COAL of AFRICA LIMITED

Positioning the company to unlock intrinsic value

Investor presentation

August 2014

www.coalofafrica.com

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Executive summary

Offering	▪ Private placement of ordinary shares with qualifying investors (“**Private Placement**”) ▪ Offering size: US$65 million
Offering price	▪ £ 0.055 per share
Indicative timing of the Private Placement	▪ 30 June 2014: – Principal terms agreed with existing and prospective shareholders ▪ 26 August 2014: – Subscription agreements, placing letters and irrevocable voting agreements/proxy letters concluded; – Announcement of the Private Placement and notice of the Extraordinary General Meeting (“**EGM**”) dispatched ▪ 25 September 2014: – Shareholder approval of the Private Placement ▪ 24 December 2014: – Planned Long Stop Date on Private Placement – with possibility to extend
Use of proceeds enabling value creation	▪ Funding of the plant modification at Vele Colliery (“**Vele**”) ▪ Settlement of the outstanding consideration for the acquisition of the Greater Soutpansberg Project (“**GSP**”) : – Significant pipeline for the creation of a regionally optimised mining complex – Migrating business from small to large scale mines primarily focused on coking coal ▪ Working capital prior to the achievement of steady state production at Vele (FY2016) and settlement of outstanding legacy issues
Sole lead book runner, manager and broker	▪ Investec Bank

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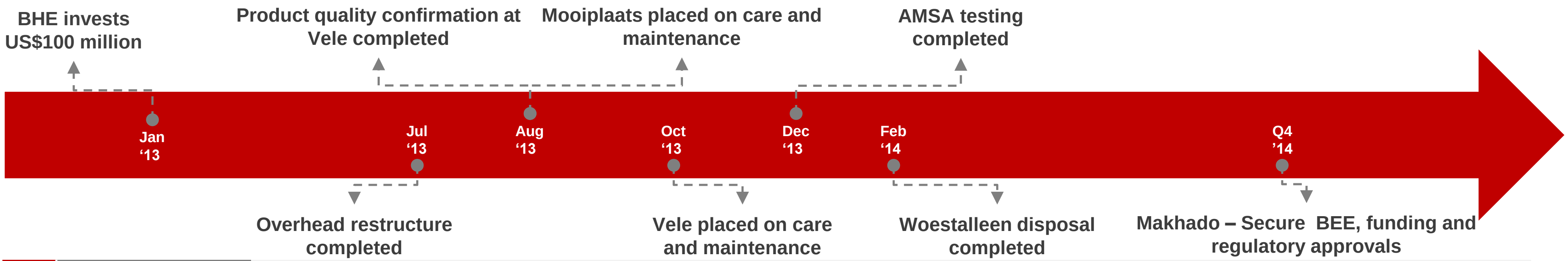
Significant progress made on the turnaround strategy

Significant progress made with the implementation of the communicated turnaround strategy



Five key priorities

Strategic cornerstone investor	BHE invests US$100 million	Completed
Reduce cash consumption	Reduction in overhead structure across the group	Completed
	Loss making Mooiplaats placed on care and maintenance	Completed
	Loss making Vele placed on care and maintenance	Completed
	Progress made in reducing material litigation and legal matters – only Envicoal arbitration in progress	Q4 2014
Vele product verification	Product quality confirmation at Vele	Completed
	Arcelor Mittal South Africa **("AMSA")** and the South African electricity utility ("**ESKOM**") testing successfully completed	Completed
Sale of non-core assets	Woestalleen	Completed
	Opgoedenhoop	Completed
	Shares in Lemur	Completed
	Holfontein	Completed
	Mooiplaats	Q4 2014
Makhado	Regulatory approvals	Q4 2014
	Secure BEE funding	Q4 2014

Focused on growth

Well defined path for future growth		
Significant resource base	▪ Repositioned as a multiple project large-scale development company with a significant resource base (>2 billion MTIS) and primary focus on coking coal ▪ GSP tenements provide optionality, flexibility and economies of scale across contiguous and adjacent resources	
Product stream	▪ Makhado: Hard coking coal product testing completed and confirmed, with export and/or domestic quality thermal coal ▪ Vele: Semi-soft coking coal product testing completed and confirmed, with export and/or domestic quality thermal coal	
Strategic focus	▪ Short term: Vele	– Commission plant modification – Ramp-up to steady state production (cash generation) – Obtain the requisite amendments to existing regulatory approvals
	▪ Medium term: Makhado	– Obtain New Order Mining Right – Evaluate the financing options to meet CoAL's equity requirements
	▪ Long term: GSP	– Evaluate development options to extract the significant resource optimally – Regulatory approval process commenced
Partners	▪ Supported by significant cornerstone shareholders including BHE and M&G ▪ Marketing and sales relationships with BHE and Vitol	
Infrastructure	▪ Resource strategically located within close proximity to existing logistics and infrastructure	
Markets	▪ Flexibility to supply products suitable for the domestic and export markets	

Investment proposition

Investment highlights

1	▪ Multiple large-scale coking coal development company with significant resource base (>2 billion MTIS)
2	▪ Well defined management strategy for the short, medium and long term
3	▪ Strategically located resources close to existing logistics and other infrastructure
4	▪ Unlocking intrinsic value

DEFINED PATH FOR LONG TERM GROWTH

Substantial resources and reserves

Abridged summary of JORC compliant resource & reserve statement – 31 May 2012	JORC-compliant resources (measured, indicated and inferred)[1,2]			JORC compliant reserves (proven & probable)[2]	Strike length drilled to date (km)	Strike length to be drilled (km)
Project name (Coalfield)	**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)
(3) 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 (refer to ASX Announcement dated 24/12/2012)

