



Annual Results for year ended 30 June 2015

**David Brown, Chief Executive Officer
De Wet Schutte, Chief Financial
Officer**

Thursday 10 September 2015

www.coalofafrica.com



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- (iv) an authorised financial services provider, as defined in the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002);
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Important Notice

Recipients of this presentation should refer to (1) the Independent Technical Statement for Coal of Africa as at 10 December 2012, and (2) the Independent Technical Statement for the Greater Soutpansberg for Coal of Africa Limited, 31st May 2012, each prepared by Venmyn Rand (Pty) Ltd, which are available on Coal of Africa's website (www.coalofafrica.com), for full details of the coal resource and reserve estimates referred to in this presentation and the basis on which those estimates have been prepared.

Competent persons' statement

The information in these Presentation Materials that relates to mineral resources or ore reserves has been compiled by Ms C Telfer (B.Sc. Hons. (Geol.), (DMS) Dip Bus Man Pr. Sci. Nat., FGSSA, MAusIMM, M.Inst.D) and Mr G Njowa (M.Sc. (Min. Eng), MRM, B.Sc.Hons. (Min. Eng), Grad CIS, MSAIMM, Pr Eng, MIAS), of Venmyn Rand (Pty) Ltd, who both have relevant and appropriate experience and independence to appraise the coal assets. Both Ms C Telfer and Mr G Njowa are considered "Competent Persons", and each have more than five years relevant experience in the assessment and evaluation of the types of coal exploration and mining properties presented in this announcement. Both Ms C Telfer and Mr G Njowa consent to the inclusion of the resource information in these Presentation Materials in the form and context in which it appears.

Agenda



Introduction

David Brown

Operational and project review

David Brown

Financial review

De Wet Schutte

Outlook and conclusion

David Brown



Introduction: David Brown, Chief Executive Officer



Repositioned CoAL – turnaround strategy update



1.	Attaining strategic investor	Done
2.	Reduction in overhead structure	Done
3.	Product quality confirmation at Vele	Done
4.	Non-core asset disposal	Significant progress – Mooiplaats Update
5.	Secure BEE funding for Makhado and obtain regulatory approvals	CY 2015 strategy - NOMR Received

Vision to responsibly produce in excess of 6.7 million tonnes per annum of saleable product by 2019/2020



Advantages	Key Risks
A Major Hard Coking Coal Resource in South Africa	Cost of Logistics – Distance to end user
Large Resource – extended LOM – over 100 years	Commodity Prices
Logistics – in place and well tested	Funding Timetables
Strong national and local government support as sees CoAL as a catalyst for industrial development	
Balance Sheet strengthened	
Legacy Issues resolved	

Continued execution during FY2015



Debt	Investec short-term facility	Settled – no debt on balance sheet
Logistics	Marketing relationship and take or pay	Settled, take or pay obligations
Legal	EnviCoal	Settled all material legacy issues
Equity	Share placement	Completed significant raise in the context of the market – \$65 million
Assets	Non-core assets	<ul style="list-style-type: none"> ▪ Sold Woestalleen, Opgoedenhoop and Holfontein ▪ Mooiplaats sale close to finalisation
Balance sheet	Purchases of assets Strengthened balance sheet, no going concern modification	<ul style="list-style-type: none"> ▪ Rio Tinto repayment terms finalised: paid \$10million in FY2015, owe \$19.8million ▪ Cash balance of \$17.8 million ▪ Working capital in excess of 12 months (excl. YBI \$10 million loan and GBP9.4 million investment)

Coal market trends and pricing



Overview:

Current levels of pricing are sending a powerful message:

- Market is oversupplied
- Should act as a significant deterrent to investment in new capacity (less future supply)
- As well as a deterrent to the continuation of certain supply sources (reduce current supply)

Metallurgical coal:

- Metallurgical coal prices for hard and semi-soft coking coal are being severely pressured by excess supply and weakening demand in China
- Weaker import demand reflects ready availability of domestic coal, combined with a contraction in steel consumption for 2015
- Market to finally find a floor before beginning a slow and painful recovery, which could take two to three years to complete

Thermal coal:

