



## ANNOUNCEMENT

14 March 2016

### RESULTS FOR THE 6 MONTHS ENDING DECEMBER 2015

Coal of Africa Limited ("CoAL" or the "Company") is pleased to provide its Interim Financial Statements for the six month period ending December 2015. The full report is available on the Company's website: [www.coalofafrica.com](http://www.coalofafrica.com).

#### Highlights

- No fatalities during the period under review
- Universal CoAL transaction announced
- Regulatory progress on both Vele Colliery and Makhado Project
- Makhado Project funding process underway

#### Review of Operations

##### ***Vele Colliery - Limpopo (Tuli) Coalfield (100% owned)***

The Vele coking and thermal coal colliery ("Vele Colliery") recorded no LTIs during the period.

The original Vele Colliery Integrated Water Usage Licence ("IWUL"), valid until March 2016, has been renewed for a further 20 years, and also amended in line with the requirements for the Plant Modification Project (PMP) at the Colliery.

During H2 2015, the Company commenced a process to obtain approval relating to a non-perennial stream diversion. This decision is anticipated in H2 2016. Once this regulatory approval in respect of the Colliery has been received, a decision to proceed or not with the PMP will be placed before the board, which will include an assessment of forecast coal prices.

##### ***Makhado Coking Coal Project (74% owned)***

As required under South African mining legislation, a minimum 26% black economic empowerment ("BEE") shareholding is required for mining and exploration projects. CoAL had signed a Memorandum of Agreement to enable a Broad Based Black Economic Empowerment consortium comprising seven local communities to acquire a 20% interest in the Makhado Project and during the period the Company continued the process of

identifying suitable BEE shareholders to acquire a further 6% interest in the project. These transactions have been formalised and will ensure that the Makhado Project has the requisite ownership structure.

Subject to the funding being acquired and all regulatory issues resolved, Makhado's 26-month construction activities are expected to begin during late H2 CY2016, with a further four month ramp-up phase resulting in forecast production of 5.5 million tonnes per annum ("Mtpa") of saleable product. During Q2 FY2016 the optimisation study and The Front-End Engineering Design ("FEED") was awarded to the international engineering and project delivery group DRA. The study follows on the original works performed by DRA during the Definitive Feasibility Study completed in 2013 and includes the infrastructure components of the project, and also the integration of the work of a number of specialist consultants. This FEED work is expected to be completed during May 2016.

The Company has officially been granted an IWUL for a period of 20 years concluding all regulatory approvals for the Makhado Project. The award of the IWUL for Makhado further signifies government's commitment to the Company's flagship project, and its potential to foster socio economic transformation.

An interim court interdict seeking to halt any mining or construction activity was issued against the Makhado Project during Q2 FY2014. The matter was heard in the North Gauteng High Court on 3 December 2015 with judgement handed down on Tuesday 8 December 2015 on two matters. The first relates to the condition to compel CoAL to conduct a Strategic Regional Impact Assessment and secondly a review of the Environmental Authorisation. The condition compelling CoAL to conduct a Strategic Regional Impact Assessment has been set aside. The interim interdict against the Environmental Authorisation remains in place pending the review of the authorisation.

CoAL does not anticipate at this time that the process will affect Makhado's progress.

#### ***Greater Soutpansberg Project (MbeuYashu) (74% owned)***

The MbeuYashu Project recorded no LTIs during the period.

#### ***Mooiplaats Colliery - Ermelo Coalfield (74% owned)***

The Mooiplaats thermal coal colliery was placed on care and maintenance during the September 2013 quarter and recorded no LTIs during the period (FY2016 Q1: nil).

During the quarter the Company continued discussions with potential purchasers and is assessing options regarding a transaction at the colliery.

#### ***Corporate***

#### **Baobab Mining and Exploration (Proprietary) Limited ("Baobab")**

During the period the Company entered into a non-binding Memorandum of Understanding (“MOU”) with Qingdao Hengshun Zhongsheng Group Co Ltd (“Hengshun”) with respect to a proposed equity investment in Baobab, a subsidiary of CoAL. Baobab is the legal owner of the mining right for the Makhado Project. Hengshun is an industrial conglomerate incorporated in Qingdao, Shandong Province, China and listed on the Shenzhen Stock Exchange.

The current MOU includes the following commercial considerations:

- 1) Hengshun proposes to acquire up to 34% of Baobab at a mutually agreed consideration. The preliminary terms of negotiation between both parties are based on an indicative cash acquisition price of approximately \$113.94 million which implies a Makhado Project value of at least \$335 million. The final transaction valuation would be subject to both parties' negotiation, a valuation report issued by an internationally reputable accounting firm and the conclusion of a formal subscription and sale agreement between both parties.
- 2) The proposed equity investment is subject to an Engineering, Procurement and Construction contract ("EPC") being awarded to Hengshun. The value of the EPC contract is approximately \$400 million, but will be confirmed by the completion of a FEED which will be completed in H1 CY 2016.
- 3) The equity investment is subject to a formal due diligence process as well as approval of the transaction from both the CoAL and Hengshun boards of directors.
- 4) The 34% equity investment will entitle Hengshun to nominate a to be agreed number of directors to the board of Baobab, but the effective management of Baobab and operatorship of the Makhado project will remain the responsibility of CoAL.
- 5) A debt package may also be provided by Hengshun on commercial arm's length terms.
- 6) Hengshun has the right to match any alternative proposals for the provision of the mining contract.
- 7) The MOU is a non-binding document which is also subject to CoAL shareholder and any other necessary regulatory approvals.