Project pipeline

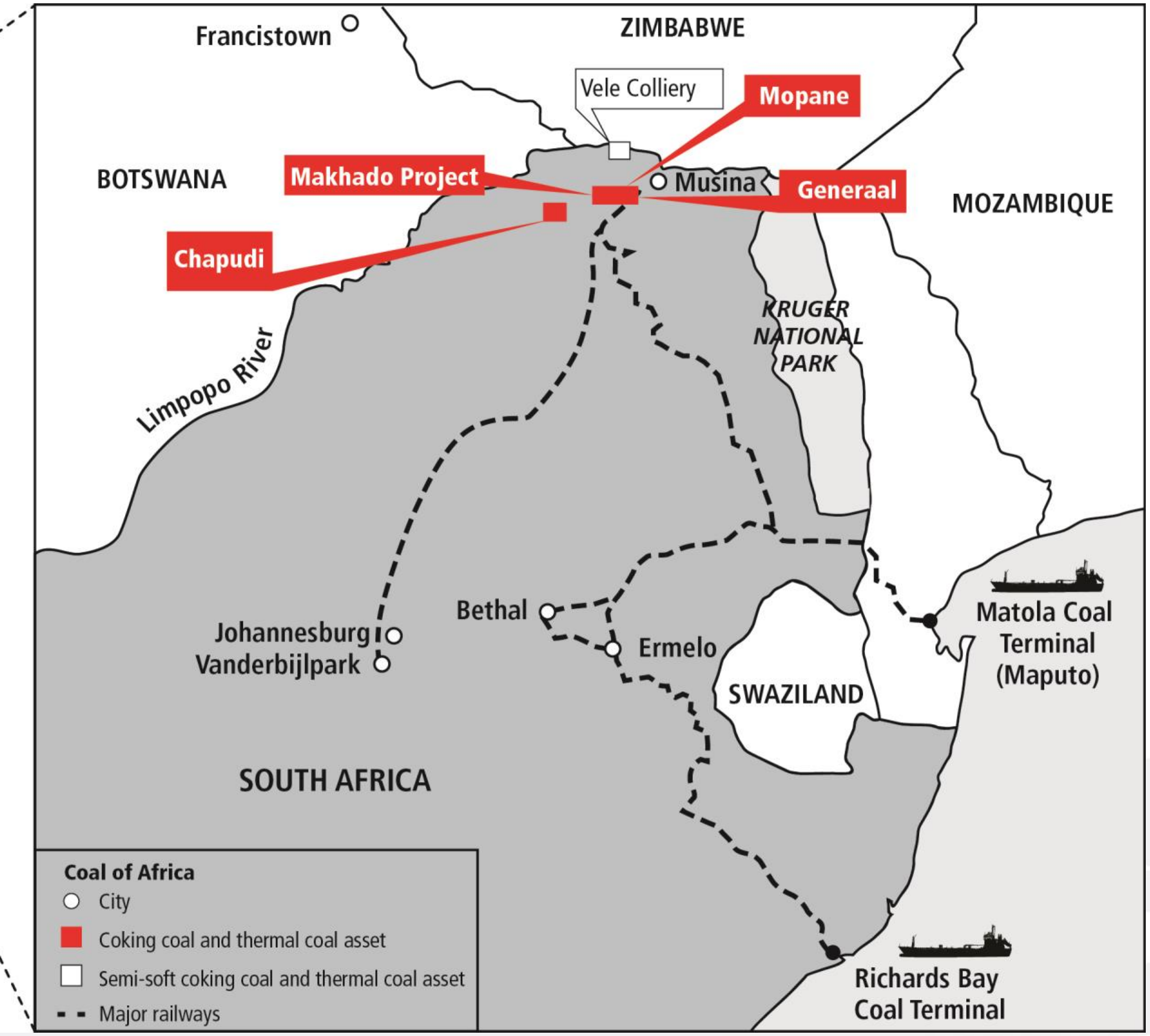
Vision to responsibly produce in excess of 6.7 million tonnes per annum of saleable product

Short term "brownfields" Vele (1.2 Mtpa) → **Medium term "greenfields" Makhado (5.5 Mtpa)** → **Long term "greenfields" GSP**

Leverage existing Infrastructure		
	Existing rail infrastructure	▪ Existing rail infrastructure has sufficient capacity and is in close proximity to the resources thereby reducing the potential capital expenditure and lead time to build ,commission and achieve steady state production ▪ Rail infrastructure and operations have proven track record as evidenced by the Vele operations
	Export ports	▪ CoAL has access to port throughput capacity at the Matola Terminal in Maputo ▪ Proven track record of delivery of coal from Vele
	Road	▪ All projects in close proximity to existing national road infrastructure to facilitate the road transport of coal to domestic customers
	Electricity	▪ Both Vele and Makhado have access to and allocations of Eskom power