- Chinese economy shows signs of lower economic growth
- Indian market expected to be a growth market in the future
- Domestic demand – opportunities exists but need for co-ordinated strategy
- Supply response has started, expect increase in price to filter through from 2017

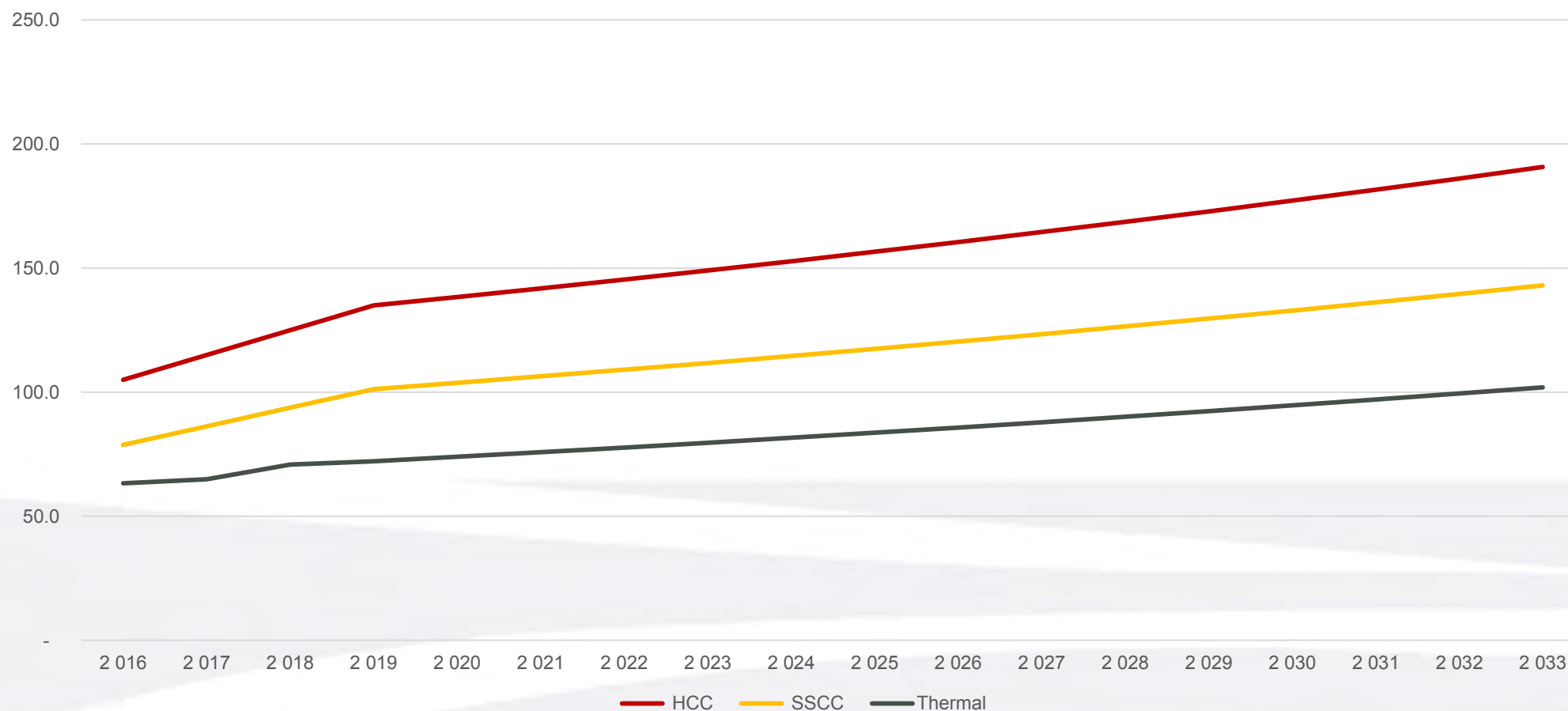
Price expectation – LoM met coal



Coal type	2 016	2 017	2 018	2 019	2 020	2 021	2 022	2 023	2 024	2 025	2 026	2 027	2 028	2 029	2 030	2 031	2 032	2 033
HCC	105.0	115.0	125.0	135.0	138.4	141.8	145.4	149.0	152.7	156.6	160.5	164.5	168.6	172.8	177.1	181.6	186.1	190.8
SSCC	78.8	86.3	93.8	101.3	103.8	106.4	109.0	111.8	114.6	117.4	120.4	123.4	126.4	129.6	132.8	136.2	139.6	143.1
Thermal	63.3	64.9	70.8	72.1	73.9	75.8	77.7	79.6	81.6	83.6	85.7	87.9	90.1	92.3	94.6	97.0	99.4	101.9

