



Makhado Feasibility Study

Wednesday, 19 June 2013

www.coalofafrica.com



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Important Notice

Recipients of this presentation should refer to (1) the Independent Geologist Specialist Report on the Principal South African Operating and Non-Operating Mineral Assets of Coal of Africa Limited as at 10 December 2012, and (2) the Independent Technical Statement for the Greater Soutpansberg for Coal of Africa Limited, 31st May 2012, prepared by Venmyn Deloitte and Venmyn Rand (Pty) Ltd, respectively, 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.

Overview

Makhado is CoAL's flagship project and will turn CoAL into a significant global hard coking coal and thermal coal producer



- Coal of Africa Limited (CoAL) has completed a Class II Definitive Feasibility Study (DFS) on the Company's flagship Makhado Project (Makhado)
- Extract and summary from DFS/CPR:
 - 12.6Mtpa ROM, producing 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal
 - Resource to be mined on an opencast basis with the potential for expansion into underground
 - Movable tonnes in-situ (MTIS) of 344.8 million tonnes
 - Primary product: hard coking coal producing a metallurgical coke with stand-alone CSR value above 60
 - Life of mine (LOM): 16 years
 - Net Present Value (NPV) of R6.79 billion (US\$697m) at a 8% discount rate (real)
 - Project Internal Rate of Return (IRR) of 30.1% (un-leveraged)
 - Capital expenditure of R3.96 billion (US\$406.3m), including contingency
 - Non discounted peak funding requirement is R4.2 billion (US\$432.8m)
 - The average on-mine operating costs are R865.00 (US\$88.71) per saleable hard coking coal tonne (thermal coal is treated as a by-product and is therefore a credit to the cost)
 - The Makhado Project benefits from excellent existing infrastructure with respect to rail, road, power and port allocation

The Way Forward

CoAL is working towards a funding structure whereby it retains majority ownership in Makhado while minimising the raising of further equity



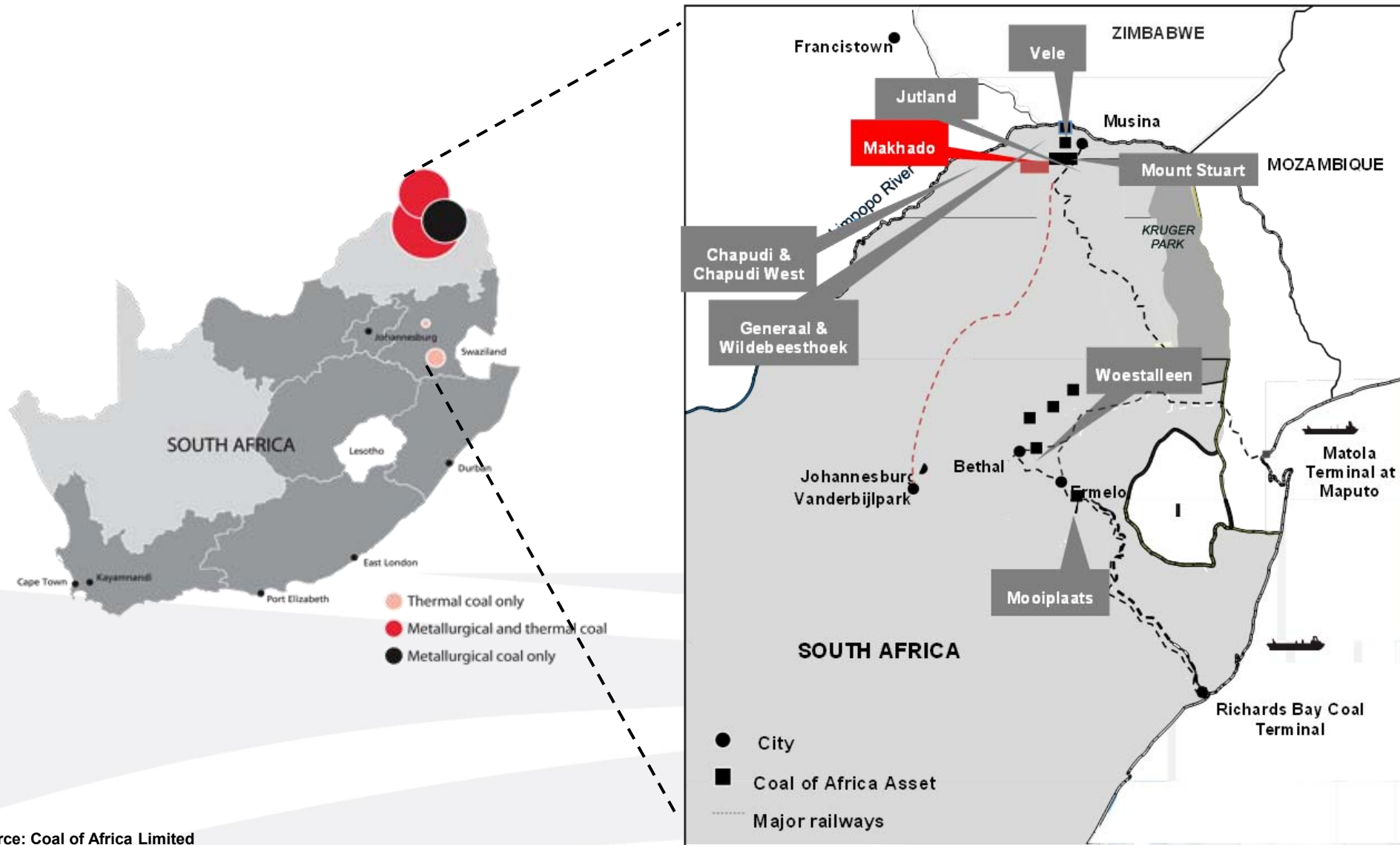
- CoAL has commenced discussions with:
 - potential Black Economic Empowerment (BEE) groups, including local communities
 - strategic partners (from a funding perspective)
 - potential debt lenders
- CoAL working towards a funding structure which will include debt funding whereby CoAL's retains majority ownership with the incoming partner's contribution meeting CoAL's full equity requirement for the project.

Location

Makhado is situated in the Limpopo Province of South Africa, 35km north of the town of Makhado and 380km north of Johannesburg