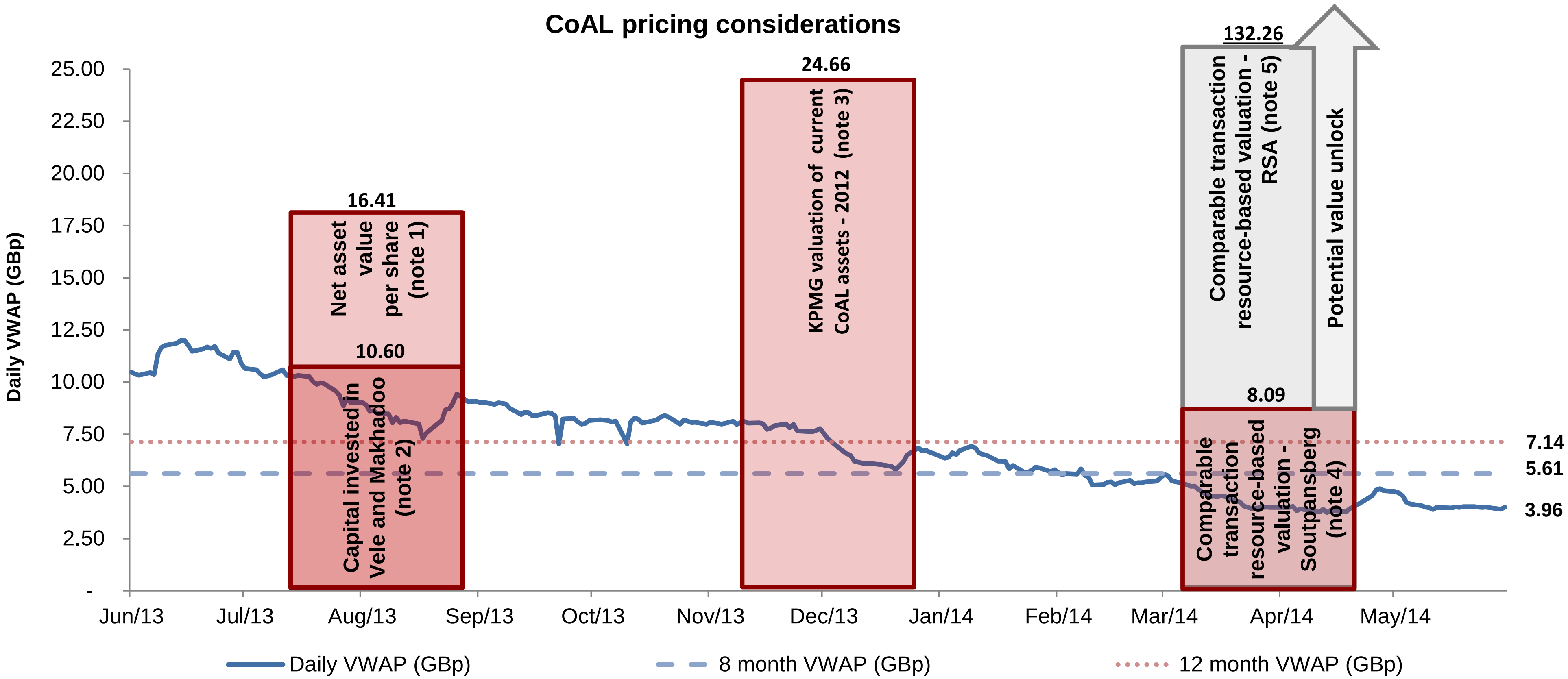
CoAL assets location map

Unlocking intrinsic value



Existing under utilised rail infrastructure in close proximity to all the projects

Unlocking intrinsic value



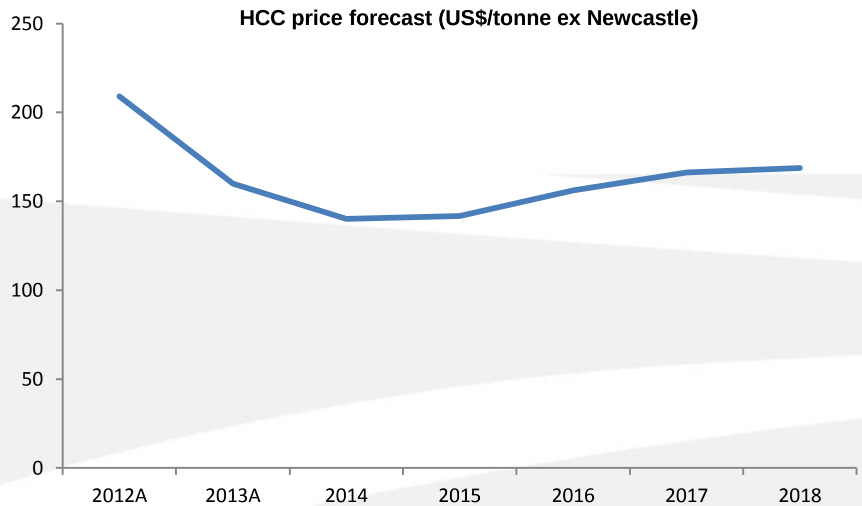
Notes:

(1) As per the 31 December 2013 interim financial results, translated to Rand on 31 December 2013 at a ZAR:US$ of 10.52:1.00 and to British Pounds on 18 June 2014 at a ZAR:GBP of 18.01:1.00
(2) ZAR1.3 billion for Vele and ZAR656 million for Makhado, as per information provided by CoAL
(3) KPMG average of high and low valuation as per the Independent Expert Report dated 10 December 2012, excluding Mooiplaats, Woestalleen and Opgoedenhoop
(4) Based on a 2014 Venmyn curve for transactions and valuations in the Soutpansberg area in South Africa - Soutpansberg is largely undeveloped - True value needs to be unlocked
(5) Based on a 2014 Venmyn curve for transactions and valuations across South Africa

