COAL
COAL of AFRICA LIMITED

Annual Results for year ended 30 June 2017

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

Friday 29 September 2017

www.coalofafrica.com

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Important Notice

Recipients of this presentation should refer to the Independent Technical Statements for Coal of Africa Limited 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 lead Competent Person responsible for the declaration of the Uitkomst Resources and Coal Reserves as presented in this announcement is Mr Daniel (Daan) van Heerden (Director, Minxcon): B Eng (Min.), MCom (Bus. Admin.), MMC, Pr.Eng. (Reg. No. 20050318), FSAIMM (Reg. No.37309), AMMSA. Mr van Heerden is independent of Uitkomst Colliery (Pty) Ltd, its directors, senior management and advisors. Mr van Heerden has worked in the mining industry for over 30 years. He has a vast amount of experience in managing underground and open cast mining operations in South Africa and abroad for world-class mining majors and junior mining companies. He was responsible for new business development for two major mining companies and has experience in mining mergers and acquisitions. He is currently heading the Mining Engineering division of Minxcon, where he is integrally involved in activities such as valuation, due diligence, finance structuring, change management required post the event, feasibility studies, life of mine plans, technical reviews and writing of technical reports for various commodities.

The compilation of the reserves and resources for the Makhado Project, Vele Colliery, Mooiplaats Colliery and Greater Soutpansberg Project is according to the Australasian Joint Ore Reserves Committee (JORC) guidelines, carried out by the Company's independent Competent Person, John Sparrow. The principle Competent Persons involved in this declaration are Mr JCHK Sparrow and Mr MJ Bronn. Mr Sparrow is in the full time employ of the Company as the Group Geologist, and Mr Brom is a consultant and previously served as the Chief Operating Officer of the Company. Mr Sparrow is a registered professional scientist of good standing with the South African Council for Natural Scientific Professions, SACNASP(400109/03). Mr Bronn is a qualified mining engineer and registered member of good standing with the South African Institute of Mining and Metallurgy (SAIMM). Both parties have consented to the inclusion of the resources and reserves in this presentation.

The units of measure in this presentation are metric, with tonnes = 1,000kg and includes technical information that requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding off and consequently introduce an error. Where such errors occur CoAL does not consider them to be material.

Agenda

Introduction and strategy	David Brown
Operations and Project review	David Brown
Financial review	De Wet Schutte
Outlook and conclusion	David Brown

Introduction and strategy:
David Brown, Chief Executive Officer

CoAL's operations and projects locations

CoAL's project pipeline

Vision to responsibly produce in excess of 3.6 million tonnes per annum of saleable product by 2020

Uitkomst Colliery (0.4 Mtpa) → Acquisition of 2nd cash generator → Makhado Lite "greenfields" (2.0 Mtpa) → Vele "brownfields" (1.2 Mtpa)

PRODUCTION	DEVELOPMENT	EVALUATION
Uitkomst Colliery Potential acquisition of another cash generating asset	Makhado Vele	Chapudi Mopane Generaal
Short term strategy	Current project focus	Future project focus
Further options being evaluated – could add 1-3Mtpa	Makhado: NOMR received Vele: NOMR received	NOMR applications made

CoAL's FY2017 strategy assessment

Strategy	Status	Deliverable
Continued focus on safety	✓	No LTI's for last three financial years
Acquisition of a cash generating asset	✓	Uitkomst Colliery acquired on 30 June 2017
Restructuring and strengthening of CoAL's balance sheet	✓	➢ Rio Tinto loan settled (last of the legacy liabilities) ➢ YBI loan converted to equity ➢ IDC debt funding in place ➢ Acquisition finance raised and additional working capital secured through M&G and Summer Tree placement ➢ Positive working capital balance at year-end ➢ No Going Concern issues at 30 June 2017
Strategic investor for the Makhado Project	✓	IDC a 5% shareholder in the Makhado Project underpinning Government support for the project
Dispose of the Mooiplaats Colliery	✓✗	Mooiplaats formal sales process at an advanced stage
Regulatory advancement of the Makhado Project	✓✗	➢ Approved EA amended and transferred ➢ Appeal to IWUL lifted, decision by Water Tribunal pending ➢ Surface rights partially resolved