Consensus view

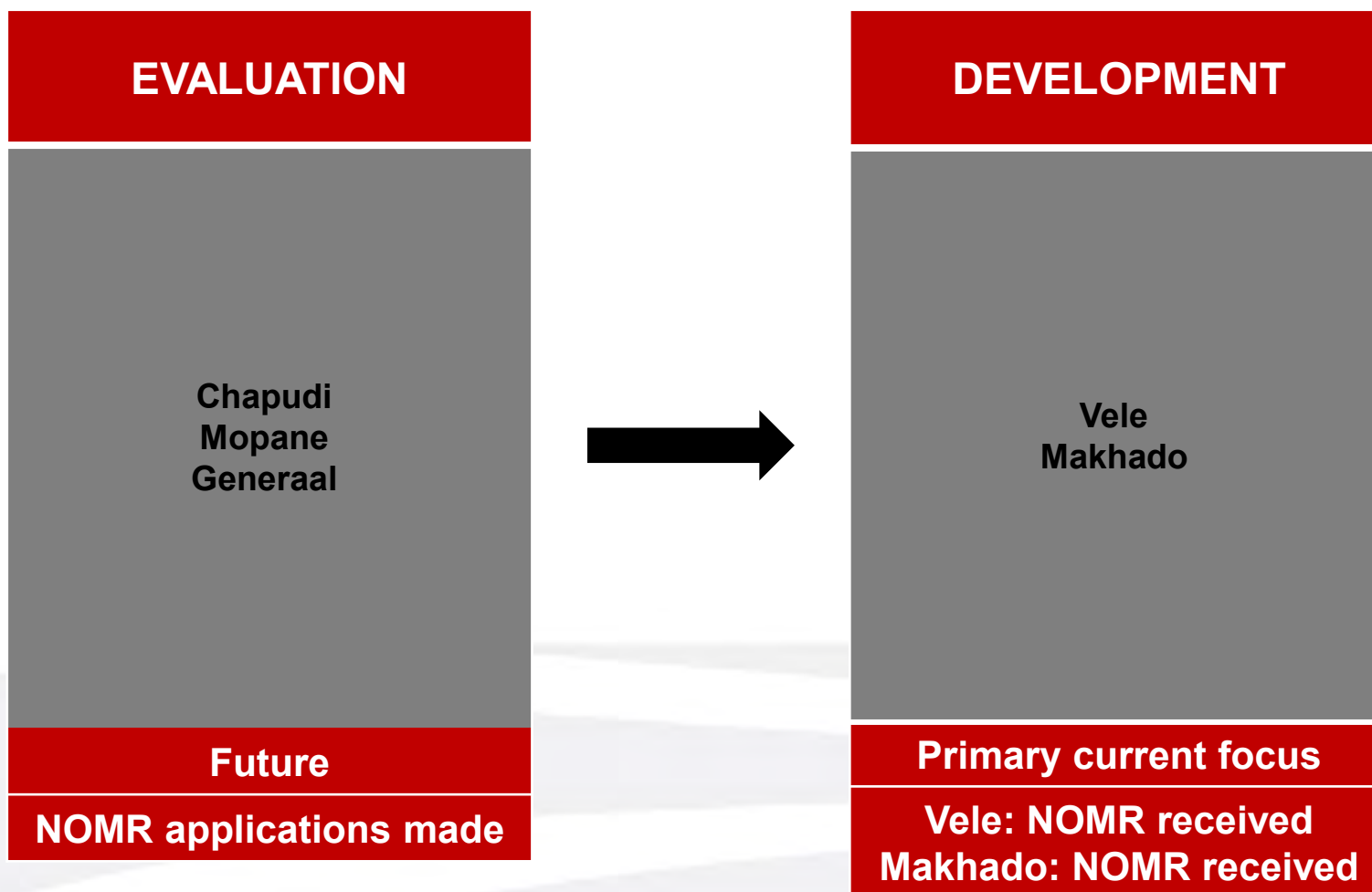
COAL PRICING LOM