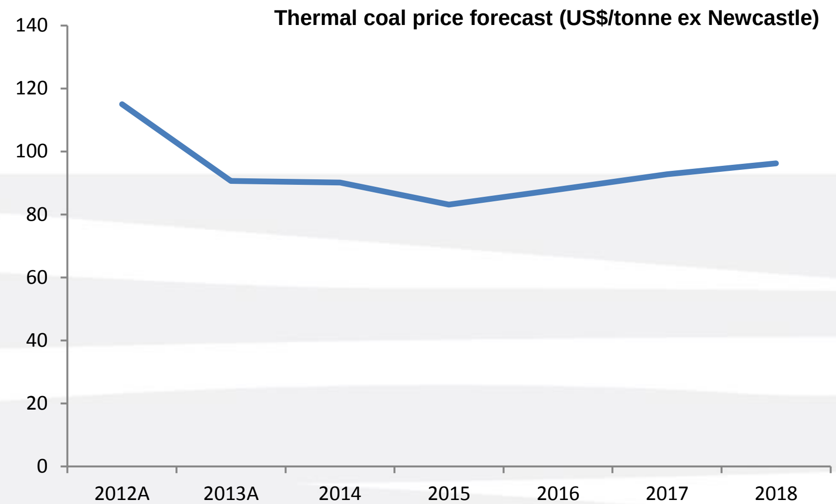
Coal markets

Coal markets

Flexibility	▪ Proximity to existing road and rail networks provide the Vele, Makhado and GSP flexibility to service the domestic/regional markets as well as export ports – this will allow CoAL to switch supply into the markets that offers the highest margins
Export markets identified	▪ Key export markets identified for the metallurgical coal include: India, China, Brazil and Turkey ▪ Key export markets identified for the thermal lower than RB1 grade coal include: India and China ▪ Leverage on key relationship with Vitol and BHE to access export markets
Southern African market	▪ Significant regional demand identified from industrial users in South Africa and Zimbabwe ▪ Relationship with AMSA for metallurgical coal supply - Letter of Intent (“**LOI**”) signed ▪ Eskom require significant additional sources of coal which support the requirement for domestic coal which could create opportunities for Vele, Makhado and GSP
Moderate price recovery expected	▪ Market analysts expect modest price recovery over next five years as demand absorbs current production surplus ▪ Significant proportion of global export coal industry loss making at current prices ▪ Long term real coal price – HCC ex Newcastle US$159.8 per tonne – Thermal coal* ex Newcastle US$91.1 per tonne **equivalent grade to RB1 coal*



Source; Analyst consensus



Source; Analyst consensus

CoAL positioned to supply growth markets

India the major growth for thermal and coking coal

- New Five-Year Plan (to 2016/17) plans additional 64GW of thermal generating capacity
- India faces structural challenge in developing new coal mines (land ownership rights)
- Indian power companies building coastal power stations to run off imported coal
- Steel production expected to double in five years on infrastructure programme

China may focus on higher grade coal

- China to remain largest importer of coking and thermal coal
- Current Five-Year Plan focussed on developing coal resources and power generation in far west while reducing pollution in coastal regions
- A ban on imports of low grade (4,500kcal, high sulphur, high moisture) thermal coal under consideration
- Policy would favour coal from sources that are able to comply with the higher specification that would have to be met if low grades are banned

Source: SA Coal Roadmap Steering Committee

CoAL favorably positioned to supply export markets

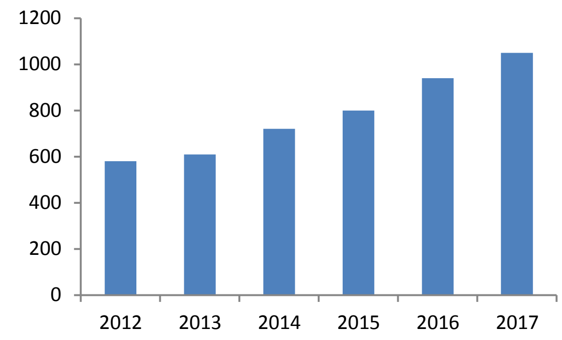
- Near term projects that could supply export markets using existing logistics infrastructure
- Potential to produce suitable higher grade thermal coal and confirmed coking coal qualities
- South Africa geographically well positioned to supply the Indian market

International coking coal market

China and India to dominate coking coal trade

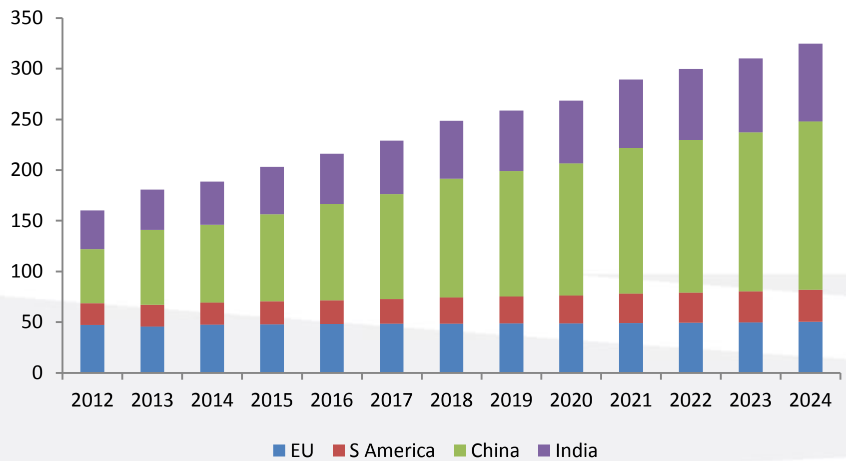
- China, India, Europe and NE Asia account for over 80% of global metallurgical coal imports
- India relies on imports for over 60% of demand due to poor domestic quality
- Brazil emerging as a significant importer
- China demand still expected to rise, even as the economy shifts to domestic consumption
- India likely to be major growth market as Government focuses on economic development and infrastructure in 11th five year plan
- South Africa well positioned to supply India market but currently a minor exporter of metallurgical coal

India infrastructure spend (Rupee bn)



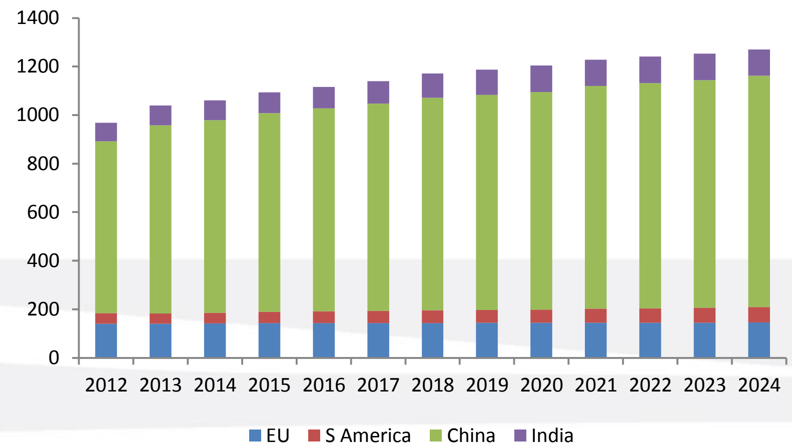
Source; Government of India

Main metallurgical coal importers (Mtpa)