### **Universal Coal Plc (“Universal”)**

In November 2015 the Company announced the terms of a recommended offer to be made by CoAL for the acquisition of Universal Coal Plc (“Universal”). The Company had previously communicated its intention to acquire a cash generating project to boost the Company cash flow during the construction of the Makhado Project. The Universal transaction has been identified as a value enhancing investment and will provide the enlarged group with immediate coal production and cash flow as well as a diversified portfolio of production,

development and exploration projects with expected synergies to the existing CoAL business. Successful completion of the Offer will create a balanced and focused South African coal miner.

### **Yishun Brightrise Investment PTE Limited (“Yishun”)**

In September 2015, Yishun subscribed for 183,231,261 shares in Coal for GBP9,4(\$14.5 million). The Company and Yishun have also entered into a Loan Agreement in terms of which Yishun has agreed to lend the Company \$10 million. The loan bears no interest and is repayable in certain circumstances.

### **Financial review**

The loss for the six months under review was \$14.3 million, or 0.76 cents per share compared to a loss of \$0.8 million, or 0.07 cents per share for the prior corresponding period.

The loss for the period under review of \$14.3 million (H1 2014: \$0.8 million) includes:

- net foreign exchange loss of \$9.4 million (2014: profit of \$14.3 million) arising from the translation of inter-group loan balances, borrowings and cash due to changes in the ZAR:USD and AUD:USD exchange rates during the period;
- employee benefit expense of \$2.0 million (2014 expense: \$2.5 million) due to the issue of share options
- other expenses of \$3.2 million (2014: \$10.8 million) was lower due to exceptional expenses incurred in the prior period for the liquidation of EVOG and Greenstone which resulted in a \$3.7 million write-off of loans due to CoAL and penalties incurred of \$0.6 million for the EnviCoal legal case;
- depreciation of \$0.2 million (2014: \$0.3 million) and amortisation of \$0.4 million (2014: \$0.5 million).

As at 31 December 2015, the Company had cash and cash equivalents of \$30.0 million compared to cash and cash equivalents of \$17.8 million at 30 June 2015.

### **Authorised and issued share capital**

CoAL had 1,927,001,328 fully paid ordinary shares in issue as at 31 December 2015. The holders of ordinary shares are entitled to one vote per share and are entitled to receive dividends when declared.

### **Dividends**

No dividends were declared or paid during the six months.

### **Highlights and events after the reporting period**

Regulatory Progress

In January 2016, the IWUL for Vele Colliery in the Limpopo Province was renewed for a further twenty years and the IWUL for the Makhado Projected was granted for a period of 20 years.

#### Transaction Progress

In relation to the Company's offer for Universal, the terms of the offer was varied to extend the offer period to 15 April 2016. On 3 March 2016, at the general meeting of CoAL shareholders, the necessary resolutions approving the acquisition of Universal were passed. In addition, as at 3 March 2016, acceptances of the offer from Universal Shareholders (including Universal CDI Holders) representing 269,570,685 Universal Shares, equating to approximately 53.20% of the total number of Universal Shares in issue were received, satisfying the condition to the offer set out in paragraph 1(a) of Part A of Appendix VI of the Offer Document.

On 3 March 2016, at the general meeting of CoAL shareholders, the necessary resolutions were passed approving the acquisition of Universal. The transaction is expected to close on 15 April 2016.

#### Rio Tinto Progress

On 3 March 2016, CoAL and its subsidiary company MbeuYashu Proprietary Limited ("MbeuYashu") received a notice from Rio Tinto Minerals Development Limited ("Rio Tinto") and Kwezi Mining Proprietary Limited, alleging that CoAL is in breach of an obligation under the agreements pursuant to which MbeuYashu acquired interests in Chapudi Coal Proprietary Limited and Kwezi Mining Exploration Proprietary Limited and therefore all amounts owed by CoAL and MbeuYashu are now due for payment.

CoAL is in the process of challenging the validity of the notice and intends to defend its position vigorously. The original amount owed by CoAL and MbeuYashu was \$75 million. Currently a total of \$19 million is owing and CoAL and MbeuYashu have met and are meeting all their payment obligations, with final settlement to be made on 15 June 2017

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#### For more information contact:

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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).

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**Coal of Africa (CoAL) invites you to the simultaneous webcast and conference call for the half year ended 31 December 2015.**

Date: Monday, 14 March 2016

Time: 10:00 (CAT)

The webcast and conference call will be accessible at <http://themediiframe.eu/links/coalofafrica160314.html> or CoAL's website at [www.coalofafrica.com](http://www.coalofafrica.com).

#### Live Call Access Numbers For Participants

Country	Access Number
Other Countries - International	+27 11 535 3600
Other Countries - International	+27 10 201 6800
South Africa - Johannesburg Neotel	011 535 3600
South Africa - Johannesburg Telkom	010 201 6800
South Africa - Toll-Free	0 800 200 648
UK - Toll-Free	0808 162 4061
USA and Canada - Toll Free	1 855 481 5362

View this invitation online at [www.coalofafrica.com](http://www.coalofafrica.com)

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