



ANNOUNCEMENT

1 December 2015

MOU for Makhado Project

Coal of Africa Limited ("CoAL" or the "Company") is pleased to announce the signing of a non-binding Memorandum of Understanding ("MOU") with Qingdao Hengshun Zhongsheng Group Co Ltd ("Hengshun") with respect to a proposed equity investment in Baobab Mining and Exploration (Pty) ("Baobab") a subsidiary of CoAL. Baobab is the legal owner of the mining rights for the Makhado Project ("Makhado"), a hard coking coal project located in the Soutpansberg Coalfield, 36km north of Makhado town in South Africa's Limpopo province.

Highlights:

- 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 US\$113.94 million which implies a Makhado Project value of at least US\$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 US\$400 million, but will be confirmed by the completion of a Front End Engineering and Design 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 respectively.
- 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.

The transaction terms are expected to be completed in H1 CY 2016.

We refer to the announcement on 21 September 2015 and 30 October 2015 stating that Yishun Brightrise Investment PTE Limited ("Yishun") has expressed an intention to acquire a strategic interest in the Makhado Project as well as the EPC contract. Yishun remain supportive of the Company (as demonstrated by the recent commitment to a further equity subscription) however they were not going to be the acquiring party for the strategic interest in the Makhado project nor entering into the EPC contract.

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

Hengshun is an industrial conglomerate incorporated in Qingdao, Shandong Province, China and listed on the Shenzhen Stock Exchange.

David Brown commented “The MOU and the proposed investment by Hengshun is another step towards bringing the Makhado project into production. Together with the imminent receipt of the Water Use License the formalisation of the MOU into a subscription and sale agreement will greatly assist the Company in completing the outstanding requirements for the Makhado project and commencing the planned construction by H2 CY2016.”

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CEO

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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).