Location of Makhado in relation to CoAL's other projects



Source: Coal of Africa Limited

Location

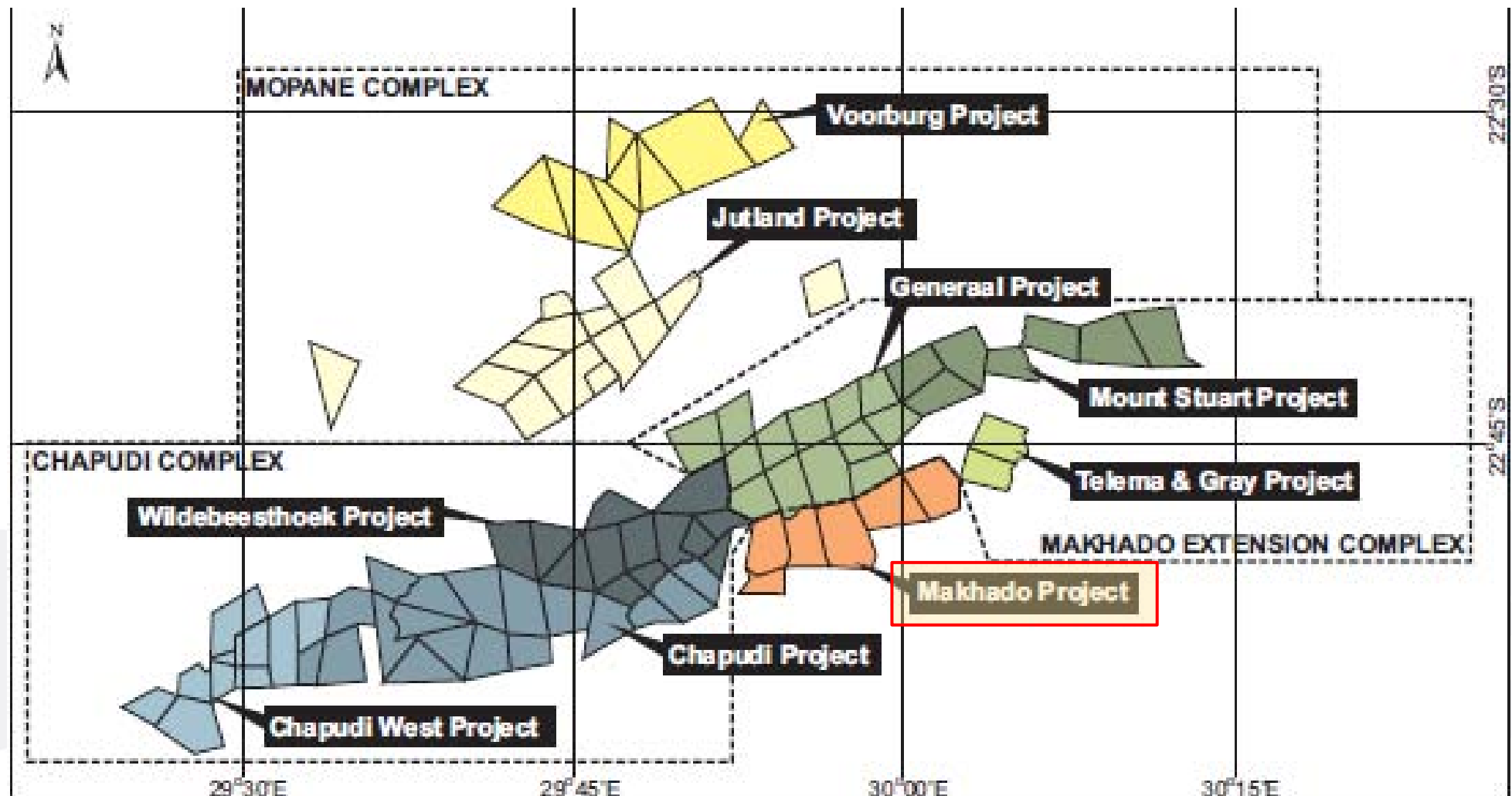
CoAL has access to hard coking coal and thermal coal resources in the Soutpansberg coalfield of circa 8.0 billion tonnes (GTIS)



- The Makhado Project (the area included in the single New Order Mining Right (“NOMR”) application) consists of five adjacent farms, namely Windhoek 649 MS, Tanga 648 MS, Fripp 645 MS, Lukin 643 MS and Salaita 188 MT

Location of Makhado and Greater Soutpansberg projects

Source: Coal of Africa Limited



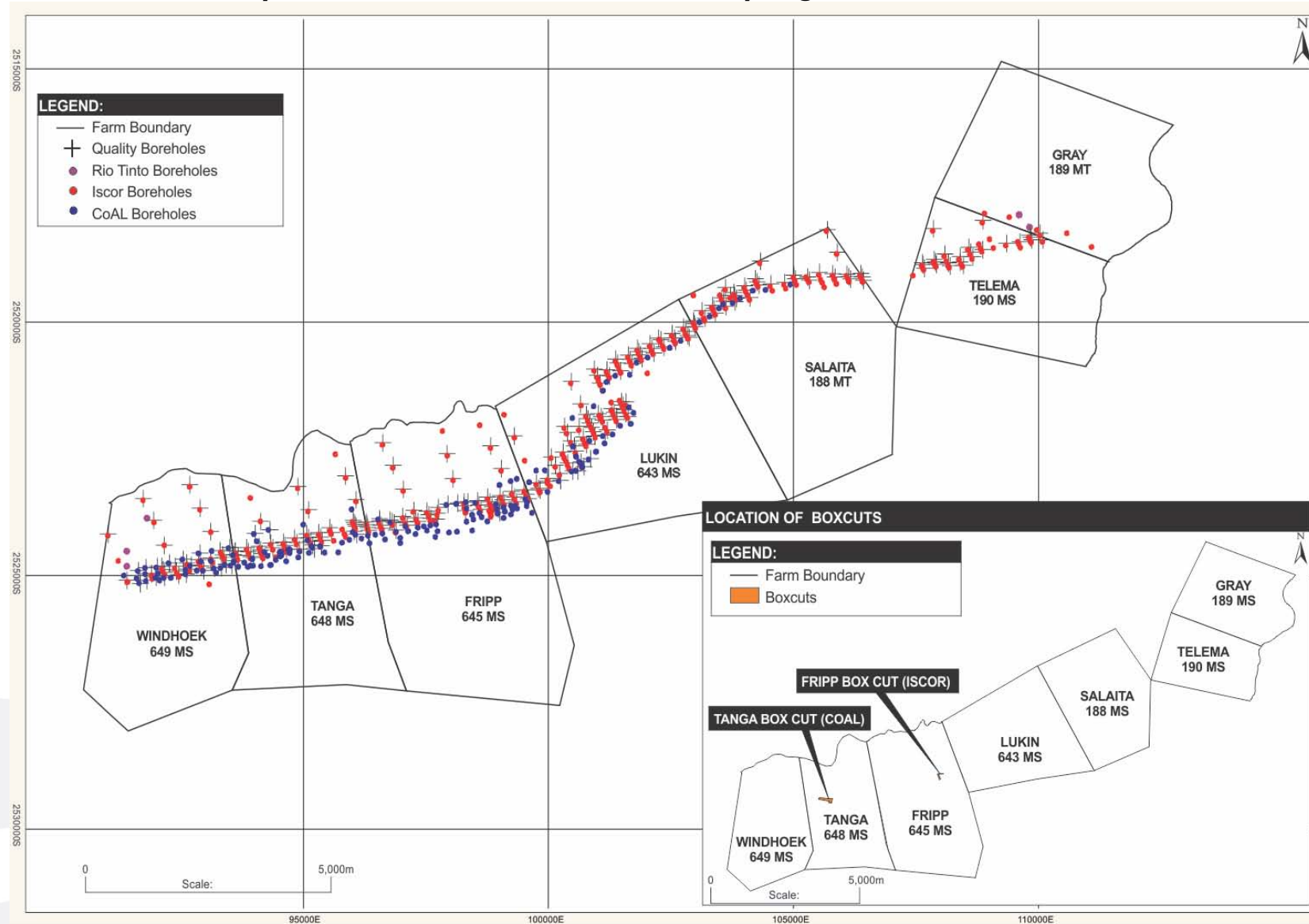
Resources and Reserves

Of the 506 boreholes drilled in the Soutpansberg coalfield, CoAL has drilled a total of 214 boreholes within Makhado



- The Soutpansberg coalfield was extensively explored by Iscor in the 1970s and 1980s, with CoAL purchasing Iscor's dataset in 2007
- CoAL commenced prospecting and exploration drilling at Makhado in 2007
- Up until 2012, out of a total of 506 boreholes, CoAL has drilled a total of 214 boreholes within the Makhado Project

Location of Exploration Boreholes and Bulk Sampling Sites



Source: Independently verified by Venmyn Deloitte

Resources and Reserves

A boxcut (bulk sample) was excavated on the farm Tanga 849 MS to confirm the hard coking coal qualities and coking product qualities



Bulk sample pit on the farm Tanga 849 MS



Resources and Reserves

The Coal Reserve and Resource estimates are reported in accordance with the JORC Code and the Australian Guideline for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves



- The JORC compliant coal resource for the Makhado Project, as at 31 December 2012 and inclusive of reserves, is summarised in the table below:

