



## ANNOUNCEMENT

30 April 2014

### REPORT FOR THE QUARTER ENDED 31 MARCH 2014 Completion of key milestones in the repositioning of CoAL

Coal of Africa Limited (“CoAL” or “the Company”) which operates in South Africa, together with its subsidiaries, hereby provides its operational report for the quarter ended 31 March 2014. 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](http://www.coalofafrica.com).

#### Salient Features

- The focus on safety continued during the period with one lost-time injury recorded during the quarter (FY2014 Q2: nil).
- Section 11 approval granted by the Department of Mineral Resources for the sale of the Woestalleen Complex for R80 million (\$7.6 million).
- Approval by the Department of Mineral Resources for the sale of the Opgoedehoop mining right for R20.8 million (\$2 million).
- Appointment of Sedgman as engineer for the front-end engineering and design (“FEED”) process of the Vele Colliery plant modification project.
- Submission of applications for regulatory approvals required for the Vele plant modifications.

#### Corporate and Financial Features

- Signature of a Memorandum of Agreement with seven communities located in the proximity of the Makhado Project, ensuring a broad based BEE structure is in place.
- Disposal of shares in AIM listed Bushveld Mining Limited, realising \$1.8 million.
- Appointment of David Brown as CoAL's Chief Executive Officer and Bernard Pryor as Chairman, effective 1 February 2014.
- AMSA confirms coal quality of Vele's proposed semi-soft coking coal product.
- Available cash at period end of \$8.9 million.

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## **Post period highlights**

- Independent consultants Snowden Group are appointed and commence with a Technical Review of the Vele Colliery plant modification, expected to be completed by the end of H2 FY2014.

Commenting today, Mr David Brown, Chief Executive Officer said: “The regulatory approvals received during the quarter resulted in the satisfying of conditions required for the disposal of the non-core Woestalleen Complex and Opgoedenhooop assets. These disposals are significant milestones in the Company’s strategic turnaround strategy and a portion of the proceeds from the sale will be used to reduce the Investec working capital facility exposure.

The appointment of Sedgman to complete the Vele plant modification FEED is a critical step to ensuring the colliery’s ability to process 2.7 million tonnes of ROM coal annually. The Company has also continued to engage with funders and potential customers. The FEED process is expected to be completed by the end of June 2014 and will enable CoAL to arrive at a class 1 - EPC estimate with construction due to commence during July 2014, subject to the project delivering an acceptable return which will be supported by off-take agreements.”

## **QUARTERLY COMMENTARY**

### **Woestalleen Complex – Witbank Coalfield (100% owned)**

The Woestalleen processing facility recorded one lost time injury (“LTI”) during the quarter (FY2014 Q2: nil LTIs).

During the quarter, the Company received Section 11 approval from the Department of Mineral Resources (“DMR”) for the sale of all of the equity and loan accounts in NuCoal Mining Proprietary Limited (“Woestalleen Complex”) resulting in the sale consideration of R80 million (\$7.6 million) paid to CoAL. The DMR also approved the sale of the undeveloped Opgoedenhooop mining right resulting in the deposit of R5 million (\$0.5 million) becoming payable, with the R15.8 million (\$1.5 million) balance of the purchase price payable within 12 months.

In terms of the interim agreement with the purchaser of the Woestalleen Complex, the Company continued to process third party run of mine (“ROM”) coal on a cost recovery plus margin basis.

### **Mooiplaats Colliery – Ermelo Coalfield (74% owned)**

The Mooiplaats thermal coal colliery (“Mooiplaats”) was placed on care and maintenance during the September 2013 quarter and recorded no LTIs during the period (FY2014 Q2: nil LTIs).

The Mooiplaats disposal process continued during the period and negotiations with prospective purchasers are at an advanced stage. The Company expects to complete a transaction during H2 CY2014.

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

The Vele coking and thermal coal colliery (“Vele Colliery”) recorded no LTIs during the quarter (FY2014 Q2: nil LTIs).

Operations at Vele were previously downscaled pending the start of the construction phase of the plant modifications. The colliery did not produce or process ROM coal during the quarter (FY2014 Q2: 7,068 ROM tonnes) but continued negotiations with long-term off-take customers and, potential project funders.

