



ANNOUNCEMENT

30 October 2015

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2015 Potential Strategic Investor in Makhado Identified

Coal of Africa Limited (“CoAL” or “the Company”) which operates in South Africa, together with its subsidiaries, hereby provides its update for the quarter ended 30 September 2015. All figures are denominated in United States dollars unless otherwise stated. A copy of this report is available on the Company's website, www.coalofafrica.com.

Salient Operational Features

- No lost-time injuries (“LTIs”) recorded during the quarter (FY2015 Q4: nil).
- Continued engagements with the Department of Water and Sanitation to progress the application for the Makhado Project Integrated Water Use Licence (“IWUL”), expected to be granted in Q4 CY2015.

Corporate and Financial Features

- The Company entered into a Subscription Agreement and a Loan Agreement with Singapore registered private investment company Yishun Brightrise Investment PTE Limited (“Yishun”).
- CoAL shareholder approval for the issue of 183,231,261 ordinary shares (“Subscription Shares”) to Yishun for 5.15 British pence per share.
- Receipt of GBP£9.4 million (approximately US\$14.7 million) for the Subscription Shares and \$10 million in terms of the Loan Agreement with Yishun.
- Commencement of Yishun’s due diligence process for a potential acquisition of a strategic interest in the Makhado hard coking and thermal coal project (“Makhado Project”).
- Available cash at period end was \$37.2 million and restricted cash of \$1.3 million.

Commenting today, Mr David Brown, Chief Executive Officer said: “The transaction with Yishun is an important milestone in the identification of a strategic investor for the Company’s flagship Makhado Project. Yishun has commenced its due diligence on Makhado and has expressed its intent to acquire an interest in the project, provide the debt required to develop the colliery and, participate in the engineering, procurement and construction contract, all on commercial terms. The investment by Yishun is a vote of confidence in the Makhado Project and ensures CoAL is in a position to commence pre-construction activities once the water

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

use licence has been granted. CoAL has engaged constructively with the Department of Water and Sanitation and anticipates that we will be granted a licence in due course.”

QUARTERLY COMMENTARY

Makhado Coking Coal Project – Soutpansberg Coalfield (100% owned - 74% post BBBEE transaction)

The Makhado Project recorded no LTIs (FY2015 Q4: no LTIs) during the quarter.

Makhado's 26-month construction phase is expected to begin in H2 CY2016 with a further four month ramp-up phase resulting in the production of 5.5 million tonnes per annum (“Mtpa”) of saleable product. During the quarter, consultations continued with possible project funders and potential customers to secure off-take agreements for Makhado's hard coking and thermal coal products.

An interim court interdict seeking to halt any mining or construction activity was issued against the Makhado Project during Q2 FY2015. The Company, as one of the respondents, is preparing to have the interim interdict set aside and the matter is due in Court during November 2015. CoAL does not anticipate that the process will affect Makhado's construction timetable.

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 (FY2015 Q4: no LTIs).

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

Vele Colliery – Limpopo (Tuli) Coalfield (100% owned)

The Vele coking and thermal coal colliery (“Vele Colliery”) recorded no LTIs during the quarter (FY2015 Q4: no LTIs).

The current Vele Colliery IWUL is valid until March 2016 and the Company has delayed the commencement of the plant modification construction pending the approval of the amended IWUL as well as an assessment of forecast global coal prices. The Company previously submitted applications to amend and renew Vele's IWUL and expects these to be granted during H2 CY2015. CoAL does not anticipate any delays as a result of the appeal lodged against the colliery's amended and updated Environmental Authorisation.

Greater Soutpansberg Project (MbeuYashu) (74% owned)

The MbeuYashu Project recorded no LTIs (FY2015 Q4: no LTIs) during the period.

Corporate

During the quarter the Company entered into a Subscription Agreement and a Loan Agreement with Singapore registered Yishun, a private investment company with interests in coal and nickel in both China and Indonesia. In terms of the Subscription Agreement, CoAL shareholders approved the issue the Subscription Shares to Yishun, following which the Company received GBP£9.4 million (approximately US\$14.7 million). The subscription proceeds will be used to finance pre-construction costs at the Makhado Project and for general working capital.

Yishun has also expressed an intention to acquire a strategic interest in the Makhado Project and has commenced with a due diligence process. The potential transactions being discussed include an equity investment in the Makhado Project, the provision of a shareholder loan on commercial terms to provide the debt required to develop the colliery and, the award of the Makhado Project engineering, procurement and construction (“EPC”) contract also on commercial terms.

CoAL and Yishun also entered into a Loan Agreement in terms of which Yishun has lent \$10 million (approximately GBP£6.4 million) to the Company. The loan will bear no interest and is only repayable if:

- 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 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.

Authorised by

David Brown

Chief Executive Officer

For more information contact:

David Brown	Chief Executive Officer	Coal of Africa	+27 10 003 8000
De Wet Schutte	Chief Financial 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
Matthew Armit/Ross Allister	Nominated Adviser	Peel Hunt LLP	+44 20 7418 8900
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, 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).