Source; IHS Energy

Steel production (Mtpa)



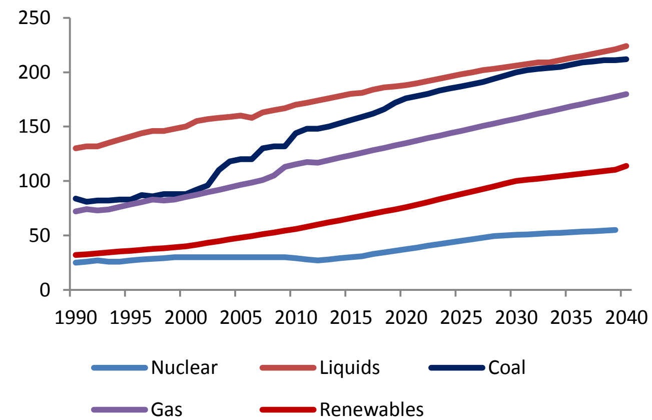
Source; IHS Energy

Global outlook for thermal coal

Coal remains key to global energy supply

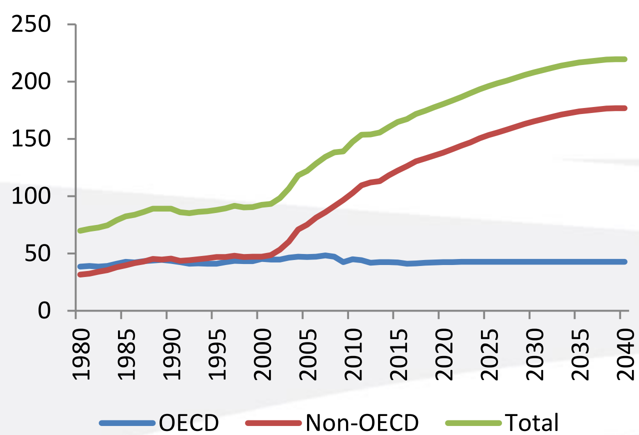
- Coal remains a significant energy source for electricity generation
- Coal is likely to remain the main energy source for electricity generation over the next three decades
- Independent forecasters expect global thermal coal consumption to rise by 1.1% to 1.3% per annum notwithstanding the demand in Europe and North America expected to decline slowly (~0.8% pa) on switch to lower carbon gas and renewables (source: BP Energy Outlook 2030)
- China and India to account for 52% and 12% of global consumption by 2030, met by rising imports

World energy consumption (quadrillion BtU)



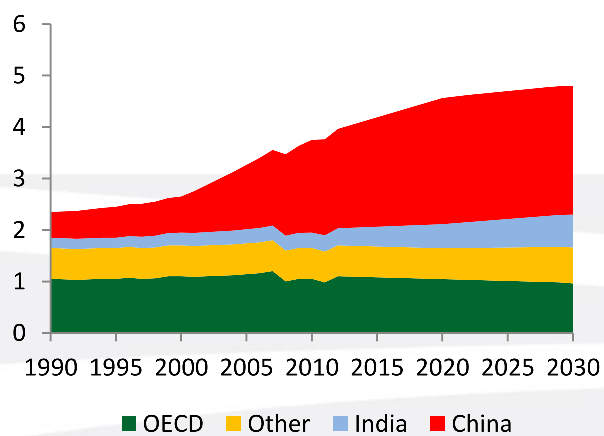
Source: EIA International Energy Outlook 2013

World coal consumption (quadrillion BtU)



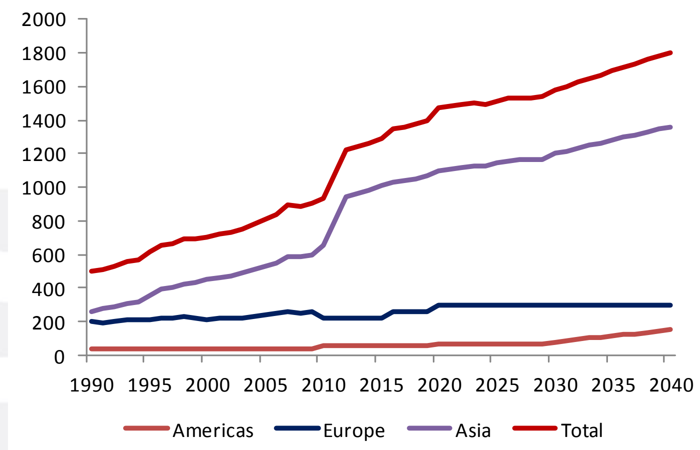
Source: EIA International Energy Outlook 2013

World coal consumption (Btoe)



Source: BP Global Energy Outlook 2013

World coal imports by region (Mt)



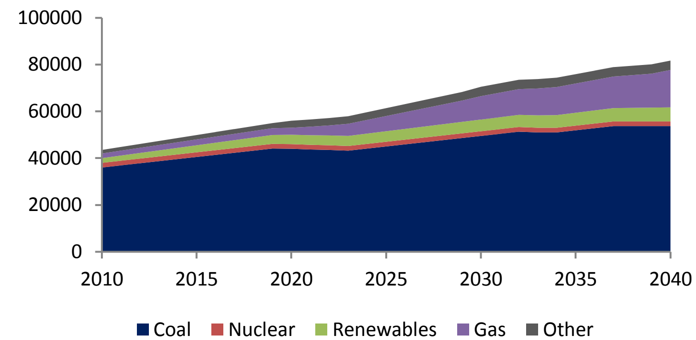
Source: EIA International Energy Outlook 2013