Makhado JORC Compliant Resource Estimate

RESOURCE CATEGORY	GROSS TONNES IN SITU (GTIS) (ad)	GEOL. LOSSES (%)	TOTAL TONNES IN SITU (TTIS) (ad)	MINEABLE TONNES IN SITU (MTIS) (ad)
TOTAL / AVE. MEASURED RESOURCES	402,780,570	10%	362,502,513	265,024,500
TOTAL / AVE. INDICATED RESOURCES	298,594,886	15%	253,805,653	76,743,000
TOTAL / AVE. INFERRED RESOURCES	94,232,132	20%	75,385,706	2,998,000
GRAND TOTAL / AVE. MAKHADO	795,607,588	13%	691,693,872	344,765,500

ad – Air dried basis

Source: Independently verified by Venmyn Deloitte

Development Plan

Makhado has been divided into three separate mining areas, namely East Pit, Central Pit and West Pit

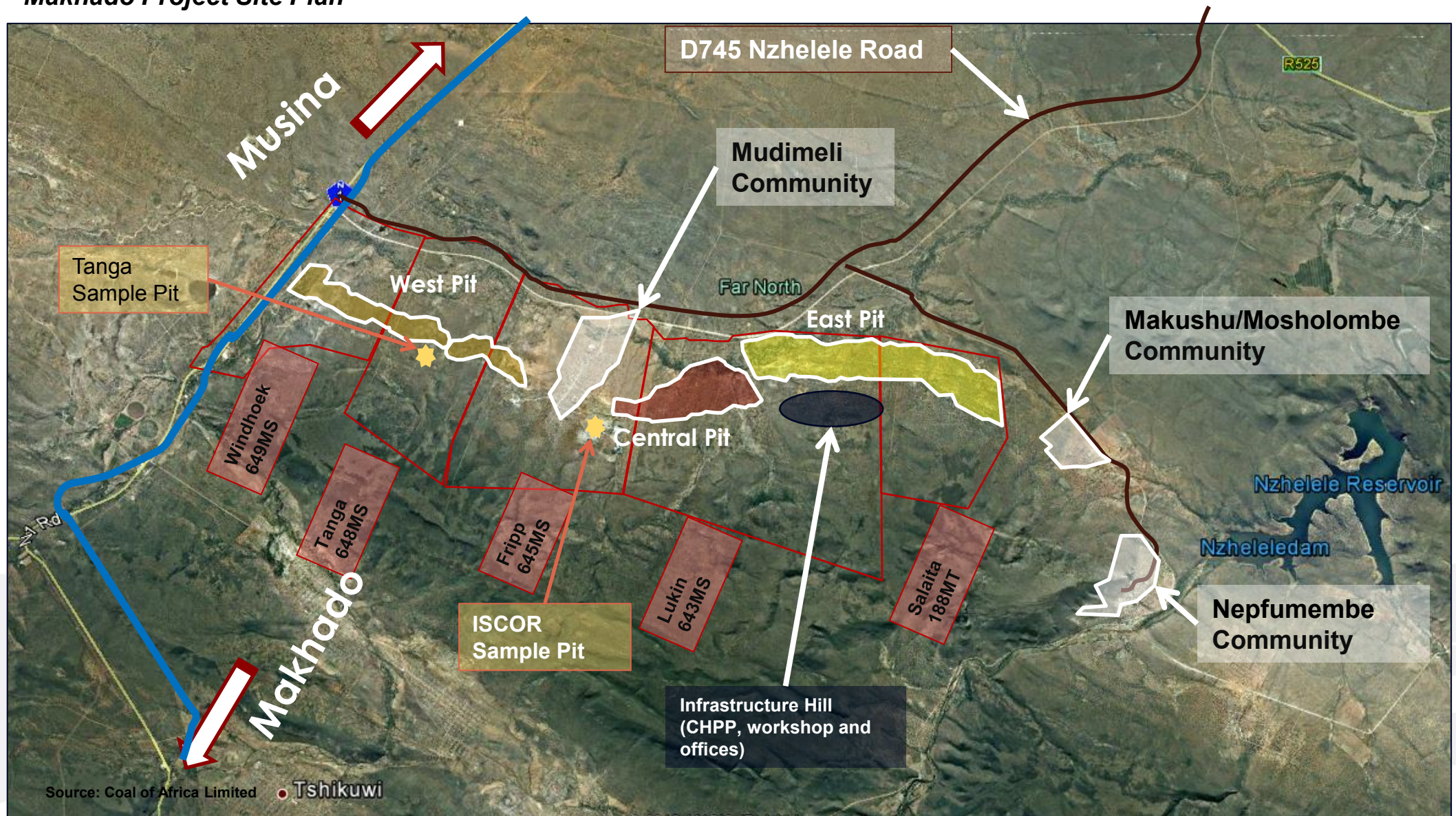


- The mine has a reserve strike length of approximately 17km and varying pit depth
- The seams dip northwards at approximately 12°
- The project has been divided into three separate mining areas or pits for technical, logistical and practical reasons, namely:
 - East Pit
 - Central Pit
 - West Pit
- Mining will be staggered, commencing in the East Pit followed by the Central and West Pits. This approach will enable optimisation of the resources required for mining over the LOM, and provide a consistent balance of ROM quantity and quality
- The plan is to mine 12.6Mtpa, at steady state over LOM, with first production scheduled for month 26 from project start
- Development of the East Pit will include plant and infrastructure components which will cater for the production volumes from the other pits

Development Plan



Makhado Project Site Plan



Mine Plan

Makhado will be an opencast mine with the geology conducive to implementing large truck and shovel mining method



- Makhado contains a number of coal seams with their dips requiring the walls of the pit to be benched for stability at 15-metre intervals and the overburden and interburden to be placed on surface until such time as concurrent backfilling can begin. Hence the use of the opencast large truck and shovel mining method
- Overburden waste material will be pre-stripped in the initial box-cutting and ramp-building stage to establish an in-pit coal inventory before coal extraction proceeds. Thereafter, for the following 5 years, there will be a low to moderate annual overburden strip ratio of 1:3.3
- A Whittle pit optimisation exercise was used to develop the economics of the coal deposit in relation to its technical aspects
- The practical pits will extend from an average depth of 30m below surface to a maximum pit depth being 197m, 161m and 121m for the East, Central and West Pits, respectively
- Due to the fragile nature of the coal, “trough seam blasting” technology will be employed to break the parting and coal seams. This will minimise coal losses as well as coal contamination during the loading process
- To minimise haulage distances, the coal processing plant will be located to the south of the East Pit, as the East Pit is the largest pit with the greatest portion of coal reserves
- Operational expenditure (opex) is based on a contractor mining model, while the Makhado owner’s team will be responsible for cost management, mine planning, geological and geotechnical controls

Mine Plan

In terms of an Ore Reserve Statement issued by CoAL, 173 million ROM tonnes are available to be mined for the Makhado Project



- Work carried out on detailed mine planning has enabled an Ore Reserve Statement to be issued by CoAL, confirming a total of 173 million ROM tonnes available to be mined for the Makhado Project. These estimates have been independently verified by Competent Persons, Venmyn Deloitte, as summarised in the table below:

Makhado Coal Reserve Statement

MINING BLOCK / PIT	RESERVE CATEGORY	MINEABLE TONNES IN SITU (MTIS) RESERVE (ad)	ROM RESERVE (t) (ad)	HARD COKING COAL MARKETABLE RESERVE (t)	THERMAL COAL MARKETABLE RESERVE (t)
East Pit	Probable	94,585,936	86,801,000	14,773,000	24,330,000
Central Pit		53,472,256	49,071,000	6,747,000	10,560,000
West Pit		40,192,263	36,884,000	4,116,000	9,645,000
GRAND TOTAL / AVERAGE MAKHADO RESERVES		188,250,455	172,756,000	25,636,000*	44,535,000

(ad) – Air dried basis

* Hard coking coal production excluding fines of 4.07%. The total marketable reserve includes a period of ramp-up to 2.3Mtpa HCC production

Source: Independently verified by Venmyn Deloitte

Process Plant

A coal processing plant has been designed, capable of handling 12.6Mt of ROM per annum



- A coal processing plant has been designed, capable of handling 12.6Mt of ROM per annum in order to produce on average, at steady state, 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal
- The hard coking coal is required to be at an ash content of 10%, whilst that of the thermal coal is required to be 30% ash
- The plant design has been undertaken by DRA Mineral Projects (DRA) and the site plan, plant layouts, equipment lists and associated utilities are in an advanced stage of design
- The processing plant will include the following processing steps:
 - A double-stage Dense Medium Separation plant for both de-stoning and beneficiation of the hard coking coal and the thermal product, achieved through a high gravity wash followed by a low gravity wash (for the coarse size fraction of -50+1mm).
 - A fines (-1+0.15mm) circuit comprising of a low gravity Reflux Classifier process for the production of the coking coal and a high gravity Reflux Classifier for the production of the thermal product.
 - An ultra-fines (-0.15mm) circuit of Jameson column flotation cells for the production of the coking coal and a potential thermal product.
- The plant has been designed to optimise yields with all size fractions being beneficiated. Further design considerations included quality management and environmental protection, with an onsite laboratory and zero-effluent discharge.