During the quarter, the Company appointed Sedgman South Africa (“Sedgman”) as engineer for the FEED for the Vele Colliery plant modification project. The FEED process, which commenced during March 2014, is expected to take three months to complete and includes the following processes, all to be executed within the colliery’s current environmental approvals:

- improvements to the existing plant;
- addition of ROM handling, crushing and screening sections;
- de-stoning and sized coal screening plants;
- classifier and a froth flotation plant for the beneficiation of the fines and ultra-fines; and
- product and discard stockpiling and load-out facilities.

The plant modification will result in the simultaneous production of semi-soft coking coal, sized thermal coal for the domestic market and Eskom quality thermal coal and, is expected to be completed during H1 CY2015 followed by a production ramp-up phase.

During the quarter the Company submitted all necessary applications to align the Vele plant modification process with the requirements of Section 24G of the National Environmental Management Act. The Company expects to receive the relevant responses during the June 2014 quarter.

Following successful tests by ArcelorMittal South Africa Limited (“AMSA”) of Vele coal, the Company received a Letter of Intent for the supply of coal in January 2014. Both AMSA and CoAL wish to convert the Lol into a formal off-take agreement dependent on agreement on pricing parameters. Furthermore Eskom, the state power utility, successfully undertook combustion tests on Vele thermal coal and further discussions will be scheduled.

### **Makhado Coking Coal Project – Soutpansberg Coalfield (100% owned)**

The Makhado coking coal project (“Makhado Project”) recorded no LTIs (FY2014 Q2: no LTIs) during the quarter.

During the period the Company submitted the outstanding documents required for the processing of the New Order Mining Right (“NOMR”) and Integrated Water Use Licence applications. In terms of South African mining legislation a minimum 26% Black Economic Empowerment (“BEE”) shareholding is required for mining and exploration projects. During the quarter, the Company signed a Memorandum of Agreement to enable a broad based BEE consortium comprising seven local communities (20%) and future employees (6%) to acquire 26% of the Makhado Project. This initiative will ensure that the project has the requisite corporate structure for the granting of the NOMR.

#### **Greater Soutpansberg Project (MbeuYashu) (74% owned)**

The MbeuYashu Project recorded no LTIs (FY2014 Q2: no LTIs) during the period.

The Company continued the public participation programmes in relation to the Environmental Impact Assessment phase for the Generaal, Chapudi and Mopane projects and the Environmental Management Programmes for the three project areas were finalised and submitted to the DMR during the March 2014 quarter.

#### **Cash Position**

Receipts from coal sales for the three months increased to \$3.5 million (FY2014 Q2: \$1.9 million) as outstanding balances were collected. The scaling down of activities at the Company’s projects resulted in production expenses declining to \$0.5 million (FY2014 Q2: \$3.9 million); \$0.6 million (FY2014 Q2: \$5.3 million) was spent on the Vele Colliery; and \$0.5 million (FY2014 Q2: \$2.4 million) was paid for logistics as a result of Take or Pay obligations at the Matola Terminal in Mozambique. During the quarter the Company increased its restricted cash balance by \$1.2 million (FY2014 Q2: \$nil) with the issue of guarantees to secure power for the Makhado Project and, for the FEED process. During the period the Company received \$7.6 million from the disposal of the Woestalleen Complex while the first tranche of proceeds of \$0.5 million from the sale of Opgoedenhoop was received in the June 2014 quarter.

The estimated June 2014 quarter cash outflows included in the 5B report (attached to this commentary) is expected to be \$2.6 million of which \$0.6 million will be spent on development, which includes costs associated with the detailed design of the Vele plant modification. Estimated production costs of \$0.4 million for the three months relate to net expenses at the Mooiplaats operations, while administration expenses of \$1.5 million will be incurred to cover all other overhead costs. These will all be paid from current cash balances and the proceeds from the sale of non-core assets.

## Strategic and Corporate Update

The Company has made significant progress on the Five Point Turnaround Strategy since its implementation 12 months ago. The Company is currently focused on finalising the following outstanding items in order to complete the Turnaround Strategy and successfully reposition CoAL.