South Africa thermal coal market

Power generation

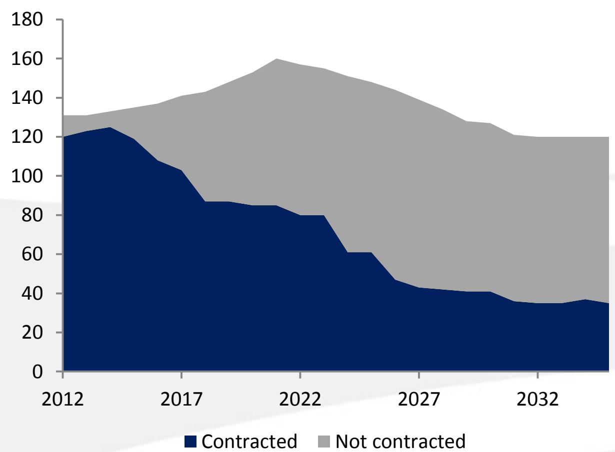
- Eskom accounts for over 65% of Africa's coal consumption and coal generates over 90% of South Africa's electricity
- Coal supply from existing mines is depleting as traditional coalfields come to the end of their useful lives
- Most power stations are located near old coal mines
- New coalfields and mines need to be developed to meet future demand and coal transported
- Opportunity to supply Eskom due to significant un-contracted portion of Eskom future supply
- Progress made with the introduction of IPP in South Africa – will create further opportunities for coal supply
- Both Vele and Makhado are well positioned to supply power producers
  - Existing rail lines and allocation
  - Vele and Makhado can produce thermal coals within the desired range, in excess of the current Eskom specifications
- Eskom coal contracts typically use indexed price increases on long term contracts, supporting stable revenue streams

South Africa generating mix (MW capacity coal base case)



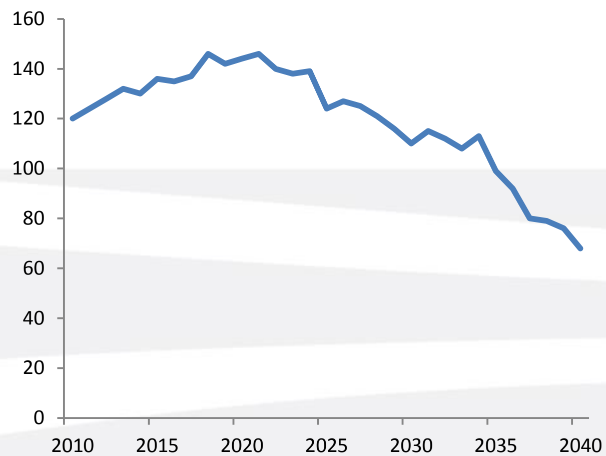
Source: SA coal roadmap 2013

Eskom coal demand projection (Mtpa)



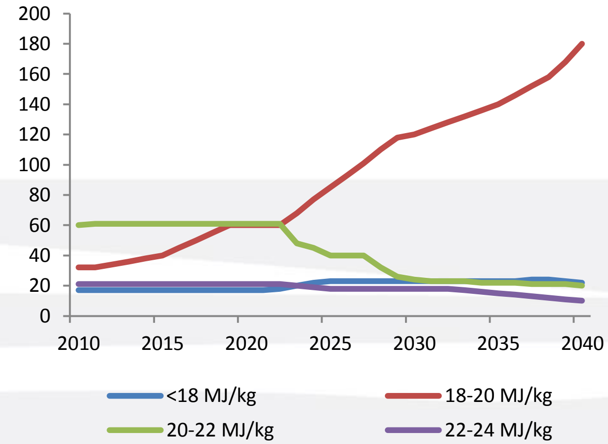
Source: Eskom

Eskom coal supply scenario from traditional coalfields (Mtpa)



Source: SA coal roadmap 2013

Eskom coal demand by type (Mtpa coal base case)



Source: SA coal roadmap 2013

Project overview

Vele – short term "brownfields"

Project parameters

- 795.7Mt GTIS and 362.5Mt MTIS of shallow dip coal
- 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. Additional opencast resources in the west pit and potential for underground mining
- Simultaneous production of two products:
  - semi-soft coking coal
  - 5200 – 5500 kcal/kg lower grade thermal coal
- Off-take agreements are targeted for finalisation along with regulatory approvals by Q4 2014. FEED to be completed with EPC award within the same timeframe

Highlights

- Granted 30-year NOMR in March 2010 over 8,662ha with a life of mine ("**LOM**") in excess of 50 years
- CoAL has invested R1.3 billion in Vele on plant construction and production
- Plant modification approved to facilitate the dual production of semi-soft and thermal coal
- Sedgman under taking FEED and could be appointed as EPC contractors
- Sedgman construction timeline: 12 month construction, followed by a 3-month plant ramp up
- LOI from AMSA regarding the semi-soft coking coal off take agreement, pricing to be agreed
- Extensive exploration with over 350 boreholes drilled to obtain further coal quality information

Spiral plant

Thickener and product stockpile

Makhado Project – medium term “greenfields”

Project parameters

- Expected production of ~12.6 million ROM tonnes per annum
- 2.3Mtpa of hard coking coal and 3.2Mtpa of thermal coal
- LOM: 16 years
- Resource to be mined on an opencast basis with the potential for underground expansion
- Capital expenditure of R3.96 billion (US$406.3 million), including contingency
- Non discounted peak funding of R4.2 billion (US$432.8 million)
- The average forecasted on-mine operating costs are R865.00 (US$88.71) per saleable hard coking coal tonne

