017
CASH GENERATOR ACQUIRED AND PROJECT FUNDING DRAWDOWN**

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 30 June 2017 (the “Quarter”). 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 Q3: nil).
- Mooiplaats Thermal Coal Colliery (“Mooiplaats Colliery”) and the Vele Coking and Thermal Coal Colliery (“Vele Colliery”) remained on care and maintenance.
- The suspension of the Integrated Water Use Licence (“IWUL”) for the Makhado Coking Coal Project (“Makhado Project” or “Makhado”) was lifted by the South African Minister of the Department of Water and Sanitation (“DWS”).

Corporate and financial features

- Pan African Resources Coal Holdings (“PAR Coal”) was acquired from Pan African Resources Plc for a purchase price of R275 million (US\$20.5million) on 30 June 2017, of which R25 million (US\$1.9 million) is deferred.
- Successful placement of US\$3 million by M&G Investment Management Ltd (“M&G”), US\$10 million by Summer Trees Pte Ltd and the conversion of the balance of US\$0.2 million of the Yishun Brightrise Investment PTE Limited (“YBI”) loan to equity.
- The first drawdown of R120 million (US\$9.2 million) from the Industrial Development Corporation (“IDC”) was completed.
- Repayment of the final balance owing to Rio Tinto for the acquisition of the Greater Soutpansberg Project (“GSP”) assets of US\$8.2 million.

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- Available cash at period end of US\$9.7 million and restricted cash of US\$0.05 million.
- Positive coking and thermal coal price movements over the Quarter principally due to market supply constraints.

QUARTERLY COMMENTARY

Acquisition of the Uitkomst Colliery

During the Quarter, the Company completed the acquisition of PAR Coal, 91% owner of the Uitkomst Colliery, for a purchase price of R275 million (US\$20.5 million).

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

For the year ended 30 June 2017, prior to the effective date of acquisition, the Uitkomst Colliery reported five LTI's. This will be a focus point for CoAL in the year ahead. The plant produced 508,510 tonnes which consisted of 458,350 mined tonnes and 50,160 bought in tonnes.

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

The Makhado Project recorded no LTIs (FY2017 Q3: nil) during the Quarter.

During FY2016 Q2, the Makhado Project was granted a twenty year IWUL. This was appealed by the Vhembe Mineral Resources Forum and other parties and the IWUL was automatically suspended under Section 148(2) (b) of the South African National Water Act No. 36 of 1998. During this Quarter, pleasingly, the suspension was lifted by the South African Minister of the DWS. As a result, the Makhado Project moves closer to becoming fully permitted.

It is noted that the regulatory process is time consuming and complex but it is an appropriate process as once completed it ensures a measurable framework for both State and Company. The Company remains committed to pursuing the permitting completion process as efficiently as possible.

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 Environmental Authorisation (“EA”) and the mining right.

Originally Makhado’s development plan included a twenty six 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 US\$281 million. While the Company has progressed with the regulatory matters, it has started a process of reviewing Makhado’s development plan which entails, re-assessing its strategy, which may or may not result in a reduced capital expenditure, a lower production rate and a shorter construction period through to earlier than planned production, with an extended mine life. This revised strategy would also look to incorporate a manageable marketing and funding plan. Despite the proposed lower output Makhado would still look to deliver positive returns for shareholders. A detailed report on the revised strategy for Makhado is due to be reviewed by CoAL’s Board in September 2017.

CoAL remains committed to the sustainable development of the Makhado Project, 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.

CoAL continues to monitor the process of ownership for certain surface rights on which the project will be constructed.

Mooiplaats Thermal Coal Colliery – Ermelo Coalfield (74% owned)

The Mooiplaats Colliery remained on care and maintenance throughout the Quarter. No LTIs were recorded during the period (FY2017 Q3: nil).

CoAL continues to be committed to delivering a successful sale of the Mooiplaats Colliery as soon as possible and a number of interested parties remain at various different stages of financial assessment and completion of the due diligence process.

Vele Coking and Thermal Coal Colliery – Limpopo (Tuli) Coalfield (100% owned)

The Vele Colliery remained on care and maintenance throughout the Quarter. No LTIs were recorded during the Quarter (FY2017 Q3: nil).

CoAL awaits the granting of an IWUL by the DWS, which is the final approval required to complete the regulatory approvals process for the stream diversion in respect of the Plant Modification Project. Once all regulatory approvals are in place, the Company will be in a position to consider current market pricing and off-take agreements to conclude on an investment decision favourable to the Company.

Greater Soutpansberg Project (MbeuYashu) (74% owned)

The MbeuYashu Project recorded no LTIs (FY2017 Q3: nil) during the period.

No further developments to report during the Quarter.

IDC Loan

During the Quarter, the Company completed its first drawdown of R120 million (US\$ 9.2 million) of the loan agreement with the IDC and Baobab for the Makhado Project. The loan's proceeds are being used to advance the operations and implementation of the Makhado Project.