Regulatory status of CoAL's projects

Project	New Order Mining Right (NOMR) granted by the DMR			Integrated Water Use Licence (IWUL) granted by the DEA			Environmental Authorisation (EA) granted by the DEA			Access to surface rights secured
	Granted	Duration	Status	Granted	Duration	Status	Granted	Duration	Status	
Uitkomst (Kwazulu Natal)	✓	Until 2023	(1)	✓	10 years (granted in 2011)	Fully compliant	✓	LoM	Application to include planned north adit submitted	✓
Makhado Project (Soutpansberg)	✓	30 years	Received May 2015	✓	20 years	(2)	✓	LoM	Amended and validity period extended by 5 years	✓ (3)
Vele (Limpopo)	✓	30 years	Fully compliant	✓	20 years	(4)	✓	LoM	Fully compliant (5)	✓
Mooiplaats (6) (Mpumalanga)	✓	30 years	Fully compliant	✓	20 years	Fully compliant	✓	LoM	Fully compliant	✓
GSP (Soutpansberg)	DMR accepted NOMR applications for the various component projects in 2013 – approval outstanding			No applications for IWUL submitted – to be submitted upon granting of NOMR			No applications for EA submitted – to be submitted upon granting of NOMR			✗

DMR – Department of Mineral Resources
DEA – Department of Environmental Affairs
DWS – Department of Water & Sanitation
LEDET – Limpopo Province Department of Economic Development, Environment & Tourism

NOMR – New Order Mining Right - authorisation to mine resources in accordance with approved mine plan
IWUL – Integrated Water Use Licence - water use limits for construction and mining activities
EA – Environmental Authorisation to undertake mining activities

Notes:

(1) Extension will be submitted to extend the NOMR for LoM i.e. to 2034.
(2) Appeal lifted in FY2017 and expected to be assessed by the Water Tribunal in H1 FY2018.
(3) Majority of surface rights required for the project have been obtained, access to Lukin and Salaita farms is outstanding.
(4) Vele IWUL received and has been extended for an additional 20 years and amended in-line with the plant modification project. An application in respect of the diversion of non-perennial streams has been submitted and a record of decision is expected shortly.
(5) CoAL has committed to spending R55 million over 25 years on bio-diversity and cultural heritage in line with the off-set agreement.
(6) Mooiplaats Colliery is classified as an asset available for sale in FY2017.

CoAL's substantial resources and reserves

Abridged summary of JORC compliant resource & reserve statement – 30 June 2017	JORC-compliant resources (measured, indicated and inferred)[1,2]			JORC compliant reserves (proven & probable)[2]
Project name	**Gross tonnes in situ (Mt)**	**Total tonnes in situ (Mt)**	**Mineable tonnes in situ (Mt)**	**Reserves (Mt)**
Uitkomst (Kwazulu Natal)	25.853	23.832	22.624	8.224
Makhado Project (3) (Soutpansberg)	795.608	691.695	344.766	172.757
Vele (Limpopo)	793.952	671.320	361.569	291.395
Mooiplaats(4) (Mpumalanga)	85.818	79.789	86,164	19.693
GSP (Soutpansberg)	7,161.021	5,751.716	1,660.229	-
Total	**8,862.252**	**7,218.352**	**2,475.352**	**492.069**

Notes:

(1) Resources are stated inclusive of reserves; Mt = million tonnes
(2) Independent Technical Statement for the GSP (1 February 2017)
(3) The Resource, defined in accordance with the 2012 JORC Code, updated in January 2016
(4) Mooiplaats Resource, defined in accordance with the 2004 JORC Code, declared in June 2015, and not updated as it has not materially changed