Highlights

- Completed a Class II Definitive Feasibility Study (DFS) on its flagship Makhado Project
- Discussions underway:
  - Broad Based Black Economic Empowerment (“**BBBEE**”) groups, majority being local communities
  - strategic partners (from a funding and off take perspective)
  - potential debt financiers

CoAL is working towards a funding structure which will include debt funding with CoAL retaining majority ownership and the incoming partner’s contribution meeting CoAL’s full equity requirement for the project

- Proposed ownership structure:
  - BBBEE shareholder: 26%
  - Strategic partner : 20-23%
  - CoAL: 51-54%
- Timeline:
  - CY 2014 NOMR approval and finalisation of BBBEE funding process
  - planned commencement of construction in Q2 2015
  - 26 months plant construction and mine development

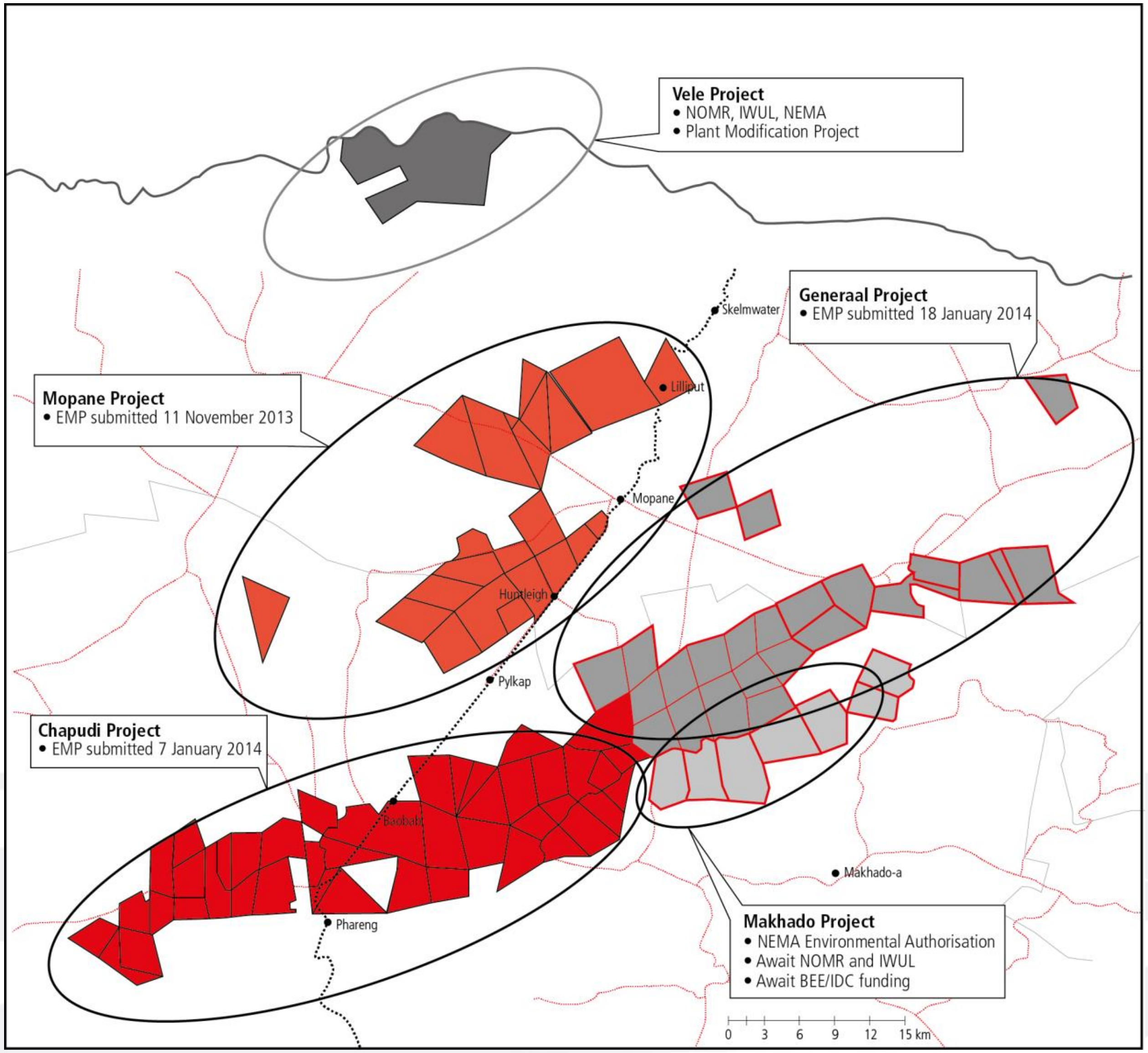
Bulk sample pit on Tanga

Waste pad with material from bulk sample after processing

GSP – long term "greenfields"

