



ANNOUNCEMENT

5 August 2015

GBP£9.4 million equity investment and US\$10 million loan

Coal of Africa Limited (“CoAL” or “the Company”) is pleased to announce that it has entered into a Subscription Agreement and a Loan Agreement with Singapore registered Yishun Brightrise Investment PTE Limited (“Yishun”). Yishun is a private investment company with a focus on mineral investments and has interests in coal and nickel in both China and Indonesia and will via this transaction expand its investments into Africa.

Under the Subscription Agreement, Yishun has agreed to acquire up to 183,231,261 ordinary shares (approximately 9.5% of the issued share capital of the Company) in the Company (the “Subscription Shares”) at a price of 5.15 British pence per share, equal to the volume weighted average price of CoAL shares for the 30 days up to 17 July 2015, making an aggregate subscription amount of GBP£9.4 million (approximately US\$14.7 million) which is currently held in escrow. The Subscription Agreement is conditional upon, amongst others, CoAL shareholder approval. The Company expects to hold an Extraordinary General Meeting (“EGM”) within 60 days of this announcement at which shareholder approval for the issue of the Subscription Shares will be sought. A circular convening the EGM will be sent to shareholders in due course.

The subscription proceeds will be used to finance pre-construction costs at the Makhado coking and thermal coal project (“Makhado Project” or the “Project”) and for general working capital.

Yishun has also expressed an intention to acquire a strategic interest in the Makhado Project and the parties have agreed to enter into discussions in due course. The package being discussed includes an equity investment in the Makhado Project, the provision of a shareholder loan on commercial terms providing the debt required for the development of the colliery and, the award of the Makhado Project engineering, procurement and construction (“EPC”) contract on commercial terms.

In connection with these matters, CoAL and Yishun have also entered into a Loan Agreement pursuant to which Yishun has agreed to lend CoAL US\$10 million (approximately GBP£6.4 million), conditional upon the Company’s shareholders approving the issue of the Subscription Shares. The loan will bear no interest and is only repayable if:

- Yishun has not received the Subscription Shares by the date which is five business days after the 90th day (or a later date as agreed) after the Subscription Agreement was signed;

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Bernard R. Pryor – Chairman, David H. Brown – Chief Executive Officer, De Wet O. Schutte – Chief Financial Officer Non-executive directors: Peter G. Cordin, Andrew D. Mifflin, Khomotso B. Mosehla, Thabo F. Mosololi, Rudolph H. Torlage

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- an unrelated third party makes an equity investment in the Makhado Project on or prior to 30 June 2016;
- on or prior to 30 June 2016, CoAL or Baobab Mining & Exploration (Pty) Ltd (“Baobab”), the Company’s subsidiary that owns the Makhado Project, decides not to proceed with the sale of an equity interest in Baobab, to Yishun or its associates;
- on or prior to 30 June 2016, Baobab or CoAL is put into administration, liquidation or similar proceedings are commenced;
- on or prior to 30 June 2016, Baobab ceases to be the holder of the New Order Mining Right for the Makhado Project or the Makhado Project is prohibited from being mined as a result of a permanent regulatory prohibition; or
- on or prior to 30 June 2016, CoAL or Baobab enters into an agreement to sell to Yishun (or its designate, acceptable to CoAL) an equity stake in Baobab and, CoAL or Baobab decides to not fulfil the conditions precedent contained therein requiring:
 - the entering into of the Makhado Project EPC contract on commercial terms; and/or
 - the entering into of an agreement in terms of which Yishun (or its designate, acceptable to CoAL) provides a shareholder loan on commercial terms providing the debt required for the development of the Makhado Project.

Commenting today, Mr David Brown, Chief Executive Officer said: “Yishun’s investment in CoAL, combined with the US\$10 million loan to the Company represents a significant step forward in the process to identify a strategic partner for our flagship Makhado hard coking and thermal coal project. The Company looks forward to progressing negotiations with Yishun or its related parties in order to further their potential investment in the Project. The CoAL board supports Yishun’s investment and shareholders will be updated as negotiations between the parties progress.

“The Company received the Makhado Project mining right in May 2015 and anticipates that the Integrated Water Use Licence will be granted in due course. The granting of these rights triggers obligations and the funds received from Yishun will be used to settle these liabilities, progress the Makhado Project and for general working capital purposes.”

David Brown
Chief Executive Officer

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).