Coal market trends and pricing

Pricing improved significantly during FY2017

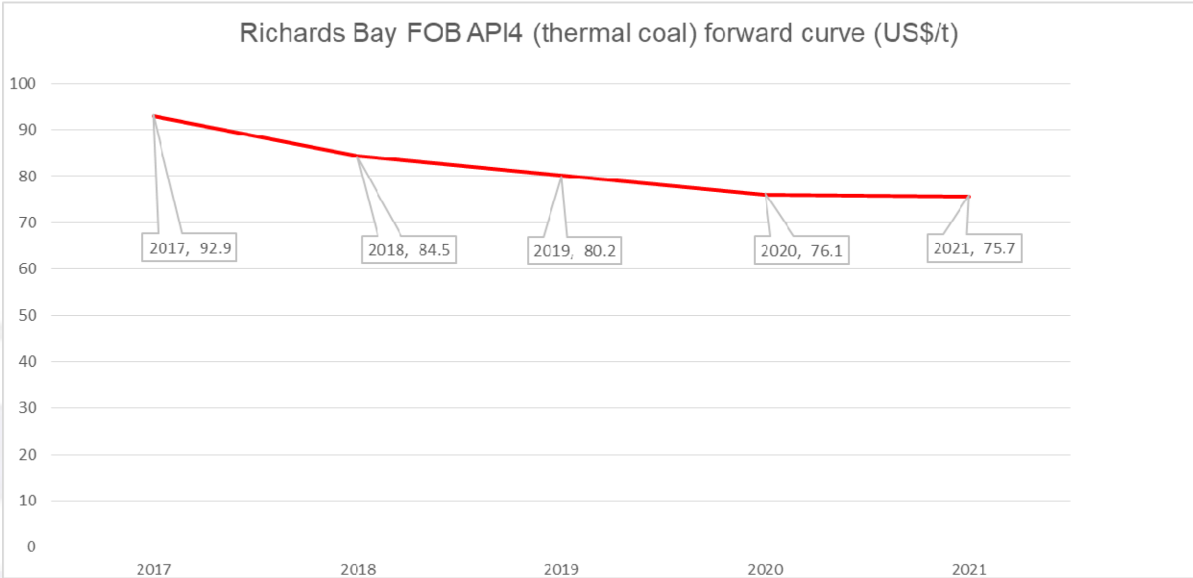
- There has been a significant reduction in investment in new capacity (less future supply will impact the market positively)
- SA in particular has seen very little new investment

Metallurgical coal

- HCC prices increased since January 2016 with prices currently above US$205 per tonne
- Positive outlook, which supports higher future prices

Thermal coal

- Thermal prices increased by since January 2016, currently over US$92 per tonne
- Export and domestic demand – opportunities exist



Project review:
David Brown, Chief Executive Officer

Uitkomst: cash generative, producing asset

- Uitkomst Colliery was acquired on 30 June 2017 for R275 million (US$21.1 million) of which R25 million (US$1.9 million) is deferred for 24 months
- High grade metallurgical coal as well as sized domestic and export thermal coal sold
- CoAL purchased 91% of the project with the remaining 9% held by broad-based trusts, including employees and local communities
- Colliery has a 17 year LoM, producing ~600k tonnes of RoM per annum

- Additional processing plant capacity allows for purchase of 3rd party RoM coal for processing
- Uitkomst RoM coal yields ~400k tonnes of saleable product per annum
- Colliery is situated close to major road and rail infrastructure
- Cash generative asset and CoAL benefitting from R60 million in net positive working capital acquired with the mine (as at 30 June 2017)

Makhado: 'greenfields'

- Makhado Project right-sized to reduce the execution risk and align production with current market options – Makhado 'Lite'
- Opencast life of mine (LoM) extended utilising the east and central pits only
- Lower operational risks during early phases of the project - higher volumes and increased risk of not securing sufficient rail transport, particularly the thermal coal by-product

