



**ANNOUNCEMENT**

**30 September 2016**

**FULL YEAR RESULTS FOR THE PERIOD ENDING 30 JUNE 2016**

Coal of Africa Limited (“CoAL” or the “Company”) is pleased to provide its audited Annual Financial Statements for the year ended 30 June 2016. The full report is available on the Company’s website: [www.coalofafrica.com](http://www.coalofafrica.com).

**Highlights:**

- No fatalities (FY2015: none) and no lost time injuries recorded during the year (FY2015: none);
- IWUL for the Makhado Project (**“Makhado” or the “Project”**) has been granted by the Department of Water and Sanitation (**“DWS”**) for a period of 20 years. The IWUL was automatically suspended following an appeal to the DWS submitted by the Vhembe Mineral Stakeholders Resources Forum. Discussions remain ongoing with the DWS;
- The Optimisation Study and Front End Engineering and Design (**“FEED”**) for the Makhado Project has been completed by the International engineering and project delivery group DRA Projects South Africa demonstrating a 31% reduction in upfront capital requirements to US\$280 million;
- The Company signed a non-binding Memorandum of Understanding with Qingdao Hengshun Zhongsheng Group Co Ltd with respect to a proposed equity investment in Baobab Mining and Exploration (Pty) (**“Baobab”**) a subsidiary of the Company. Baobab is the subsidiary of CoAL that owns the mining right for the Makhado Project.;
- The Integrated Water Use Licence (**“IWUL”**) for the Vele Colliery (**“Vele” or the “Colliery”**) in the Limpopo Province has been renewed for a further twenty years as well as approval of amendments required for the planned Plant Modification Process (**“PMP”**);
- The South African Minister of the Department of Environmental Affairs, has dismissed an Appeal against the Environmental Authorisation (**“EA”**) Amendment for the Vele Colliery in the Limpopo Province. During the year the Company was granted an EA to incorporate all amendments for the PMP; and,
- Mooiplaats Colliery is still on care and maintenance and is subject to a formal sale process

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

## Review of Operations

### Makhado Coking Coal Project (74% owned)

The New Order Mining Right (“**NOMR**”) for the Makhado Project was granted in May 2015 as well as a section 11 approval for the transfer of the right to CoAL’s 74% owned subsidiary, Baobab Mining. The Company was granted the IWUL in January 2016 for the period equal to life of mine. The Company completed a Definitive Feasibility Study (“**DFS**”) for Makhado during FY2013 which indicates that the project has 344.8 million mineable tonnes in situ and a 16 year life of mine. The opencast project is expected to produce 12.6 million tonnes per annum (“**Mtpa**”) of ROM coal yielding 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal for domestic and export markets. The Makhado project finalised the FEED during the 2016 financial year and is currently engaged with investors to complete the funding for the project. Once funding is in place and regulatory approvals have been obtained the Company expects board approval to commence construction by the second half of CY 2017.

The optimisation study and FEED focused on the identification of opportunities for improving the functionality of the project as well as the reduction of both capital and operational costs, without compromising the ability to achieve the designed production throughput and product quality.

The DFS, concluded in June 2013, was further enhanced through the FEED process by:

- Improving the coal handling and product stockpiling infrastructure;
- Improving the coal processing plant efficiency on the back of additional coal quality information obtained post the DFS;
- Improving the flotation tailings handling by changing equipment selected during the DFS to ensure a higher tolerance for variation in super fines content; and
- Significantly reducing the infrastructure capital with the introduction of “fit for purpose” buildings , roads, terraces and water reticulation.

The project Capital estimate was updated as part of the FEED deliverables. The total capital cost of US\$406million quoted in the June 2013 DFS was reduced to US\$280million, which equates to a reduction of 31%.

During FY2016 Q2 the Company was granted a 20 year IWUL for the Makhado project. Following an appeal to the DWS submitted by the Vhembe Mineral Resources Forum and other parties this IWUL was suspended. The appeal automatically suspended 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 has submitted 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. Discussions are ongoing.

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.

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

Vele Colliery received the extension and amendment of the Vele IWUL during the year under review. Given the prevailing commodity market conditions the Company applied for all approvals to cover future mining areas which includes the diversion of two non-perennial streams. When the latest approval is finalised (expected toward the end of CY2016) the Company will make the decision on the commencement of the plant modification taking into account the prevailing market conditions.

#### **Greater Soutpansberg Assets (74% owned)**

The exploration and development of the CoAL prospects in the Soutpansberg coalfield is the catalyst for the long-term growth of the Company. The DMR is considering the Company's NOMR applications for the Mopane, Generaal, Chapudi and Telema and Gray projects.

#### **General:**

- The Company agreed the terms of a recommended offer to be made by CoAL for the entire issued and to be issued share capital of Universal Coal Plc ("Universal"). The offer lapsed post year end.
- During the year the Company received a notice from Rio Tinto Minerals Development Limited ("**Rio Tinto**") and Kwezi Mining Proprietary Limited alleging that the Company is in breach of an obligation under the agreements pursuant to the acquired interests in Chapudi Coal Pty Ltd and Kwezi Mining Exploration Pty Ltd, and therefore all amounts owed by CoAL and MbeuYashu were claimed as due and payable. New payment terms have been negotiated with Rio Tinto for the outstanding liability FY2016: US\$16.5million (FY2015: US\$19.8 million) owing to Rio Tinto with the balance to be paid in monthly instalments of at least US\$650,000 plus interest, and final settlement date of June 2017 has remained unchanged.

## Financial review

- No revenue was generated during the year as result of all operations on care and maintenance (FY 2015 \$nil)
- Non-cash charges of US\$12.8 million (FY2015: US\$7.5 million) including:
  - depreciation and amortisation of US\$1.2 million (FY2015: US\$1.4 million);
  - unrealised foreign exchange loss of US\$9.5 million (FY2015: US\$18.9 million gain) as a result of the South African rand weakening against the United States dollar; and
  - share based payment expense of US\$0.2 million (FY2015: US\$3.1 million).
- Total unrestricted cash balances at year-end, including cash held by operations available for sale of US\$19.5 million (FY2015: US\$17.8 million).

## Chief Executive Officer, David Brown, commented:

“The financial results for the year ended 30 June 2016 continue to reflect the progress on transitioning into a project development company. Most legacy issues have now been resolved and progress has been made on a number of regulatory matters at both Makhado and Vele. We have started the process to acquire a cash generating asset in order to provide the company with a sustainable future. Despite not consummating the Universal Coal transaction we are actively pursuing other acquisition opportunities.”

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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).

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