1. *Sale of Non-Core Assets:* Mooiplaats is the only remaining non-core asset available for sale and the Company has been engaged in a formal sales process. The Company is committed to assisting interested parties in the process of completing feasibility studies and application for funding (where applicable) in order to table a successful sale before the end of CY2014.
2. *Arbitration:* The Envicoal arbitration is currently in process and once finalised, will resolve all material legal claims. Further details of the matter are set out in the interim financial report for the period ended 31 December 2013.
3. *Outstanding Liabilities:*
  - Rio Tinto: An amount of \$30million will become payable to Rio Tinto during the course of CY2014. This amount relates to the remainder of the purchase price for the Greater Soutpansberg assets acquired during CY2012. The Company is engaged in negotiations with Rio Tinto in order to reach an agreement on payment terms that is suitable for both parties.
  - Grindrod Take or Pay liability: The Company has negotiated a settlement of the Take or Pay liability for the remaining term of the contract ending end CY2016. In addition the Company has negotiated a port allocation to enable it to export coal when the Vele and Makhado projects are in production.
4. *Vele funding and off-take agreements:* The three month FEED process for the planned plant modification has commenced, due for completion by the end of June 2014, and is scheduled to coincide with the finalisation of the funding as well as off-take agreements for the Vele Colliery.

Authorised by

**David Brown**

Chief Executive Officer

30 April 2014

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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).

## Tenements held by CoAL and its Controlled Entities

Project Name	Tenement Number	Location	Interest	Change in quarter
Chapudi Project*	Albert 686 MS-	Limpopo~	74%	
	Bergwater 712 MS--		74%	
	Remaining Extent and Portion 2 of Bergwater 697 MS--		74%	
	Blackstone Edge 705 MS		74%	
	Remaining Extent & Portion 1 of Bluebell 480 MS-		74%	
	Remaining Extent & Portion 1 of Bushy Rise 702 MS--		74%	
	Castle Koppies 652 MS--		74%	
	Chapudi 752 MS --		74%	
	Remaining Extent, Portions 1, 3 & 4 of Coniston 699 MS--		74%	
	Driehoek 631 MS--		74%	
	Remaining Extent of Dorps-rivier 696 MS--		74%	
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS & Remaining Extent of Grootvlei 684 MS)--		74%	
	Remaining Extent and Portion 1 of Grootboomen 476 MS-		74%	
	Grootvlei 684 MS--		74%	
	Kalkbult 709 MS		74%	
	Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 & 8 of Kliprivier 692 MS-		74%	
	Remaining Extent of Koodoobult 664 MS-		74%	
	Koschade 657 MS (Was Mapani Kop 656 MS)-		74%	
	Malapchani 659 MS-		74%	
	Mapani Ridge 660 MS-		74%	
	Melrose 469 MS-		74%	
	Middelfontein 683 MS-		74%	
	Mountain View 706 MS-		74%	
	M'tamba Vlei 654 MS		74%	
	Remaining Extent & Portion 1 of Pienaar 635 MS-		74%	
	Remaining Extent & Portion 1 of Prince's Hill 704 MS-		74%	
	Qualipan 655 MS-		74%	
	Queensdale 707 MS-		74%	
	Remaining Extent & Portion 1 of Ridge End 662 MS-		74%	
	Remaining Extent & Portion 1 of Rochdale 700 MS-		74%	
	Sandilands 708 MS-		74%	
	Portions 1 & 2 of Sandpan 687 MS--		74%	
	Sandstone Edge 658 MS-		74%	
Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS--	74%			
Sutherland 693 MS-	74%			
Remaining Extent & Portion 1 of Varkfontein 671 MS--	74%			