	Original Makhado Project	Makhado Lite*
RoM production	12.6 Mtpa	4 Mtpa
LoM	16 years	29 years
Hard coking coal (HCC) production	2.3 Mtpa	0.7 to 0.8 Mtpa
Thermal coal production	3.2 Mtpa	0.9 to 1.0 Mtpa
Project capital expenditure	US$406 million	US$75 million to US$85 million
Construction period	26 months	12 months
HCC average price	US$206.16	US$120.00
ZAR:US$ exchange rate used	R9.75	R13.50
Long term HCC price/t	US$206.16	US$120.00
Discount rate (real)	8.0%	10.0%
IRR	30.1%	30% to 50%
NPV	US$697 million	US$135 million to US$260 million

**Makhado Lite parameters are based on internal CoAL estimates and assumptions*

Makhado: 'greenfields' cont'd

- Significantly lower capital required to construct the project – reduced mining footprint, water, electricity, plant and rail infrastructure requirements
- RoM production from Makhado Lite will reduce but HCC yields expected to be ~19.0% with a ~25.1% thermal coal yield
- Makhado costs updated from Definitive Feasibility and FEED Study:
  - Four contract mining proposals received during Request for Quotation (RFQ) process to provide full mining services at Makhado Lite to source recent mining costs
  - Processing plant and infrastructure designs rationalised for lower volumes and three lump sum, turnkey proposals received to construct the processing plant and associated infrastructure and, operate the plant
- CoAL has modelled that approximately 50% of HCC sold locally with the balance of HCC and all thermal coal exported
- Anticipated Makhado Lite peak funding of US$90m - US$110m
- Makhado Lite has a payback period of four years
- Combination of debt and equity will be used to fund the project, anticipated to be 60:40 once off-take agreements signed
- CoAL has had positive off-take discussions with AMSA and other potential local and international HCC customers
- Thermal product is suitable for energy generation – quality satisfies domestic and export requirements

Makhado: ‘greenfields’ cont’d

Makhado Project empowerment

- 26% interest in the Project owned by local communities (20%) and group of entrepreneur’s (6%)
- Empowerment structures subject to the necessary funding for the purchase of their interest and for their share of the development costs of the project

Makhado Project development plan

- Surface rights to be finalized – H1 FY2018
- Off-take agreements to be signed - H1 FY2018
- Funding – debt and equity to be raised – H2 FY2018
- Construction expected to commence – H1 FY2019
- Commissioning of Makhado Project and first coal sales anticipated in Q4 CY2019

Vele: 'brownfields'

Project parameters

- Significant resource with necessary licences in place
- Product suite and output being re-evaluated:
  - SSCC and Thermal coal; or
  - Thermal coal only
- Pricing concerns – despite improved prices, issue of sustainability to be considered

Project developments

- Awaiting approval for IWUL authorising a perennial stream diversion required for the Vele plant modification project
- CoAL board will review project parameters, coal pricing and market conditions and conclude on commencement of Vele plant modifications
- Recent formation of Special Economic Zone near the resource is an encouraging initiative and has a 3-5 year timeframe
- Additional coal fired power stations required for Round 2 of the Department of Energy's IPP process – location closer to the Thuli coal field makes strategic sense – 5-10 year timeframe


Spiral plant


Thickener and product stockpile

GSP: massive pipeline – Long Term Potential

Chapudi, Generaal and Mopane are early stage coking and thermal coal exploration projects in the Soutpansberg Coal field and collectively comprise the GSP with over 1.6 billion tonnes of coal (minable tonnes in situ)

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

Financial review:
De Wet Schutte, Chief Financial Officer

Cash flow FY2017

	2017 US$'000		2016 US$'000
Opening balance	**19,523**		**17,882**
Operational losses	(9,767)		(12,692)
Rio Tinto capital and interest	(18,247)		(4,066)
Development and exploration expenditure and property plant and equipment	(600)		(1,301)
Other investing activities	(400)		(3,307)
Net Business Combination cash outflows (Uitkomst Colliery)	(8,394)		-
Decrease/(increase) in restricted cash	197		774
Net proceeds from share issue	14,864		13,707
Proceeds/(payment) of loans (FY2018: IDC; FY2017: YBI)	8,913		10,000
Other financing activities	457		444
Proceeds form the sale of Holfontein	3,042		-
Foreign exchange differences	58		(1,918)
Closing balance	**9,646**		**19,523**

