



ANNOUNCEMENT

4 May 2016

Soutpansberg Deferred Consideration amendment agreement signed

Coal of Africa Limited (the “Company“ or “CoAL”) is pleased to announce that it has successfully concluded the mediation process and reached an agreement (the “Amendment Agreement”) with Rio Tinto Minerals Development Limited (“Rio Tinto”) and Kwezi Mining Proprietary Limited (“Kwezi”, together with Rio Tinto, “the Sellers”) regarding the deferred consideration payable by CoAL’s subsidiary, MbeuYashu Proprietary Limited (“MbeuYashu”), to the Sellers in connection with its acquisition of the Chapudi Coal assets (part of the Greater Soutpansberg Project, “GSP Project”).

During 2012, CoAL acquired the shares and shareholders claims held by the Sellers in both Chapudi Coal Proprietary Limited (“Chapudi”) and Kwezi Mining and Exploration Proprietary Limited (“KME”). Chapudi and KME held the prospecting rights for the GSP Project and related exploration properties in South Africa’s Soutpansberg coalfield in the province of Limpopo (collectively, the “Chapudi Coal Assets”). The full acquisition price for the shares and shareholders claims in Chapudi and KME was US\$75 million of which US\$30 million was to be settled by way of deferred consideration payments. To date, CoAL has settled approximately US\$11.2 million of the deferred consideration.

During March 2016, that Company and its subsidiary company, MbeuYashu received a notice from Rio Tinto and Kwezi declaring the Deferred Consideration (Announcement 8 March 2016) and ancillary amounts to be due and payable (the “Allegation”). The Company and MbeuYashu disputed the Allegation.

In connection with the foregoing dispute, the Parties entered into a mediation process and as a result, have agreed to settle their dispute by further amending the terms that regulate the payment of the Deferred Consideration (plus Accrued Interest and Costs) still due and owing to the Rio Tinto and Kwezi.

Salient features contained in the Amendment Agreement include:

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ZA: South Block, Summercon Office Park, Cnr Rockery Lane and Sunset Avenue, Lonehill, 2191, Tel: +27 10 003 8000 Fax: +27 11 388 8333 Email: adminza@coalofafrica.com

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

- Amendment of the minimum monthly payments from US\$100,000 to US\$650,000.
- US\$1,000,000 payable on the 15th of May 2016 and US\$2,000,000 payable on the 15th of September 2016.
- Full and final settlement of the outstanding purchase price plus all accrued interest remains 15 June 2017.
- Interest accrued on the outstanding balance remains at 4% per annum, and
- Certain mandatory payments have been stipulated in the Amendment Agreement, subject to the successful completion of the sale of assets and of equity not associated with the proposed Universal Coal Plc transaction
- The Amendment Agreement allows the Company to pursue its proposed business objectives

Together with the Amendment Agreement, the security documents entered into with the Sellers pursuant to which CoAL has granted security in the form of a first ranking pledge over the shares held by CoAL in MbeuYashu, the holding company of Chapudi and KME. CoAL is the effective owner of 74% of the shares in Chapudi and KME. To date, an amount of US\$18.8 million remains owing by CoAL to Rio Tinto and Kwezi.

David Brown, Chief Executive Officer of CoAL, commented: “This was the last of the historic liability issues and this agreement provides certainty of outcome as well as providing CoAL with flexibility. I would like to thank all parties for their co-operation in realising a solution”.

Authorised by

David Brown

Chief Executive Officer

4 May 2016

For more information contact:

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Matthew Armit/Ross Allister	Nominated Adviser and Broker	Peel Hunt LLP	+44 20 7418 8900
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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).