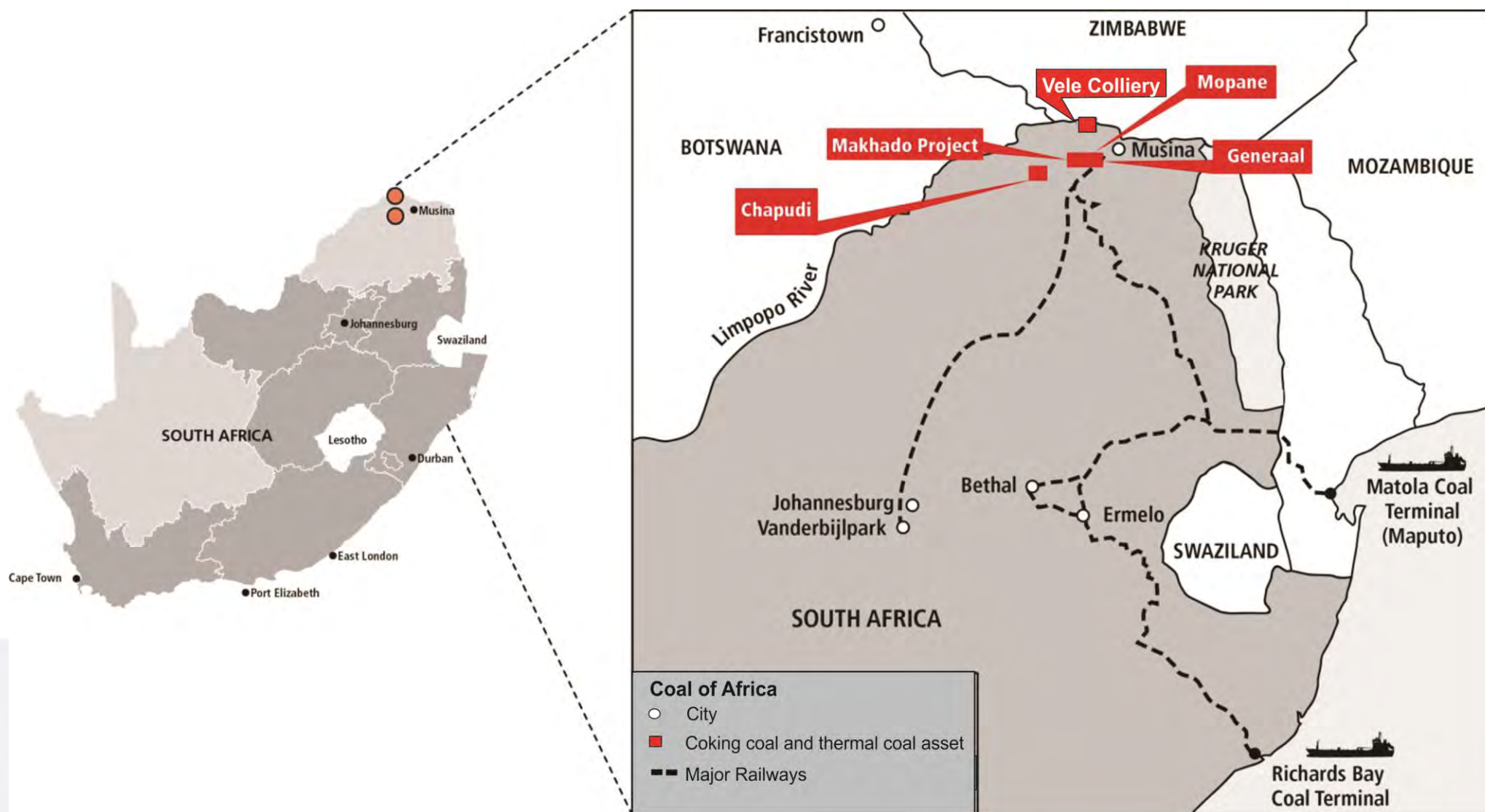
Project review: David Brown, Chief Executive Officer