Project Name	Tenement Number	Location	Interest	Change in quarter
	Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS- Vleifontein 691 MS-		74%	
	Ptn 3, 4, 5 & 6 of Waterpoort 695 MS-- Wildebeesthoek 661 MS-		74%	
	Woodlands 701 MS-		74%	
Kanowna West and Kalbara	M27/41	Coolgardie^	23.68%	
	M27/47		23.68%	
	M27/59		23.68%	
	M27/72,27/73		23.68%	
	M27/114		23.68%	
	M27/181		21.31%	
	M27/196		23.68%	
	M27/414,27/415		23.68%	
	P27/1826-1829		23.68%	
	P27/1830-1842		23.68%	
	P27/1887		23.68%	
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty	
Kookynie Royalty	ML40/061	Leonora^	Royalty	
	ML40/135,136		Royalty	
Holfontein	Remaining extent, Remaining Extent of portions 1, 5 and 11 and portions 4, 6, 9, 10, 12 and 13 of the farm Holfontein 138 IS	Mpumalanga~	100%	
Makhado Project	Fripp 645 MS	Limpopo~	100%	
	Lukin 643 MS		100%	
			100%	
	Remaining Extent and Portion 1 of Overwinning 713 MS			
	Salaita 188 MT		100%	
	Tanga 648 MS		100%	
	Remaining Extent, Portion 1 and Portion 2 of the farm Windhoek 649 MS		100%	
Generaal Project	Beck 568 MS--	Limpopo~	74%	
	Bekaf 650 MS-		74%	
	Remaining Extent & Portion 1 of Boas 642 MS-		74%	
	Chase 576 MS-		74%	
	Coen Britz 646 MS-		74%	
	Fanie 578 MS-		74%	
	Gray 189 MT		100%	
	Portions 1, 2 and Remaining Extent of Generaal 587 MS-		74%	
	Joffre 584 MS-		74%	
	Juliana 647 MS		74%	
	Kleinenberg 636 MS-		74%	
	Remaining Extent of Maseri Pan 520 MS-		74%	
	Remaining Extent and Portion 2 of Mount Stuart 153 MT--		100%	
	Nakab 184 MT--		100%	
	Phantom 640 MS--		74%	
	Riet 182 MT--		100%	
	Rissik 637 MS-		100%	
	Salaita 188 MS-		74%	