Test Work and Results



- Initial tests to determine coking coal parameters were based on large diameter core samples
- Additional test work was based on the bulk sample and included metallurgical tests, coking coal tests and coking tests. Bulk sample was processed at Tshikondeni Colliery and CAM Laboratories to produce sample for coking tests

Key Tests		Key Outcomes
Metallurgical tests (for process flow design, equipment selection and sizing)	Exxaro Pilot Plant - Particle size distribution, Crush/ liberation, Dense Medium Separation, Spiral/Reflux Classifier and Froth Flotation Bateman & Sandvik - ROM crushability Betachem & Xstrata Technology - Froth Flotation Bokela & Phoenix - fines product and discard dewatering Itasca Africa - Spontaneous combustion	Process flow design to economically maximise product recovery Medium-risk coal wrt spontaneous combustion Coal qualities stable over time
Product specification (for product specification and categorisation)	Coking coal specification (Advanced Coal Technology & CAM Analytical Laboratory) Thermal product specification (CAM Analytical Laboratory)	Hard coking coal - high volatile, high FSI, high vitrinite content, low phosphorus and high fluidity The thermal product meets Eskom's coal quality specifications
Coking tests	Single coal coking tests (ArcelorMittal South Africa, ALS Brisbane, Itochu) Blending coking tests (ArcelorMittal South Africa – Vanderbijlpark & Newcastle)	Hard coking coal with good hot and cold strength properties {CSR>60, M40 = 71 & M10 = 7.5} Makhado coking coal enhances the blends due to its high fluidity
Combustion tests	Thermal product performance in combustion (Eskom Research & Innovation Centre)	Thermal product usable within the suite of Eskom's power stations

Yields

Makhado expects to achieve an overall yield 44.6%



- Full washability testwork was carried out on the various coal seam core samples
- Washability results were imported into the Minex coal simulation programme and used to assess the yields and resultant product specifications. Such results were utilised for the determination of the potential saleable tonnes and product specifications for reserve purposes
- The theoretical yield variations at the Makhado Project are based on a 1.4 relative density wash product
- An initial assessment of the resource indicates:
 - hard coking coal yield of 18.8% at 10% ash (inclusive of additional 4.07% recovery from fines)
 - thermal coal yield of 25.8% at 30% ash
- Therefore, the overall yield as defined by the total product tonnes as a percentage of the ROM tonnes is 44.6%

Coal Quality and Marketing

Testwork proved that Makhado is capable of producing a 10% ash hard coking coal product for export and domestic markets, and a thermal coal product for domestic or export markets



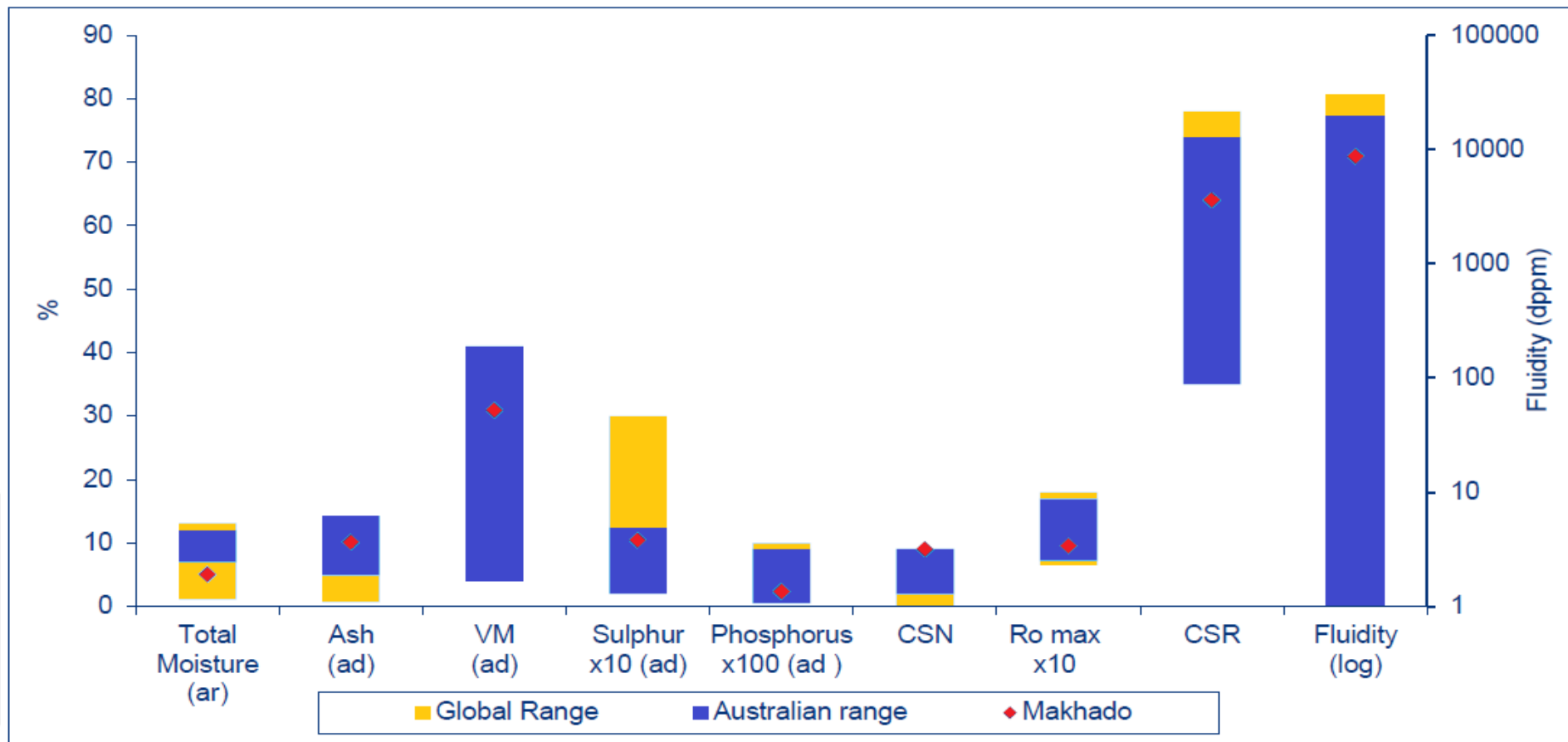
- As part of the DFS, CoAL completed comprehensive coal quality testing and analysis which finalised coal quality specifications and determined the coal yield on Makhado
- Metallurgical testwork programmes, which included washing and coking tests, were carried out at various facilities
- The testwork proved that Makhado is capable of producing:
 - hard coking coal product with a 10% ash content for the export and domestic markets
 - thermal coal product for the domestic or export market
- CoAL anticipates producing:
 - 2.3Mtpa of hard coking coal which is envisaged to be sold domestically and exported through CoAL's allocation at the Maputo port (TCM) in Mozambique
 - a thermal fraction of approximately 3.2Mtpa which is anticipated for sale locally to South Africa's electricity authority, Eskom. Alternatively the coal could be washed to a higher quality for exports.
- Makhado's thermal coal is significantly different from the South African coalfields currently producing thermal product for both export and domestic use, mainly because of its high calorific value
 - extensive combustion tests were carried out to ascertain its usability, primarily in Eskom's power stations
 - the tests confirmed that:
 - ▶ it is within the specifications for Eskom's power stations
 - ▶ for export, the grade conforms to coal specifications required by importers and would be a suitable blend product for the power and cement industries in Asia

