



## **ANNOUNCEMENT**

**18 May 2015**

### **Mining Right granted for the Makhado Project**

Coal of Africa Limited (“CoAL” or “the Company”) is pleased to announce the granting by the South African Department of Mineral Resources (“DMR”) of a New Order Mining Right (“NOMR”) in terms of the Mineral and Petroleum Resources Development Act (Act 28 of 2002) for its flagship Makhado hard coking and thermal coal project in Limpopo Province. The DMR also granted the Section 11 approval transferring the right from CoAL to its wholly owned subsidiary Baobab Mining & Exploration (Pty) Ltd (“Baobab”), which will be the project development company.

CoAL completed a Class II Definitive Feasibility Study on the Makhado Project (“Makhado” or the “Project”) during 2013 and anticipates developing the colliery to produce 2.3 million tonnes per annum (“Mtpa”) of hard coking coal and a further 3.2 Mtpa of thermal coal over a 16 year life of mine. The project can produce hard coking coal that has been benchmarked by independent consultants. Tests confirmed that the coal can be successfully beneficiated to produce high strength coke for the steel manufacturing industry.

Following the granting of the Section 11 approval, the Makhado Colliery Community Development Trust (the “Trust”) representing seven local communities living in the vicinity of the project will acquire a 20% interest in Baobab. A further 6% interest in Baobab has been acquired by Yoright Investments (Pty) Ltd (“Yoright”) formed by black entrepreneur Mike Nkuna whose shareholder grouping will include other Historically Disadvantaged South Africans. The Trust and Yoright have two years to raise sufficient funding to acquire their interests in Baobab with the final amount payable subject to due diligence which will be negotiated with the Company. The completion of the acquisition transactions will result in the Trust owning 20%, Yoright 6% and CoAL 74% of Baobab.

The Company has initiated discussions with potential customers following the granting of the NOMR, which is a critical step in the process to secure off take agreements for the coal products. The granting of the NOMR is also an important step towards sourcing the funding required to develop the Makhado Project, where construction is expected to begin in H1 CY2016. CoAL anticipates that construction will take 26 months with a further four month ramp-up phase by which time the project will produce 5.5 Mtpa of saleable product.

**AU:** Coal of Africa Limited, Suite 8, 7 The Esplanade, Mount Pleasant, Perth WA 6153, Australia, **Tel:** +61 8 9316 9100, **Fax:** +61 8 9316 5475

**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,  
Non-executive directors: Peter G. Cordin, Andrew D. Miffin, Khomotso B. Mosehla, Thabo F. Mosololi, Rudolph H. Torlage

**David Brown, Chief Executive Officer of CoAL, commented:**

"The granting of the mining right is a significant milestone for CoAL as it allows the Company to proceed towards developing Makhado, its flagship project. It is an important vote of confidence in the economic potential of the Project, not only for the region, but also for the Limpopo province. As soon as development starts at Makhado a meaningful contribution will be made to the growth and development goals of the province, improving the socio-economic environment of the communities in the area of operation. CoAL looks forward to a successful working relationship with its partners in the area.

"Makhado's capacity to produce hard coking and thermal coal alongside its close proximity to underutilised rail infrastructure ensures its role as a potential domestic and/or export supplier. The level of production from the Project has the potential to stimulate domestic industrialisation once it reaches full capacity. CoAL awaits the approval of the Integrated Water Use Licence from the Department of Water and Sanitation, and will continue to engage with the Department in this regard."

Authorised by

**David Brown**

Chief Executive Officer

18 May 2015

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**For more information contact:**

David Brown	Chief Executive Officer	Coal of Africa	+27 10 003 8000
Celeste Riekert	Investor Relations	Coal of Africa	+27 10 003 8000
Tony Bevan	Company Secretary	Endeavour Corporate Services	+61 08 9316 9100

**Company advisors:**

Jos Simson/Emily Fenton	Financial PR (United Kingdom)	Tavistock	+44 20 7920 3150
Chris Sim/George Price/Jeremy Ellis	Nominated Adviser	Investec Bank plc	+44 20 7597 5970
Charmane Russell/Jane Kamau	Financial PR (South Africa)	Russell & Associates	+27 11 880 3924 or +27 82 372 5816

Investec Bank Limited is the nominated JSE Sponsor

**About CoAL:**

CoAL is an AIM/ASX/JSE listed coal exploration and development company operating in South Africa. CoAL's key projects include the Vele Colliery (coking and thermal coal), Makhado Project (coking and thermal coal) and the Greater Soutpansberg Project /MbeuYashu.