



ANNOUNCEMENT

27 August 2014

Grindrod Settlement

Coal of Africa Limited ("the Company" or "CoAL") is pleased to announce that it has reached an agreement (the "Settlement Agreement") with Grindrod Corridor Management Proprietary Limited and Terminal de Carvão da Matola Limitada ("TCM"), both subsidiaries of Grindrod Limited ("Grindrod"), for the settlement of both historic and future liabilities, up to the end of December 2016, remaining under the current terms of the August 2008 Throughput Agreement ("Throughput Agreement"). Under the Throughput Agreement the Company secured long term port allocation through the Matola Terminal in Maputo, Mozambique ("Matola Terminal") operated by TCM. The Throughput Agreement commenced in 2009, continuing for renewable periods expiring at the end of 2028.

The Throughput Agreement provided the Company with an initial export allocation of 1 million tonnes of coal per annum ("Mtpa") through the Matola Terminal, with the right to secure up to 100% of any increased capacity in return for participation in the funding of the proposed expansion. The first phase of expansion at the Matola Terminal was concluded in 2010, increasing CoAL's total allocation to 3 Mtpa and its take or pay obligation to approximately 2.25 Mtpa. The locking-in of port capacity resulted in the Company becoming exposed to take or pay obligations whereby a fee is payable for annual capacity not utilized. The Company's previously announced turnaround strategy included the closure of the loss making Mooiplaats Colliery, disposal of the Woestalleen complex and cessation of production at Vele in anticipation of the plant modification at the colliery, resulting in no coal production and exposing the Company to its take or pay obligations in terms of the Throughput Agreement. The Company partially mitigated this exposure by "sub-leasing" its capacity to third parties but as a result of the differential in rail costs between the Maputo and Richards Bay rail corridors, was unable to totally offset its 2.25 Mtpa commitment.

The settlement with Grindrod will result in a \$10 million payment settled in two tranches; US\$6million at the end of October 2014 and US\$4million by the earlier of 5 days after receipt of the Stage 2 Placement of the proposed equity raise announced on 26 August 2014, or the end of

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Bernard R. Pryor – Chairman, David H. Brown – Chief Executive Officer, Michael G. Meeser – Chief Financial Officer
Non-executive directors: Peter G. Cordin, Khomotso B. Mosehla, David J. K. Murray, Rudolph H. Torlage

December 2014. The payment will settle the current liabilities recorded to date as well as cover all future take or pay obligations until 31 December 2016. The potential take or pay liability for these periods would have been significant assuming an annual take or pay obligation of 2.25 Mtpa and this settlement will materially mitigate any future exposure. The Company will be able to export coal during the settlement period with no take or pay obligations and has sufficient export capacity to meet scheduled production from the Vele Colliery to the end of CY2016. The terms of the Throughput Agreement will be renegotiated for a further two five-year periods and one further two-year period commencing CY2017, ensuring the Company has sufficient capacity to export coal produced by its Vele Colliery and Makhado Project.

David Brown, Chief Executive Officer of CoAL, commented:

“The Settlement Agreement results in certainty for CoAL shareholders and eliminates the Company’s exposure in the 2014, 2015 and 2016 calendar years while preserving access to the port capacity for future production. The Company has assessed its funding options which include the completion of the recently announced equity raise and the execution of the sale of its non-core assets. The equity raise will enable the company to free itself from these legacy issues and start the process of rebuilding value for all stakeholders. This agreement demonstrates management’s continued execution of the Turnaround Strategy in resolving all material legacy issues.”

Mr Brown also noted: “CoAL and Grindrod have a long standing relationship and the settlement promotes a future relationship beneficial to both parties and their shareholders”.

Authorised by

David Brown

Chief Executive Officer

27 August 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).
