



ANNOUNCEMENT

2 October 2017

SALE OF THE MOOIPLAATS COLLIERY

Shareholders are advised that on 29 September 2017 Coal of Africa Limited ("**CoAL**" or the "**Company**") and its wholly owned subsidiary, GVM Metals Administration (South Africa) Proprietary Limited (collectively the "**CoAL Group**"), as well as its Black Economic Empowerment partner Ferret Mining & Environmental Services Proprietary Limited ("**Ferret**") entered into a sale of shares and claims agreement ("**the Agreement**") with Mooiplaats Coal Holdings Proprietary Limited ("**MCH**") and Mooiplaats Mining Limited ("**Mooiplaats**"). In terms of the Agreement, CoAL and Ferret will dispose of 100% of their shares in Mooiplaats and the CoAL Group will dispose of their respective claims against Mooiplaats and Langcarel Proprietary Limited ("**Langcarel**") ("**the Transaction**"), the owner of the Mooiplaats thermal coal colliery ("**Mooiplaats Colliery**") and a wholly owned subsidiary of Mooiplaats.

The shares and claims in Mooiplaats will be sold to MCH, a consortium of investors, for an aggregate purchase price of R179.9 million (the "**Purchase Price**"). MCH members comprise young black professionals, future Mooiplaats Colliery employees, communities, To The Point Growth Specialists Proprietary Limited and experienced coal mining executives, including Don Turvey. The consortium is funded by the newly established Last Mile Fund created by Africa Rainbow Capital, Bernard Swanepoel, Sipho Nkosi and Clinton Halsey, and MCH's structure is compliant with the proposed requirements of the currently suspended third version of the South African Mining Charter.

Rationale for the Transaction

In delivering on the Company's strategy of restructuring its balance sheet and unlocking shareholder value, CoAL embarked on a formal sale process for the Mooiplaats Colliery during 2013. This Transaction concludes the process and the proceeds of the Purchase Price received by the CoAL Group will support the Company's project pipeline, ensuring it is well positioned to deliver on its flagship Makhado Project.

Background to Mooiplaats

The Mooiplaats Colliery is a thermal coal colliery situated in the Ermelo coal fields, adjacent to the re-commissioned Camden Power Station operated by state power utility Eskom. The underground Mooiplaats Colliery was developed by CoAL from an abandoned box-cut in early 2008 with the first coal extracted in Q3 CY2009. Mining was undertaken by a contract miner until June 2011 and, following an operational assessment, CoAL retained the existing workforce and equipment and commenced operating the mine. The reduction in global thermal coal prices from 2013 and rapidly increasing logistics costs resulted in the Mooiplaats Colliery being placed under care and maintenance in October 2013, and this status continues to present day.

Terms of the Transaction

Under the terms of the various agreements governing the Transaction, the Purchase Price is to be settled as follows:

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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

- An initial purchase price of R67.0 million ("**Initial Purchase Price**") shall be held in Escrow by the Company's legal advisors and be paid over to the respective sellers in the agreed proportions set out below on the Closing Date as contemplated in the Agreement, being the later of:
 - i. 1 November 2017; and
 - ii. The second business day immediately following the day on which the last of the conditions precedent to the Agreement are fulfilled or waived (the "**Closing Date**").
- The Initial Purchase Price will be settled in cash as follows:
 - R15.0 million to Ferret for their 26% interest in the Mooiplaats Colliery shareholding; and
 - R52.0 million to the CoAL Group for the balance of equity shareholding in Mooiplaats, and the claims against Mooiplaats and Langcarel.
- The balance of the Purchase Price, being R112.9 million, will be settled in ten equal quarterly instalments (the "**Deferred Payments**"). The first Deferred Payment is anticipated to be due and payable on the last business day nine months after the Closing Date.

The Purchaser will acquire ownership of (and all risk in and benefit to) the shares in Mooiplaats, and Claims against Mooiplaats and Langcarel, with effect from the Closing Date and, will be responsible for operations at the Mooiplaats Colliery from this date. As security for the Deferred Payments, and as a condition precedent to the Agreement, the parties will enter into various security agreements and bond documents which include, without limitation, a pledge and cession agreement whereby, as security for, *inter alia*, the Deferred Payments, each of MCH, Mooiplaats and Langcarel will pledge their respective shares and cede their rights in their respective shares and claims, and each of Langcarel and Mooiplaats will guarantee, *inter alia*, the payment by MCH of the Deferred Payments. Further, a special notarial bond will be registered in respect of specific assets of Langcarel as well as a general notarial bond over the remaining assets of Mooiplaats and Langcarel assets.

Conditions Precedent

The implementation of the Transaction is conditional on the fulfilment or waiver (to the extent permitted in the Agreement) of various conditions precedent, which are customary for a transaction of this nature and includes, *inter alia*:

- MCH replacing the Mooiplaats Colliery rehabilitation guarantees (the "**Guarantee**") in a form satisfactory to the CoAL Group, and procuring the unconditional and irrevocable release of the Guarantee from the Department of Mineral Resources;
- MCH replacing the Mooiplaats Colliery's Eskom Guarantee, and procuring the unconditional and irrevocable release of this guarantee by Eskom in a form satisfactory to the CoAL Group;
- the registration of a special notarial bond over specific assets of Langcarel and a general notarial bond with the relevant Deeds Office over the remaining Langcarel assets;
- the entering into pledge and cession agreements, as well as various security agreements, regulating the enforcement of the securities contained under the security agreements, in respect of which the Deferred Payments are secured;
- obtaining Takeover Regulation Panel approval or exemption for the Transaction; and
- entering into an agreement with Anker Mineral Coal Holdings South Africa Proprietary Limited ("**Anker**") regulating, amongst others, the abandonment by Anker of its prospecting right over Portion 2 of the farm Klipbank and the incorporation of this area into the Mooiplaats Colliery New Order Mining Right.

David Brown, Chief Executive Officer of CoAL, commented:

"The sale of the Mooiplaats Colliery is the final step in the Company's balance sheet restructuring strategy setting the course for CoAL to become a self-sufficient mid-tier coal mining company. The disposal will yield annual operational cost savings of approximately \$1.4 million and the aggregate proceeds of approximately R179.9 million will be used to settle Ferret, our Mooiplaats Black Economic Empowerment partner, funding for further development of the flagship Makhado Project or the potential acquisition of a cash generating asset. The sale also frees up valuable in-house human resources, facilitating additional focus on Makhado, ensuring the asset can be brought to production optimally."

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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).

This announcement is inside information for the purposes of article 7 of EU Regulation 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 MCH 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's 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 MCH 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.