CoAL Project pipeline



CoAL project development – location



CoAL project development – resource



Abridged summary of JORC-compliant resources and reserve statement – 31 May 2012	JORC-compliant resources (measured, indicated and inferred) ^{1,2}			JORC-compliant reserves (proven and probable) ²	Strike length drilled to date (km)	Strike length to be drilled (km)
	Gross tonnes in situ (Mt)	Total tonnes in situ (Mt)	Mineable tonnes in situ (Mt)	Reserves (Mt)		
Vele (Limpopo)	795.7	672.9	362.5	325.6	-	-
Makhado Project (Soutpansberg)	795.6	691.5	344.4	-	16.5	0.0
GSP (Soutpansberg)	7,161.0	5,751.5	1,660.0	-	51.4	66.1
Total	8,752.3	7,115.9	2,366.9	325.6	67.9	66.1

Notes:

- (1) Resources are stated inclusive of reserves
- (2) Independent Technical Statement for the GSP (30 September 2012)

The resource, defined in accordance with the 2004 JORC Code, has not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last reported

Vele: 'brownfields'

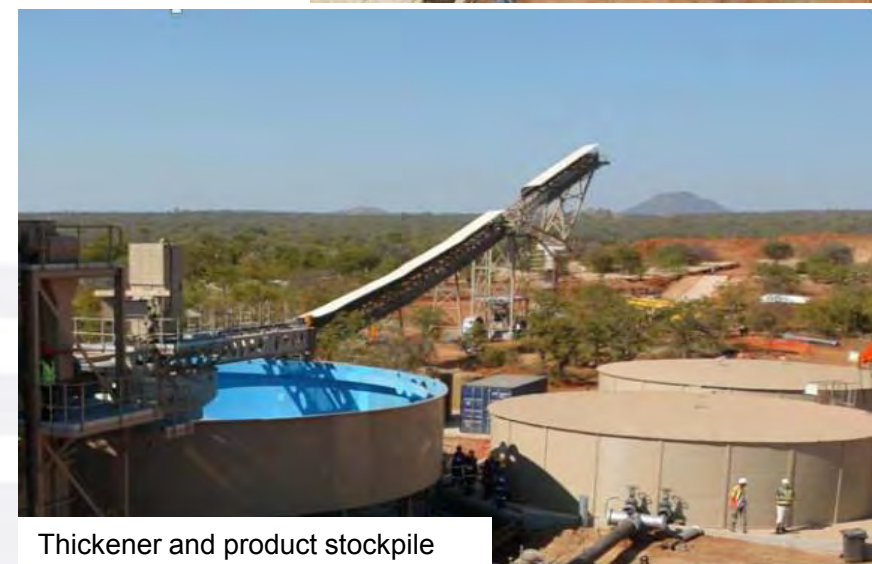


Project parameters

- 795.7Mt GTIS and 362.5Mt MTIS of shallow dip coal
- Granted 30-year NOMR in March 2010 over 8,662ha with a life-of-mine (LoM) in excess of 50 years
- Extensive exploration with over 350 boreholes drilled to obtain further coal quality information
- Produce 2.7 million RoM tonnes per annum
- Initial mine plan is based on mining 42.4Mt of RoM from the central and northern pits over a 16-year period, producing 16.5Mt of saleable product
- Simultaneous production of two products:
 - semi-soft coking coal
 - thermal coal
- Pricing of thermal coal (API4) has decreased by 38% since August 2013 plant modification board approval
- Historic Biodiversity agreement signed during the year – R55 million investment in the environment
- Well regulated mine with Environmental Management Committee working in a collaborative manner



