



ANNOUNCEMENT

29 April 2016

REPORT FOR THE QUARTER ENDED 31 March 2016

Progress on Regulatory Licenses and the acquisition of Universal Coal

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 31 March 2016. 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 (FY2016 Q2: nil).
- The Company is currently engaged in the due diligence process regarding the potential equity investment by Qingdao Hengshun Zhongsheng Group Co Ltd (“Hengshun”) in Baobab Mining and Exploration (Pty) (“Baobab”) a subsidiary of CoAL as announced on 1 December 2015. Baobab is the subsidiary of CoAL that owns the Mining Right for the Makhado Project.
- The Integrated Water Use Licence (“IWUL”) for the Makhado Project which was announced in January 2016 has been suspended following an appeal to the Department of Water and Sanitation (“DWS”) submitted by the Vhembe Mineral Resources Forum.

Corporate and Financial Features

- The Company has made significant progress regarding the recommended Offer for the entire issued and to be issued share capital of Universal Coal Plc (“Universal”);
 - as at 22 April 2016 CoAL had received acceptances of the Offer from Universal shareholders representing approximately 93.2% of the total number of Universal shares in issue; and
 - the closing date for the Offer is currently expected to be 20 May 2016.
- Available cash at period end was US\$27.1 million and restricted cash of US\$1.02 million.

Commenting today, Mr David Brown, Chief Executive Officer said: “The regulatory progress and project development achievements during the last quarter have reinforced the Company’s commitment to the

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

execution of its medium term strategy. The MOU with Hengshun is an important milestone in the identification of a strategic investor for the development of the Company's flagship Makhado coking coal project. Hengshun has commenced its due diligence on Makhado and has also expressed its interest to acquire a stake in the project and provide facilitated debt. Lastly, I'm pleased to report that CoAL has now received 93.2% acceptances from its shareholders for the potential acquisition of Universal Coal. Importantly the acquisition will transform the CoAL into a cash generative mid-tier South African coal producer."

QUARTERLY COMMENTARY

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

The Makhado Project recorded no LTIs (FY2016 Q2: nil) during the quarter.

Makhado's 26-month construction phase is expected to begin as soon as all regulatory approvals are in place (expected H1 CY2017), with a further four month ramp-up phase resulting in the production of 5.5 million tonnes per annum ("Mtpa") of saleable product. The Optimisation Study and Front End Engineering and Design ("FEED") for the Makhado Project colliery is currently being performed by the International engineering and project delivery group DRA Project South Africa ("DRA") with results expected by the end of May 2016. The study follows on the original works performed by DRA during the Definitive Feasibility Study completed in 2013 and includes the infrastructure components of the project, alongside the integration of the work of a number of specialist consultants.

During the previous quarter (FY2016 Q2) the Company announced the granting of a 20 year IWUL for the Makhado Project. Subsequent to the announcement, the IWUL for the Makhado Project has been suspended following an appeal to the Department of Water and Sanitation ("DWS") submitted by the Vhembe Mineral Resources Forum. The appeal automatically suspends the IWUL in terms of Section 148 (2) (b) of the South African National Water Act No 36 of 1998. This appeal had been anticipated, and CoAL is in the process of preparing an urgent representation to the Minister of Water and Sanitation to request that the IWUL remain in full force and effect pending the final conclusion of the appeal by the Water Tribunal.

CoAL remains committed to the sustainable development of the Makhado Project, whilst recognising its potential to drive significant socio-economic transformation. The Company continues to engage with all stakeholders to ensure the on-going implementation of a co-existent model, seeking co-operation between mining, agriculture and heritage land uses.

An interim court interdict seeking to halt any mining or construction activity was issued against the Makhado Project during Q2 FY2014. The matter was heard in the North Gauteng High Court on 3 December 2015 with judgement handed down on Tuesday, 8 December 2015 on two matters. The first relates to the condition to compel CoAL to conduct a Strategic Regional Impact Assessment and secondly a review of the Environmental Authorisation. The condition compelling CoAL to conduct a Strategic Regional Impact Assessment has been set aside. The interim interdict against the Environmental Authorisation remains in place pending the review of the authorisation.

Mooiplaats Thermal Coal Colliery (“Mooiplaats Colliery”) – Ermelo Coalfield (74% owned)

The Mooiplaats Colliery was placed on care and maintenance during the September 2013 quarter and recorded no LTIs during the period (FY2016 Q2: nil).

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

Vele Coking and Thermal Coal Colliery (“Vele Colliery”) – Limpopo (Tuli) Coalfield (100% owned)

The Vele Colliery recorded no LTIs during the quarter (FY2016 Q2: nil).

The IWUL for the Vele Colliery has been renewed for a further 20 years, and has also amended in line with the requirements for the Plant Modification Project (“PMP”).

During H2 2015, the Company commenced a process to obtain approval relating to a non-perennial stream diversion. This decision is anticipated in H2 2016. Once this regulatory approval, in respect of the Vele Colliery has been received, the final decision to proceed with the PMP will be placed before the board. Such decision will include an assessment of forecast global coal prices.

Greater Soutpansberg Project (“MbeuYashu Project”) (74% owned)

The MbeuYashu Project recorded no LTIs (FY2016 Q2: nil) during the period.

No other significant matters to report.

Corporate

The Company is currently assisting Hengshun with its technical and commercial due diligence with respect to a proposed equity investment in Baobab. Baobab is the legal owner of the Mining Right for the Makhado

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

The current MOU includes the following commercial considerations:

- 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 is currently in process.
- 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.

In November 2015 the Company announced the terms of a recommended offer by CoAL for the entire issued and to be issued share capital of Universal. On 1 February 2016 the Company published the readmission document in connection with the Offer as required by the AIM Rules and has subsequently extended the closing date of the Offer to 20 May 2016. The current status of the acquisition is as follows:

- As at 22 April 2016 the Company had received acceptances of the Offer from Universal shareholders representing approximately 93.2% of the total number of Universal shares in issue, thereby satisfying the 50% minimum acceptance condition of the Offer. The 40% minimum loan note acceptance condition has also been satisfied.
- At the general meeting of CoAL shareholders held on 3 March 2016 the resolutions approving, among other things, the acquisition of Universal resulting from the Offer and the issue of the consideration

shares to Universal shareholders and the subscription shares to CoAL shareholders providing funding for the Offer were all passed.

- The Company has received the required Competition Commission approval from the South African Competition Commission and the necessary contractual consents from Investec Bank Limited and Mountain Rush Trading 6 Proprietary Limited.
- The Offer remains subject to certain conditions, including the subscription agreements pursuant to which funding for the Offer is being provided becoming unconditional, as set out in the Notice of Variation of the Offer published by the Company on 22 April 2016.

CoAL has previously communicated its intention to acquire a cash generating project to boost the Company's cash flow during the construction of its Makhado Project. The Universal transaction has been identified as a value enhancing investment which will provide the enlarged group with immediate coal production and cash flow as well as a diversified portfolio of production, development and exploration projects with expected synergies to the existing CoAL business. Successful completion of the Offer will create a balanced and focused South African coal miner.

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:

| | | | |
|------------------------------|-------------------------------|----------------------|---------------------------------------|
| Matthew Armit/Ross Allister | Nominated Adviser and Broker | Peel Hunt LLP | +44 20 7418 8900 |
| Jos Simson/Emily Fenton | Financial PR (United Kingdom) | Tavistock | +44 20 7920 3150 |
| Charmane Russell/Olwen Auret | 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).