Coal Quality and Marketing



Makhado coal should be classified as a high volatile matter hard coking coal and be priced at benchmark parity

- Makhado coking coal was assessed by Wood Mackenzie and ArcelorMittal South Africa (AMSA) and the typical quality of the coking coal has been categorised as a Hard Coking Coal (HCC)
- The coal is classified as a medium to high volatile, high vitrinite, high fluidity coal with strong caking properties and is expected to be priced at benchmark parity



Source: Wood Mackenzie

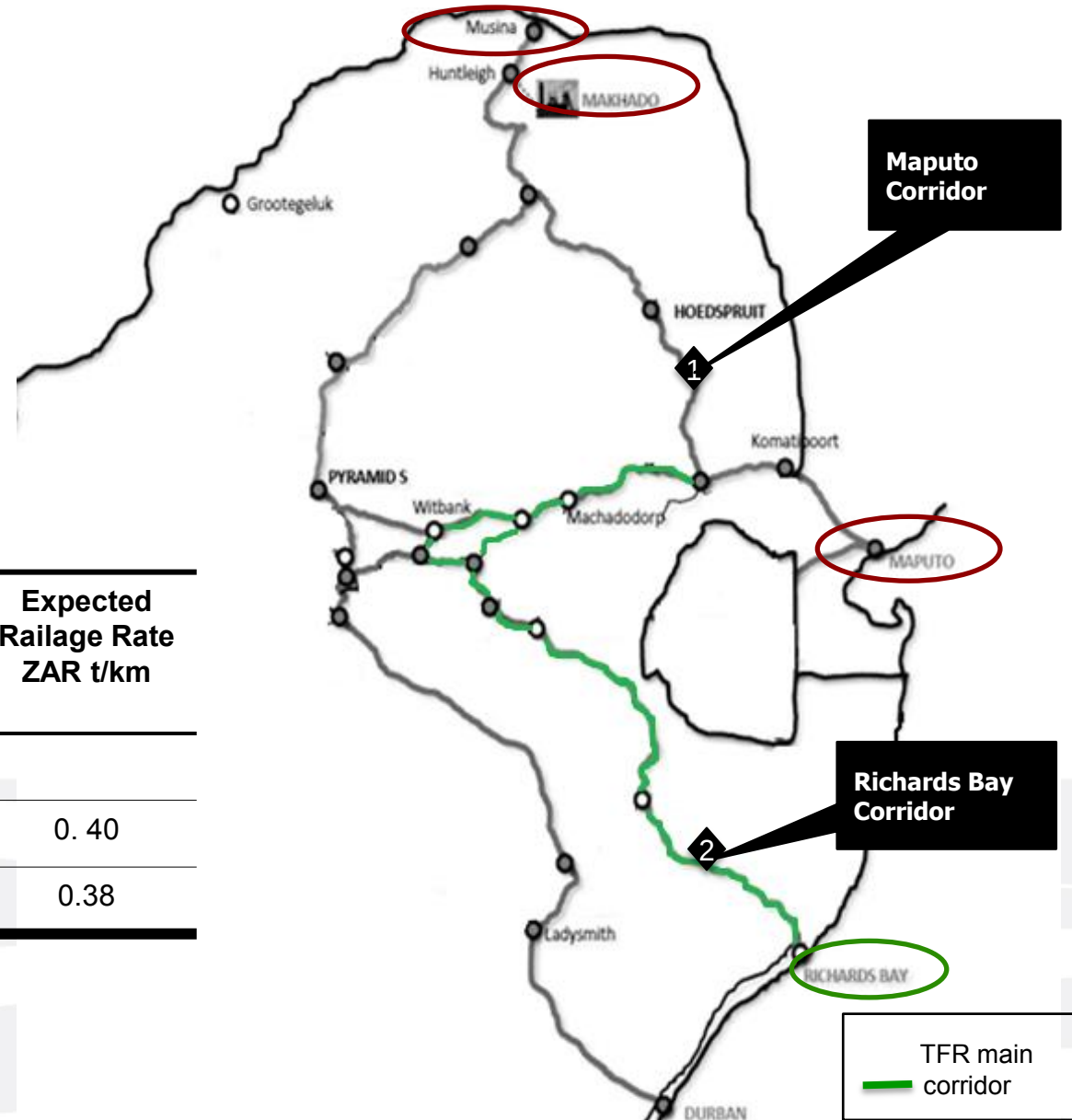
Infrastructure

The Makhado Project benefits from excellent existing infrastructure with respect to rail, road, power and port allocation



- General
 - Makhado is located immediately to the east of the N1 highway (36km north of the town of Makhado)
 - Access to the Makhado site will be via the existing road infrastructure
- Water
 - Water will initially be obtained from boreholes for the construction phase, and will be supplemented by some 4.6 million litres per day of water to be obtained from the Nzhelele Dam
- Power
 - CoAL will install a 15km 22kV overhead powerline from the Eskom Paradise substation to a consumer substation in order to provide for the 10MVA required for the mine and plant
- Rail
 - Rail access will be obtained through the construction of a 22km railway spur and rapid loading facility from the existing Huntleigh Siding connecting to existing rail line to domestic and export markets
- Port
 - CoAL has 3Mtpa throughput allocation at TCM (Maputo port) and an option to the Phase 4 expansion
- Site Infrastructure
 - The mine infrastructure includes plant and mining infrastructure, workshops and offices, haul roads and stockpiles

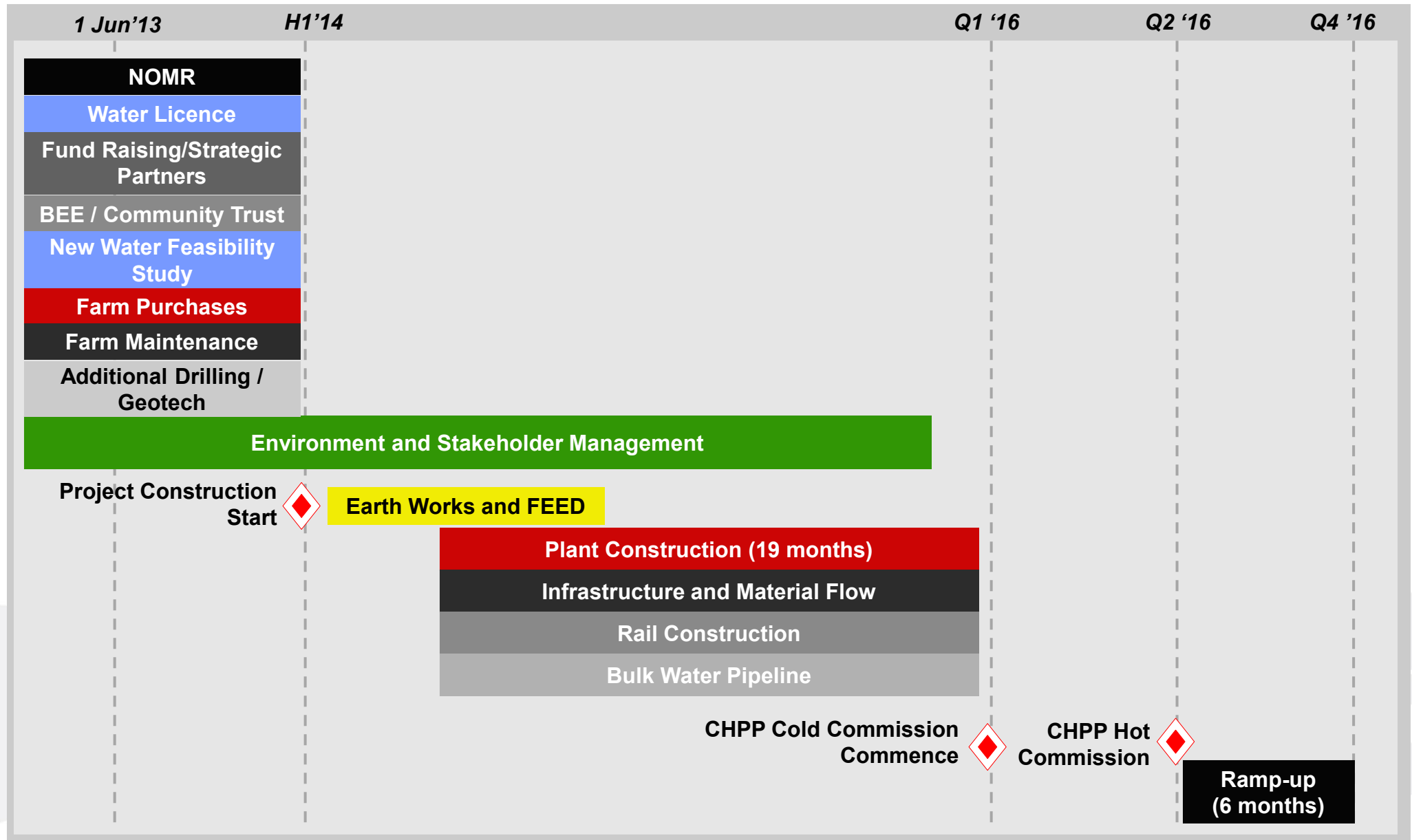
- Makhado is in close proximity to the railway line running southwards from Beitbridge / Musina
- This provides Makhado with a route to market at ArcelorMittal (Vanderbijlpark), Eskom's Majuba, Tutuka, Camden and Grootvlei power stations as well as the port of Maputo for exports
- Maputo rail corridor with a capacity of 10Mtpa currently under-utilised