Spiral plant



Thickener and product stockpile

Vele: 'brownfields, cont'd



Deliverable and strategy

- Board has reviewed the project parameters based on current coal prices:
 - Given current prices the Colliery will continue to work towards obtaining all approvals required for the Plant Modification
 - Regulatory approvals have been expanded to include permission for non perennial stream diversion
 - The regulatory process should be complete by June 2016. Will remain on care and maintenance until at least July 2016
 - The Company is exploring the potential of a domestic supply model to enhance returns



Vele regulatory status



Authorisation	Issuing authority	Purpose	Duration	Status
Environmental authorisation	Limpopo Economic Development, Environment and Tourism	Environmental Authorisation to undertake mining activities	Life of mine	Authorisation received 16 January 2015. Appeal against authorisation being reviewed by authorities.
New order mining right (NOMR)	Department of Mineral Resources (regional and national)	Authorisation to mine resources in accordance with an approved mine plan	Life of mine including rehabilitation period	Fully compliant for plant upgrade
Integrated water use licence	Department of Water Affairs (regional and national)	Water use limits for construction and mining activities	16 Years	Submitted application for renewal of licence and amendment to align with plant upgrade – expected H2 CY 2015. Started process for non perennial stream diversion – expected June 2016

Makhado: 'greenfields'



- CoAL has completed a Class II definitive feasibility study (DFS) with Movable tonnes in-situ (MTIS) of 344.4 million tonnes, net present value (NPV) of R6.79 billion (US\$697m) at an 8% discount rate (real), and a ZAR:\$ 9.75
- Producing via opencast 12.6 million RoM tonnes per annum with saleable product: 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal and a life-of-mine (LoM) of 16 years
- Capital expenditure of R3.96 billion (US\$406.3m), including contingency
- Non-discounted peak funding requirement is R4.4 billion (US\$450m)
- The Makhado Project benefits from excellent existing infrastructure with respect to rail, road, power and port allocation
- Positive discussions regarding off-take agreements with Hebei Iron and Steel and AMSA for hard coking coal
- Tested the thermal product and is suitable for energy generation

Makhado: 'greenfields', cont'd



Makhado Project empowered

- Company completed the empowerment structures during the last financial year, with the sale of a 26% interest in the Project to local communities and group of black entrepreneur's
- Sale is subject to the BEE shareholders securing the necessary funding for the purchase of their interest and for their share of the development costs of the project. Process to start in October 2015
- Funding plan assumes a combination of both debt and equity, with the final combination to be finalised once the risk profile of the project is bedded down
- CoAL continues with discussions with both local and international steel producers for offtake agreements for the HCC
- The promotion of an independent base load coal programme by the South African government provides an expanded market for CoAL to dispose of its thermal other than to the state utility
- **Makhado project development:**
 - CY 2015 regulatory approvals
 - CY 2015 funding progress
 - Planned construction commencement in H2 CY 2016– subject to regulatory approval and funding
 - 26 months plant construction and mine development
- Pre-Project funding to be received via Investment from Yishun (YBI). This will allow us to work towards our H2 2016 construction start date.

Makhado regulatory status



Significant progress made with all key authorisations

Authorisation	Issuing authority	Purpose	Duration	Status
Environmental authorisation	Limpopo economic development, environment and tourism	Environmental authorisation to undertake mining activities	Life of mine	<ul style="list-style-type: none"> Received August 2013
New Order Mining Right	Department of Mineral Resources (regional and national)	Authorisation to mine resources in accordance with an approved mine plan	Life of mine including rehabilitation period	<ul style="list-style-type: none"> Received May 2015
Integrated Water Use Licence	Department of Water Affairs (regional and national)	Water use limits for construction and mining activities	Life of mine	<ul style="list-style-type: none"> Record of recommendation completed and submitted in December 2012 Anticipated H2 CY 2015

- Further minor permits will be required but these will be applied for as and when needed for the construction and operation of the mine
- Company anticipates objections to be lodged by interested and affected parties – with limited project risk

GSP: Massive pipeline



Highlights

- Consolidation of tenements and ore bodies to improve mine planning optionality, flexibility and economies of scale
- Significant resource base of coking and thermal coal products
- Access to domestic and export markets using existing rail capacity
- High potential for positive impact on job creation and other social upliftment programmes