Project Name	Tenement Number	Location	Interest	Change in quarter
	Schuitdrift 179 MT-		100%	
	Septimus 156 MT--		100%	
	Solitude 111 MT-		74%	
	Stayt 183 MT--		100%	
	Telema 190 MT		100%	
	Remaining Extent & Portion 1 of Terblanche 155 MT--		100%	
	Van Deventer 641 MS-		74%	
	Wildgoose 577 MS-		74%	
Mopane Project*	Ancaster 501 MS--	Limpopo~	100%	
	Banff 502 MS-		74%	
	Bierman 599 MS-		74%	
	Cavan 508 MS		100%	
	Cohen 591 MS--		100%	
	Remaining Extent, Portions 1 & 2 of Delft 499 MS-		74%	
	Dreyer 526 MS--		74%	
	Remaining Extent of Du Toit 563 MS-		74%	
	Faure 562 MS		74%	
	Remaining Extent and Portion 1 of Goosen 530 MS --		74%	
	Hermanus 533 MS-		74%	
	Jutland 536 MS--		100%	
	Krige 495 MS-		74%	
	Mons 557 MS-		100%	
	Remaining Extent of Otto 560 MS (Now Honeymoon)-		74%	
	Remaining Extent & Portion 1 of Pretorius 531 MS-		74%	
	Schalk 542 MS-		74%	
	Stubbs 558 MS-		100%	
	Ursa Minor 551 MS--		74%	
	Van Heerden 519 MS--		74%	
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815 MS		74%	
	Remaining Extent of Verdun 535 MS-		74%	
	Voorburg 503 MS--		100%	
Mooiplaats	Portions 1, 9,14,17,18,19,20 & Remaining Extent of Mooiplaats 290 IT	Mpumalanga~	74%	
	Portion 2, 3 and Remaining Extent of Klipbank 295 IT		74%	
	Portions 1, 2 and Remaining Extent of Adrianople 296 IT		74%	
	Portions 2 & 3 of Willemsdal 330 IT		74%	
	Portions 2, 3, 4 & Remaining Extent) of De Emigratie 327 IT		74%	
	Remaining Extent and Portions 2, 5, 8,10 & 13 of Buhrmansvallei 297 IT		74%	
	Klipfontein 442 IT		74%	
Vele	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	Bergen Op Zoom 124 MS		100%	
	Semple 155 MS		100%	
	Voorspoed 836 MS		100%	
	Alyth 837 MS		100%	
	Lizzuela 62 MS		100%	
	Patracia 65 MS		100%	
	Hacyon 69 MS		100%	
Klipbank**	Portions 15,16,17 (also known as Mineral area 1) of Klipbank 467 JS	Mpumalanga~	0%	Disposed of as part of the sale of the Woestalleen Complex
	Portions 4 - 27 of Klipbank 467 JS		0%	
	Portion 1 and 2 of the farm Sterkwater 317 JS		0%	
Opgoedenhoop**	Portion 5 of Opgoedenhoop 205 IS	Mpumalanga~	0%	Disposed of during the quarter
Zonnebloem (Vuna)**	Remaining Extent of Portion 2 and Portion 5 of Zonnebloem 396 JS	Mpumalanga~	0%	Disposed of as part of the sale of the Woestalleen Complex
Hartogshoop***	Remaining Extent of the farm Hartogshoop 410 JS	Mpumalanga~	0%	Disposed of as part of the sale of the Woestalleen Complex
Woestalleen**	Remaining Extent of the farm Wostalleen 477 JS	Mpumalanga~	0%	Disposed of as part of the sale of the Woestalleen Complex
	Portion 2 of the farm De Groote Rietpan 479 JS		0%	
	Remaining Extent and Portion 4 Of the farm Noodhulp 474 JS		0%	
			0%	
Tshikunda	Certain portions of Unsurveyed State Land known as Mutale	Limpopo~	60%	
Coal bed methane	Adelaide 91 MT	Limpopo~	50%	
	Adieu 118 MT		50%	
	Alicedale 138 MT		50%	
	Armstice 120 MT		50%	
	Bergwater 697 MS		50%	
	Bergwater 712 MS		50%	
	Blackstone Edge 705 MS		50%	
	Bushy Rise 702 MS		50%	
	Chapudi 752 MS		50%	
	Charlotte 90 MT		50%	
	Chase 576 MS		50%	
	Cross 117 MT		50%	
	Doppie 95 MT		50%	
	Ettie 33 MT		50%	
	Fanie 578 MS		50%	
	Feskraal 85 MT		50%	
	Folorodwe 79 MT		50%	
	Fripp 645 MS		50%	
	Gray 189 MT		50%	
	Hetty 93 MT		50%	
	Jeannette 77 MT		50%	
	Joffre 584 MS		50%	
	Kalkbult 709 MS		50%	
	Laura 115 MT		50%	

Project Name	Tenement Number	Location	Interest	Change in quarter
	Lukin 643 MS		50%	
	Magazasand 123 MT		50%	
	Malapchani 659 MS		50%	
	Mountainview 706 MS		50%	
	Mount Stuart 153 MT		50%	
	Nakab 184 MT		50%	
	Naus 178 MT		50%	
	Neltox 92 MT		50%	
	Phantom 640 MS		50%	
	Prince's Hill 704 MS		50%	
	Queensdale 707 MS		50%	
	Riet 182 MT		50%	
	Rochdale 700 MS		50%	
	Rynie 158 MT		50%	
	Salaita 188 MT		50%	
	Schuitdrift 179 MT		50%	
	Septimus 156 MT		50%	
	Stayt 183 MT		50%	
	Suzette 32 MT		50%	
	Tanga 648 MS		50%	
	Telema 190 MT		50%	
	Terblanche 155 MT		50%	
	Trevenna 119 MT		50%	
	The Duel 186 MT		50%	
	Truida 76 MT		50%	
	Van Deventer 641 MS		50%	
	Wendy 86 MT		50%	
	Wildgoose 577 MS		50%	
	Windhoek 649 MS		50%	
	Zisaan 31 MT		50%	
	Ziska 122 MT		50%	
	Portion of Unsurveyed state land		50%	

- \* Form part of the Greater Soutpansberg Project
- \*\* Part of the investment in NuCoal Mining Proprietary Limited (Woestalleen Complex)
- Lapsed – Mining Right Application Lodged
- Valid – Mining Right Application Lodged
- ~ Tenement located in the Republic of South Africa
- ^ Tenement located in Western Australia