Financial performance FY2017

	2017 US$'000		2016 US$'000
Group loss for the year (continuing and discontinued operations)	**15,847**		**24,876**
Less: non-cash items (continuing and discontinued operations)	(5,423)		(10,664)
- Depreciation and amortisation	(354)		(1,199)
- Unrealised foreign exchange gains/(losses)	1,971		(9,568)
- Share-based payments	(272)		(193)
- Net finance income	(647)		(849)
- Net impairment expense	(7,602)		360
- Other non-cash items	481		270
- Working capital changes	1,000		515
Less: cash losses from discontinued operations	(200)		(1,075)
'Cash loss' from continuing and discontinuing operations for the year	**10,224**		**13,137**

Financial position FY2017

	2017 US$'000		2016 US$'000
ASSETS			
Non-current assets	278,526		238,235
Current assets	17,750		20,361
Assets held for sale	9,791		14,567
TOTAL ASSETS	**306,067**		**273,163**
LIABILITIES			
Non-current liabilities	23,668		4,003
- Deferred consideration (FY20148: Uitkomst Colliery)	1,916		-
- Deferred tax liability	6,087		-
- Borrowings (FY2018: IDC)	8,197		-
- Other	7,468		4,003
Current liabilities	6,111		29,986
- Deferred consideration (FY2017: Rio Tinto)	-		16,016
- Borrowings (FY2017: YBI)	-		10,000
- Short term provisions	597		398
- Trade and other payables	5,514		3,572
Liabilities associated with assets held for sale	3,414		2,732
TOTAL LIABILITIES	**33,193**		**36,721**
NET ASSETS	**272,874**		**236,442**
EQUITY	**272,874**		**236,442**

The way forward:
David Brown, Chief Executive Officer

Key deliverables to unlock intrinsic value

FY 2018

- Complete sale of Mooiplaats Colliery – H1 FY2018
- Access Makhado site to complete geotechnical drilling – H1 FY2018
- Secure funding for Makhado Lite Project – H2 FY2018
- Acquisition of second cash generator - H2 FY2018
- Potential restructuring of CoAL's stock exchange listings – H2 FY2018

FY 2019

- Makhado construction activities commence – H1 FY2019

FY 2020

- Makhado in Commercial Production
- A potential 3.6 million saleble tonnes per annum produced (Uitkomst, Makhado and Vele)

DEFINED PATH FOR FUTURE VALUE CREATION

CoAL moving forward

Key advantages	Key risks
A major coal resource in South Africa - 8.9 billion gross tonnes in situ with an extended LOM – over 100 years	Political and policy uncertainty impacts the ability to raise funds
Well positioned for future provincial growth opportunities – IPP and the establishment of a special economic zone in close proximity to CoAL's significant resources in the Limpopo Province	Continued commodity price trends (positive moves in 2017)
Hard coking coal differentiator – local and export supply	Logistics costs – distance to end user
Logistics in place and well tested	Insufficient shareholder support for acquisition of a second cash generator
Good governance framework developed - strong national and local government support which sees CoAL as a catalyst for industrial development	Mooiplaats transaction subject to suspensive conditions
Uitkomst cash generating asset covers a significant portion of overheads	Community impacts on project delivery
Balance sheet strengthened with unconditional access to further IDC funding	
Sale of Mooiplaats at an advanced stage and once sold will result in reduced overheads	
Further reduction of overhead structure being considered	

Overall strategy

Drive to self sufficiency during FY2018 to be achieved through the acquisition of a second cash generator or, a financed Makhado Project

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