Deliverable and strategy

- Participate in regional impact study for GSP
- Identify sweet spots for GSP – will not mine all areas and not simultaneously
- Advance project design

GSP regulatory

Project	Acceptance of mining right application by DMR	Submission of EMP
Mopane	May 2013	November 2013
Chapudi	July 2013	December 2013
Generaal	August 2013	January 2014

Financial review: De Wet Schutte, Chief Financial Officer



Cashflow FY2015



Payment of Grindrod and Envicoal settlement, Investec working capital facility and Rio Tinto

	2015 \$'000		2014 \$'000
Opening balance	2,099		29,938
Operational losses	(15,675)		(21,327)
Proceeds from the sale of NuCoal	-		7,714
Settlement of Grindrod	(10,367)		-
Rio Tinto capital and interest	(11,619)		-
Settlement of EnviCoal	(2,431)		-
Development and exploration expenditure	(2,434)		(6,462)
Other investing activities	134		1,404
Decrease/(increase) in restricted cash	4,761		(1,274)
Net proceeds from share issue (\$65 million net of costs)	57,926		-
Settlement of Deutsche Bank facility	-		(12,246)
Repayment of the Investec working capital facility	(5,909)		-
Other financing activities	1,579		4,390
Foreign exchange differences	(182)		(38)
Closing balance	17,882		2,099

Financial performance FY2015



	2015 \$'000		2014 \$'000
Group loss for the year (continuing and discontinued operations)	6,711		84,120
Less: non-cash items (continuing and discontinued operations)	11,271		(54,550)
- Impairment	-		(14,933)
- Depreciation and amortisation	(1,472)		(2,175)
- Foreign exchange gains/(losses)	14,504		(36,725)
- PV on Rio Tinto Deferred Consideration	1,303		-
- Share-based payments	(3,064)		(717)
Less: cash losses from discontinued operations	(1,400)		(5,641)
	16,582		23,929
Less: once-off items	(1,461)		(2,461)
'Cash loss' from continuing operations for the year	15,121		21,468

Financial position FY2015



	2015 \$'000		2014 \$'000
ASSETS			
Non-current assets	269,254		316,311
Current assets	19,255		5,057
Assets held for sale	18,118		23,030
TOTAL ASSETS	306,627		344,398
LIABILITIES			
Non-current liabilities	21,155		4,643
- Deferred consideration	15,422		-
- Other	5,733		4,643
Current liabilities	7,563		55,285
- Deferred consideration	3,265		29,800
- Borrowings	-		6,372
- Short term provisions (FY2014 includes Envicoal \$2.1 million)	294		2,447
- Trade and other payables (FY2014 includes Grindrod \$10 million)	4,004		16,666
Liabilities associated with assets held for sale	3,354		4,150
TOTAL LIABILITIES	32,072		64,078
NET ASSETS	274,555		280,320
EQUITY	274,555		280,320

The way forward: David Brown, Chief Executive Officer



Key deliverables to unlock intrinsic value



2015

- Equity Raise - Done
- Disposal of Mooiplaats - Progress made, anticipate Dec 2015 close
- Makhado regulatory approval: NOMR – Done, IWUL – expected H2 CY 2015
- Makhado BEE structure funded – Start Oct 2015
- Pre Project Funding via Yishun in Sept 2015

2016

- Makhado construction commences – H2 CY 2016
- Completion of Strategic Partner Equity deal – June 2016
- Vele regulatory approvals received for plant modification – June 2016 subject to board review, Vele Plant modification commences H2 CY 2016

2017

- Vele plant modification completed

2018/2019

- Makhado in Commercial Production
- Vele in Commercial Production

**DEFINED PATH FOR FUTURE VALUE
CREATION**

- Balance Sheet strengthened – by Dec 2015 could have almost \$65million (ZAR700 million) to utilise as working capital and pre project funding
- Regulatory Processes moving ahead – Makhado good progress
- Legacy issues – largely completed. Sale of Mooiplaats to complete
- Acquisitions/Mergers – given current market conditions, consolidation is appropriate.
- Company has survived a very difficult 3 years – but is well placed to finalise our Makhado project funding



Questions?

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