FROM/TO	RBCT	Expected Railage Rate ZAR t/km	Maputo	Expected Railage Rate ZAR t/km
	km		km	
Vele (Musina)	1256	0.23	735	0.40
Makhado	1205	0.23	683	0.38

Source: Barberry Group, based on current TFR rates

Project Timelines



Capital Costs



- Makhado's capital cost estimate was compiled by an independent quantity surveying company (Venn & Milford)
- The costs were estimated from Bills of Quantities (BoQ) derived from detailed drawings, quotations received for equipment, and extracts from estimates of recently completed projects
- The estimates were completed on an accuracy range of +15% and -10% in real terms and do not include escalation

Makhado Capital (Base date of January 2013)

Capex WBS	ZAR million	US\$ million
Bulk Services	337.2	34.6
Mine Infrastructure	705.9	72.4
Surface Mining East Pit	292.9	30.1
ROM Handling	186.2	19.1
Processing Plant	1,095.8	112.4
Discard Handling	30.6	3.1
Product Handling	495.4	50.8
Indirect Costs (Owners Team; Environmental Guarantee; Insurance)	487.4	50.0
Total Capex (excl. Contingencies)	3,631.4	372.5
Contingencies	329.6	33.8
Total Capex	3,961.0	406.3
Peak Funding	4,219.6	432.8

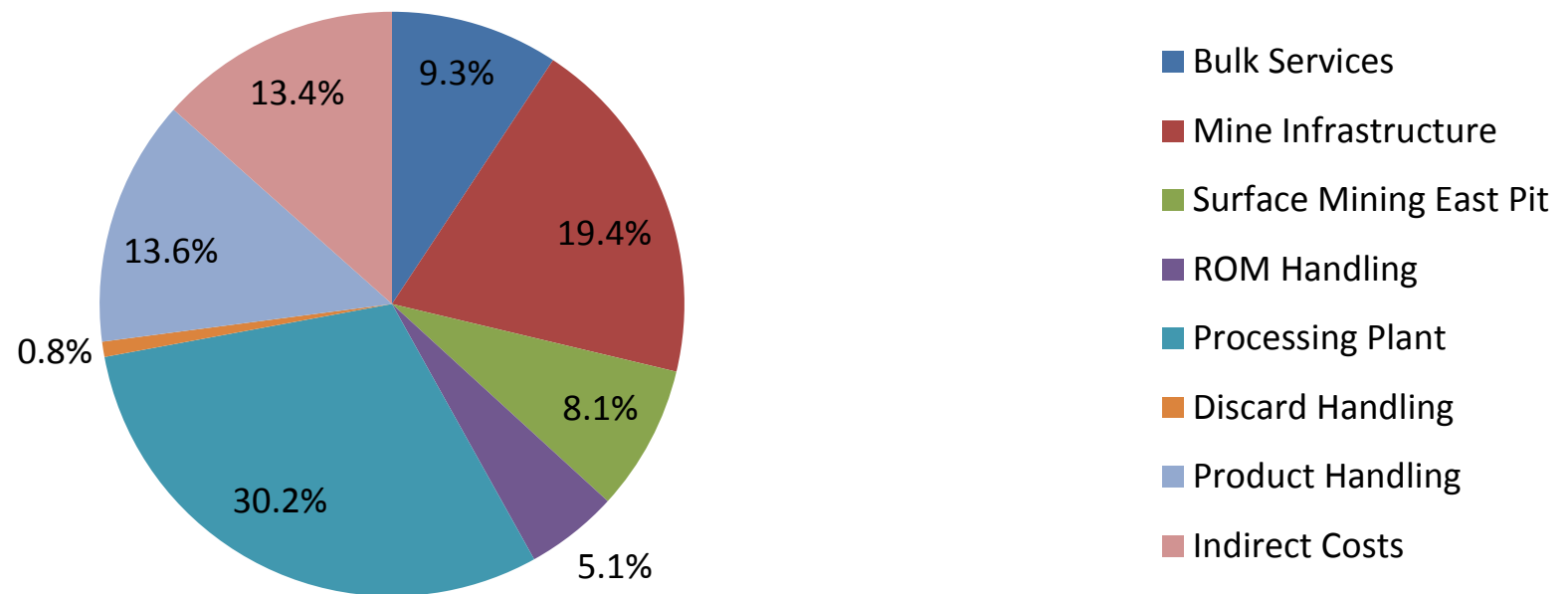
Source: Venn & Milford, Independently reviewed by Venmyn Deloitte

Capital Costs

Capital costs were estimated from Bills of Quantities (BoQ) and compiled by an independent quantity surveying company



Capital Costs – Percentage Allocation (excluding Contingencies)



Source: Venn & Milford, Independently reviewed by Venmyn Deloitte

Operating Costs

The average on-mine operating costs are R865.00 (US\$88.71) per saleable hard coking coal tonne



- The average on-mine operating costs are R865.00 (US\$88.71) per saleable hard coking coal tonne (thermal coal is treated as a by-product and is therefore a credit to the cost)
- On-mine operating costs are defined as costs including mining, processing, maintenance, logistics, overheads and indirect costs

Total Mine Opex

Description	R/ROM Tonne	R/Saleable Hard coking Coal Tonne	US\$/Saleable Hard coking Coal Tonne
Mining	R213.01	R1 126.42	\$115.53
Process	R12.39	R 65.61	\$6.72
Site Logistics	R0.46	R2.43	\$0.25
Mine Overheads	R9.62	R50.87	\$5.2
Thermal Coal Revenue *		-R380.33	-\$39.01
Total on mine cost	R235.48	R865.00	\$88.71

Source: Various consultants, information compiled by CoAL, Independently reviewed by Venmyn Deloitte

Economics

The Makhado Project returns a Net Present Value of R6.79 billion (IRR of 30.1%) and has a payback period of 6 years



Base Case Variables

Discount Rate (real)	8%
ZAR/US\$ Exchange Rate	R9.75:\$1
Hard Coking Coal Price per tonne (average) *	\$206.16
Overall Yield (hard coking coal)	18.8%
Overall Yield (thermal coal)	25.8%

