COAL of AFRICA LIMITED

ANNOUNCEMENT **29 July 2016**

REPORT FOR THE QUARTER ENDED 30 June 2016
Proposed acquisition and regulatory progress

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 30 June 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 Q3: nil).
- The due diligence process regarding the potential equity investment by Qingdao Hengshun Zhongsheng Group Co Ltd ("Hengshun") in Baobab Mining and Exploration (Pty) ("Baobab"), continued albeit at a slower pace due to the main focus of the Company during the quarter being on the Universal Coal plc ("Universal") offer (as further detailed below). 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 remains suspended following an appeal to the Department of Water and Sanitation ("DWS") submitted by the Vhembe Mineral 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 Project South Africa ("DRA") demonstrating a 31% reduction in upfront capital requirements to US$280 million.

Corporate and financial features

- The Company announced on 15 July 2016 that the recommended offer by CoAL for the entire issued and to be issued share capital of Universal had lapsed.
- Available cash at period end was US$20.0 million and restricted cash of $0.5million.

QUARTERLY COMMENTARY

Makhado Coking Coal Project – Soutpansberg Coalfield (100% owned - 74% post broad-based black economic empowerment ("BBBEE") transaction)

The Makhado Project recorded no LTIs (FY2016 Q3: nil) during the quarter.

Makhado's 26-month construction phase is expected to begin as soon as all regulatory approvals are in place (expected during CY2017). This is a delayed start up and reflects the complex environment in which mining operates, but as a company we commit to ensuring that the requisite processes are completed as efficiently and as quickly as possible. A further four month ramp-up phase will result in the production of 5.5 million tonnes per annum ("Mtpa") of saleable product. The Optimisation Study and FEED for the Makhado Colliery has been completed by the international engineering and project delivery group DRA Project South Africa ("DRA"). The study follows on the original works performed by DRA during the Definitive Feasibility Study ("DFS") completed in June 2013 and includes the infrastructure components of the project, and also the integration of the work of a number of specialist consultants.

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 was further enhanced through the (recently completed) 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$280 million which equates to a reduction of 31%.While the Company is pleased with the reduction in the capital cost in US$ terms, the majority of the saving is due to the weakening of the rand since June 2013.

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.

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 ("EA"). The condition compelling CoAL to conduct a Strategic Regional Impact Assessment has been set aside. The interim interdict against the EA remains in place pending the review of the authorisation.

The Company applied to the South African Department of Mineral Resources ("DMR") and Limpopo Department of Economic Development, Environment and Tourism ("LEDET") to amend the EA, amending the holder of the authorisation from CoAL to Baobab, the legal operating entity of the Makhado Project, thus ensuring the alignment of the ownership of the full suite of regulatory authorisations for the Project within the appropriate vehicle. The Company also applied for an extension of the validity period of the EA. Both the DMR and LEDET have granted the extension of the validity period of the EA for an additional five years and have granted the transfer of the EA from CoAL to Baobab.

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.

Mooiplaats Colliery – Ermelo Coalfield (74% owned)

The Mooiplaats thermal coal colliery was placed on care and maintenance during the September 2013 quarter and recorded no LTIs during the period (FY2016 Q3: nil).

During the quarter the Company continued discussions with other potential purchasers and is assessing options regarding a transaction at the colliery. The Company is in various stages of due diligence with interested parties.

Vele Colliery – Limpopo (Tuli) Coalfield (100% owned)

The Vele coking and thermal coal colliery ("Vele Colliery") recorded no LTIs during the quarter (FY2016 Q3: nil).

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

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 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) (74% owned)

The MbeuYashu Project recorded no LTIs (FY2016 Q3: nil) during the period.
No other significant matters to report.

Corporate

In November 2015 the Company announced the terms of a recommended offer to be made by CoAL for the acquisition of Universal Coal. Following numerous delays the company was unable to extend the closure date any further than 15 July 2016 and due to the fact that certain conditions remain unfulfilled on this date the offer has subsequently lapsed. The Company is currently evaluating various opportunities to acquire a cash generating concern, including the possibility of a revised offer for Universal Coal.

David Brown, CEO commented: "The lapse of the Universal offer is disappointing to both parties involved but it's crucial for any acquisition made by the Company to be sustainable and accretive. The company is focused on evaluating opportunities to acquire a cash generator to boost company cash flow during the construction period of the Makhado Project."

Authorised by
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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).