The loan funding is subject to the following conditions:

- The IDC advancing to Baobab in two equal tranches (first tranche completed) of R120 million (US\$9.2million) upon written request from Baobab;
- Each Tranche having a three-year repayment period and accruing interest at a real after-tax rate of 16% per annum;
- Subject to the provisions of the Loan Agreement, CoAL standing surety for Baobab's obligations to ensure repayment of the loan amount in instances in which Baobab defaults on such payments;
- CoAL issuing to IDC warrants (in respect of CoAL shares) pursuant to each advance date as soon as the relevant shareholder approval for the issue has been received. The warrants relating to the first drawdown will be issued in due course. Approximately 48 million warrants are to be issued at South African 0.60 cents per share;
- Baobab and CoAL providing the IDC with warranties, representations and undertakings which are customary in a loan funding agreement of this nature;
- IDC having the right to appoint one director to the Baobab board and to be a member of the Makhado Project steering committee during the loan repayment period; and,
- Upon each advance date, Baobab issuing new ordinary shares in Baobab to the IDC, equivalent to 5% of the entire issued share capital of Baobab at such time. CoAL's shareholding in Baobab will be diluted accordingly. Notwithstanding such dilution, CoAL will retain a majority shareholding in Baobab of not less than 64%.

The 5% of Baobab's shares for the first tranche have been issued and the shareholding is now as follows:

- CoAL 69%;
- Makhado Colliery Development Trust 20%;
- Yoright Investments Proprietary Limited 6%; and,
- IDC 5%.

Corporate

CoAL has continued to restructure its balance sheet and ensure that it is well positioned to unlock shareholder value in the near-term from its flagship Makhado Project. As part of this restructuring, the Company has recognised the limited cash flow to be generated during Makhado's pre-production phase over the next two years. The acquisition of the Uitkomst Colliery therefore represented a highly compelling and attractive value proposition that CoAL believes will provide immediate cash flows to support the Company as it continues to progress with the development of the Makhado Project. In addition the Company will continue to progress the sale of the Mooiplaats Colliery which will bolster the Company's balance sheet with the sale proceeds but equally important, it will also reduce CoAL's annual overheads. The Company is still reviewing prospects for the acquisition of a second cash generator which will represent another step in the process of becoming self-sufficient.

CoAL also received confirmation that Fifth Season Proprietary Limited is in the process of funding its full and final settlement of the outstanding balance to the Company which is subject to completion of certain conditions precedent, regarding the disposal of the previously announced Opgoedehoop Mining Right. The Company continues to interact around the outstanding balance and is hopeful that it will be received in due course. The capital balance outstanding is approximately R15million, including VAT, but excluding accrued interest.

Markets

The hard coking price has reflected short term supply constraints owing to disruptions caused by weather and infrastructure problems. The current price movement underpins the tightness of world supply and, as such, is positive for longer term pricing. Thermal coal prices have also reflected more positive fundamentals in the short term.

David Brown, CEO commented:

"I am pleased to report on an extremely positive Quarter for CoAL as it transitioned into a coal producer following the successful conclusion of the acquisition of the cash generating asset, the Uitkomst Colliery. This

acquisition was achieved alongside the Company completing its first drawdown of the IDC loan and importantly, the final legacy payment to Rio Tinto.

“Going forward, CoAL will remain focused on the sale of the Mooiplaats Colliery, in conjunction with progressing the revised development strategy for the Company’s flagship asset, the Makhado Coking Coal Project, which will deliver positive returns for shareholders in the near-term.”

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 producing Uitkomst Colliery (thermal coal), the Vele Colliery (coking and thermal coal), the Greater Soutpansberg Project /MbeuYashu, including CoAL’s flagship 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%	
	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%			

Project Name	Tenement Number	Location	Interest	Change in quarter
	Sandstone Edge 658 MS- Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS-- Sutherland 693 MS- Remaining Extent & Portion 1 of Varkfontein 671 MS-- Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS- Vleifontein 691 MS- Ptn 3, 4, 5 & 6 of Waterpoort 695 MS-- Wildebeesthoek 661 MS- Woodlands 701 MS-		74% 74% 74% 74% 74% 74% 74% 74% 74%	
Kanowna West and Kalbara	M27/41 M27/47 M27/59 M27/72,27/73 M27/114 M27/181 M27/414,27/415 M27/493 M27/494,27/495 P27/1826-1829	Coolgardie^	3.81% 3.81% 3.81% 3.81% 7.89% 3.81% 3.89% 7.89% 3.81%	
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty	
Kookynie Royalty	ML40/061 ML40/135,136	Leonora^	Royalty Royalty	
Makhado Project	Fripp 645 MS Lukin 643 MS Mutamba 668 MS Salaita 188 MT Tanga 849 MS Daru 848 MS Windhoek 847 MS	Limpopo~	100%# 100%# 100%# 100%# 100%# 100%# 100%#	
Generaal Project	Beck 568 MS-- Bekaf 650 MS- Remaining Extent & Portion 1 of Boas 642 MS- Chase 576 MS- Coen Britz 646 MS- Fanie 578 MS- Portions 1, 2 and Remaining Extent of Generaal	Limpopo~	74% 74% 74% 74% 74% 74%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	587 MS-			
	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%	
	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,		74%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	40, 41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815 MS			
	Remaining Extent of Verdun 535 MS-		74%	
	Voorburg 503 MS--		100%	
Mooiplaats Colliery and prospects	Portions 1, 9,14,17,18,19,20 & Remaining Extent of Mooiplaats 290 IT	Mpumalanga~	74%	
	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	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100%	
	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%	
	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%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	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%	
	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