Source: CoAL

*- HCC price based on long term view of independent experts. The price over LOM ranges from \$180.42 (2016) to \$230.28 (2032)

Base Case Analysis Results

Description		
Capital Investment (Capex)	R 3.96bn	\$406.3m
Cash Flow before Tax	R 23.48bn	\$2 408.4m
Net Cash Flow (non-discounted)	R 17.01bn	\$1 744.7m
Net Present Value	R 6.79bn	\$697.0m
Internal Rate of Return (real)	30.1%	30.1%
Payback Period	6 years	6 years

Source: CoAL

Licensing

All regulatory licences are planned to be received by H1 2014, subject to CoAL concluding the BEE partnership transaction



- The New Order Mining Right (NOMR) application for the proposed Makhado Colliery was submitted on 20 January 2011 and accepted by the Department of Mineral Resources (DMR) on 25 February 2011
- The environmental authorisation requirements and processes, the main legal frameworks being the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA), the National Environmental Management Act 107 of 1998 (NEMA) and the National Water Act 36 of 1998 (NWA), were undertaken in parallel
- The final Environmental Impact Assessment/Environmental Management Plan (EIA/EMP) was submitted on 25 September 2012 and the final submission of the Integrated Water Use Licence (IWUL) application on 10 December 2012
- All regulatory licenses (NOMR and IWUL) applications are planned to be received by H1 2014, subject to the Company concluding the BEE (Black Economic Empowerment) partnership transaction
- The Company is making progress in acquiring all required surface rights including the farms Lukin and Salaita

Competent Persons Review

Venmyn Deloitte concluded that the technical and financial basis and estimates relating to the project are “reasonable”



- Venmyn Deloitte performed an independent high level review of the results of the Makhado DFS (including Makhado’s resources and reserves) and prepared an independent and updated Competent Persons Report (“CPR”)
- Venmyn Deloitte concluded that:
 - the technical and financial basis and estimates relating to the project are reasonable
 - the assumptions and financial valuation are a fair reflection of the project
 - the DFS meets the industry standard requirements of a Class II Feasibility Study (capital cost estimates are in an accuracy range [-10% to +15%] and contingencies applied are between [8% to 12%])
 - the Makhado Project is feasible, with the normal risks typically associated with resource projects
 - the DFS is complete and ready for submission to a funding institution or other potential investors

Consultants

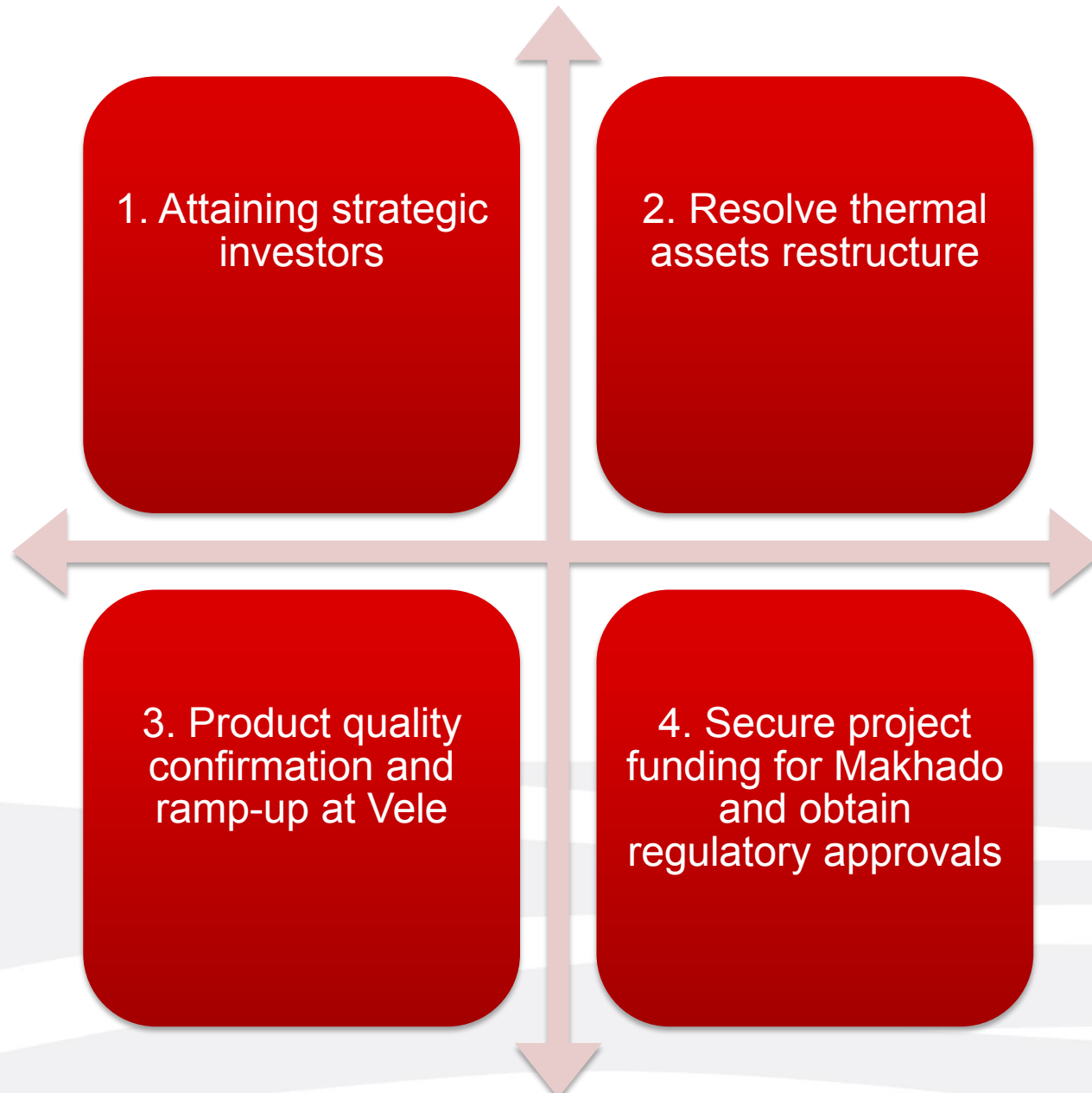
CoAL used a number of specialist consulting firms in preparing the DFS



Consultants and Areas of Responsibility

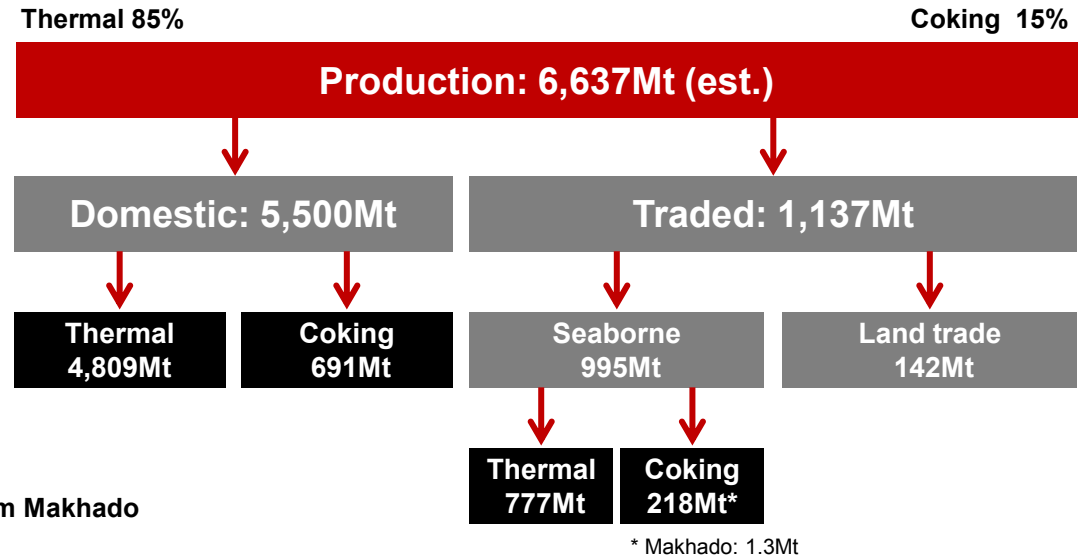
Detail	Scope
Venn & Milford Inc.	Development of the capital cost estimate
MCC Contracts (Pty) Ltd wholly owned by EQSTRA Ltd	Mining contractor specialist
VBKom Consulting Engineers (Pty) Ltd	Mine design specialist
DRA (Pty) Ltd	CHPP (Process Plant)
RCE / Barberry	Rail logistics
Minopex (subsidiary of DRA Group)	Operation and maintenance of the plant
Semane Consulting Engineers (Pty) Ltd	Civil, structural and infrastructure engineering
Bigen Africa Services (Pty) Ltd	Bulk water
WSM Leshika (Pty) Ltd	Ground Water Extraction (Boreholes)
EHL Engineers (Pty) Ltd	Electrical and ICT Design (Information Technology)
Sandvik (Pty) Ltd	Bulk power and product handling
NOSA wholly owned by MICROmega Ltd	Safety and Health
Jacana Environmental cc	Environmental management and closure provision
Naledi Development (Pty) Ltd	SLP (Social labour plan); Community Engagement
CoAL Owner's Team and Support Services	Project Management, Finance, Security, HR

Turnaround strategy: four key priorities

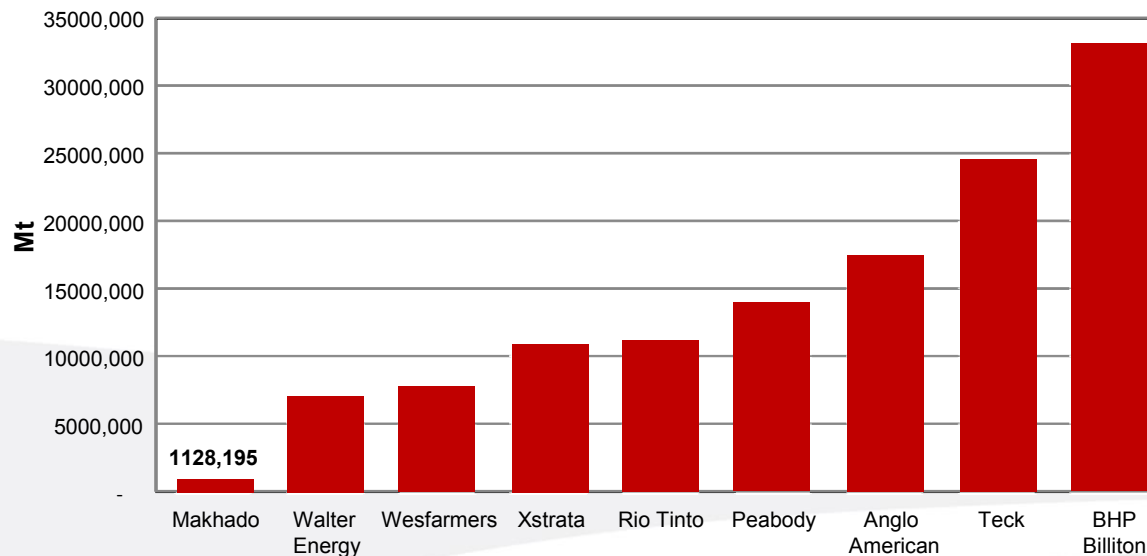




World Coal Market



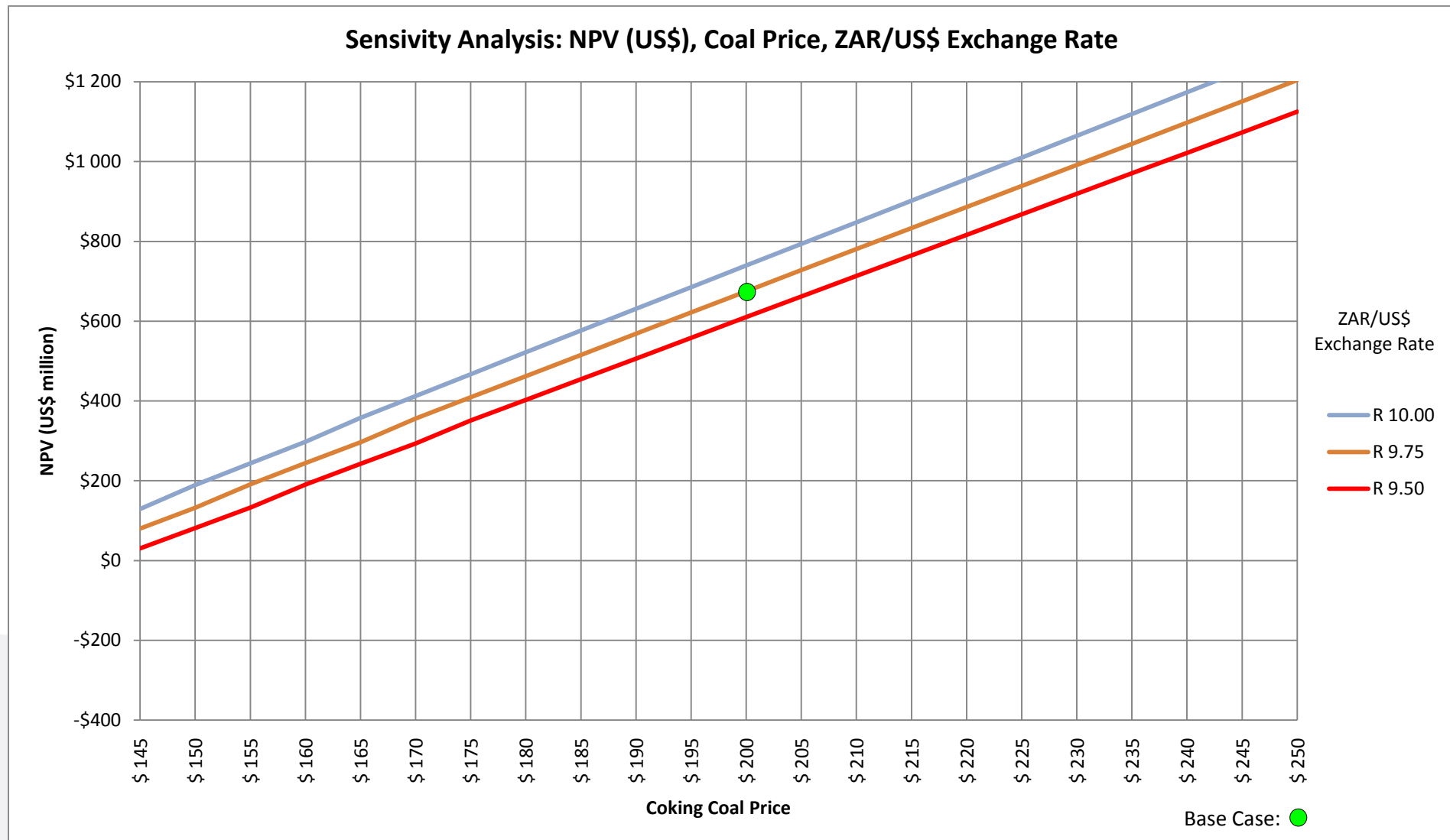
2012 Coking Coal Production by Major Producers vs Planned Annual Exports from Makhado



Compiled from Annual Reports

Source: Wood Mackenzie

Exchange Rate/Coal Price Sensitivity (NPV in US\$)



Source: Coal of Africa Limited



Coal of Africa Limited
2nd Floor, Gabba Building, The Campus
57 Sloane Street, Bryanston, 2021
Tel: +27 11 575 4363 | Fax: +2711 576 4363

admin@coalofafrica.com
www.coalofafrica.com