Highlights

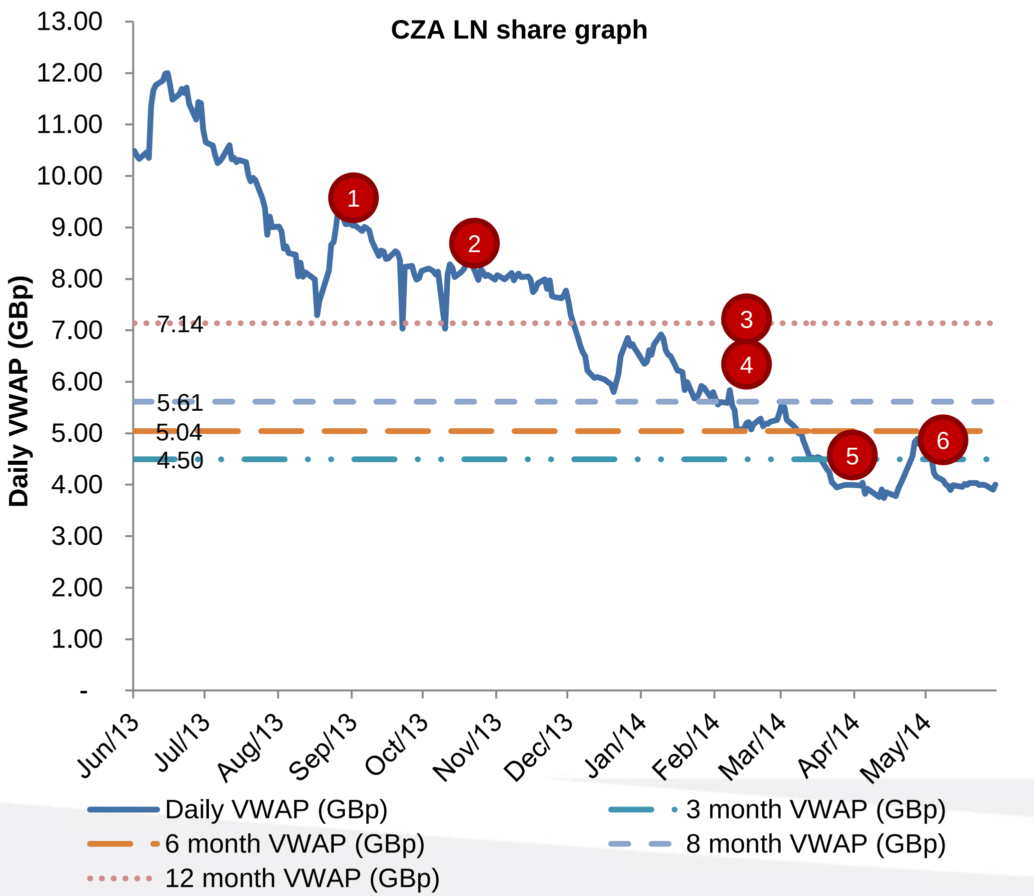
- Consolidation of tenements and ore bodies to improve mine planning optionality, flexibility and economies of scale
- Significant resource base of coking and thermal coal products
- Access to domestic and export markets using existing rail capacity
- Classified into 3 regions:
  - Chapudi Region
    - Chapudi
    - Chapudi West
    - Wildebeesthoek
  - Makhado Region
    - Generaal
    - Makhado Extension
    - Mt Stuart
  - Mopane Region
    - Jutland
    - Voorburg



Financial update

Financial snapshot

1 year share price graph



1. 8/30/2013 – Makhado receives environmental approval
2. 10/15/2013 – Vele output halted to prepare for expansion
3. 4/1/2014 – David Brown appointed CEO of CoAL
4. 1/31/2014 – Coal granted Nucoal (Woestalleen) Section 11 approval
5. 3/27/2014 – CoAL granted Opgoedenhoop section 11 approval
6. 5/8/2014 – CoAL receives business interruption insurance claim

Source: Bloomberg

Major shareholders as at 30 June 2014

Shareholder name	Current shares held	Shareholding before Firm Placement
	Number of shares (millions)	(%)
BHE	247.41	23.6%
M & G Investment Management	161.13	15.4%
ArcelorMittal S.A.	126.13	12.0%
Africa Management	102.27	9.8%
Investec Asset Management	61.58	5.9%
Vitol Energy (Bermuda)	24.99	2.4%
Capital Research Global Investors	20.71	1.98%
Deutsche Bank AG London	12.05	1.2%
Public Investment Corporation	9.92	1.0%
Pictet & Cie Private Clients	9.81	0.9%
Other	272.34	25.82%
Total	**1,048.37**	**100.0%**

Market data

Current share price – 18 June 2014 (GBp)	3.96
Current market cap – 18 June 2014 (GBPm)	41.52
Total liabilities[1]	39.81
Total cash[1]	4.83
Total assets (including cash) [1]	217.62
NAV[1]	177.81

Note: (1) as at 31 December 2013 published interim financial statements, translated from US$ to GBP at 1 to 1.6564, which was the rate at 31 December 2013

Source: Bloomberg, exchangerates.org.uk

Pro forma consolidated statement of financial position

Consolidated statement of financial position

	Note	Published 31-Dec-13 $'000	Pro-forma adjustment	Pro-forma 31-Dec-13 $'000
ASSETS				
Total non-current assets		318 985		318 985
Current assets				
Inventories		544	-	544
Receivables		4 645	-	4 645
Cash and cash equivalents	1	4 067	77 000	81 067
		9 256	77 000	86 256
Assets classified as held for sale		32 232	-32 232	0
Total current assets		41 488	44 768	86 256
TOTAL ASSETS		360 473	44 768	405 241
LIABILITIES				
Total non-current liabilities		4 647	-	4 647
Current liabilities				
Deferred consideration		30 000		30 000
Trade and other payables		5 582		5 582
Borrowings		9 160	-	9 160
Provisions		343	-	343
Current tax liabilities		1 489	-	1 489
		46 574	-	46 574
Liabilities associated with assets held for sale	2	14 724	-14 721	3
Total current liabilities		61 298	-14 721	46 577
TOTAL LIABILITIES		65 945	-14 721	51 224
NET ASSETS		294 528	59 489	354 017

	Note	Published 31-Dec-13 $'000	Pro-forma adjustment	Pro-forma 31-Dec-13 $'000
EQUITY				
Issued capital	3	935 891	65 000	1 000 891
Accumulated deficit	4	-753 831	-5 511	-759 342
Reserves		111 893		111 893
Equity attributable to owners of the parent		293 953	59 489	353 442
Non-controlling interests		575		575
TOTAL EQUITY		294 528	59 489	354 017

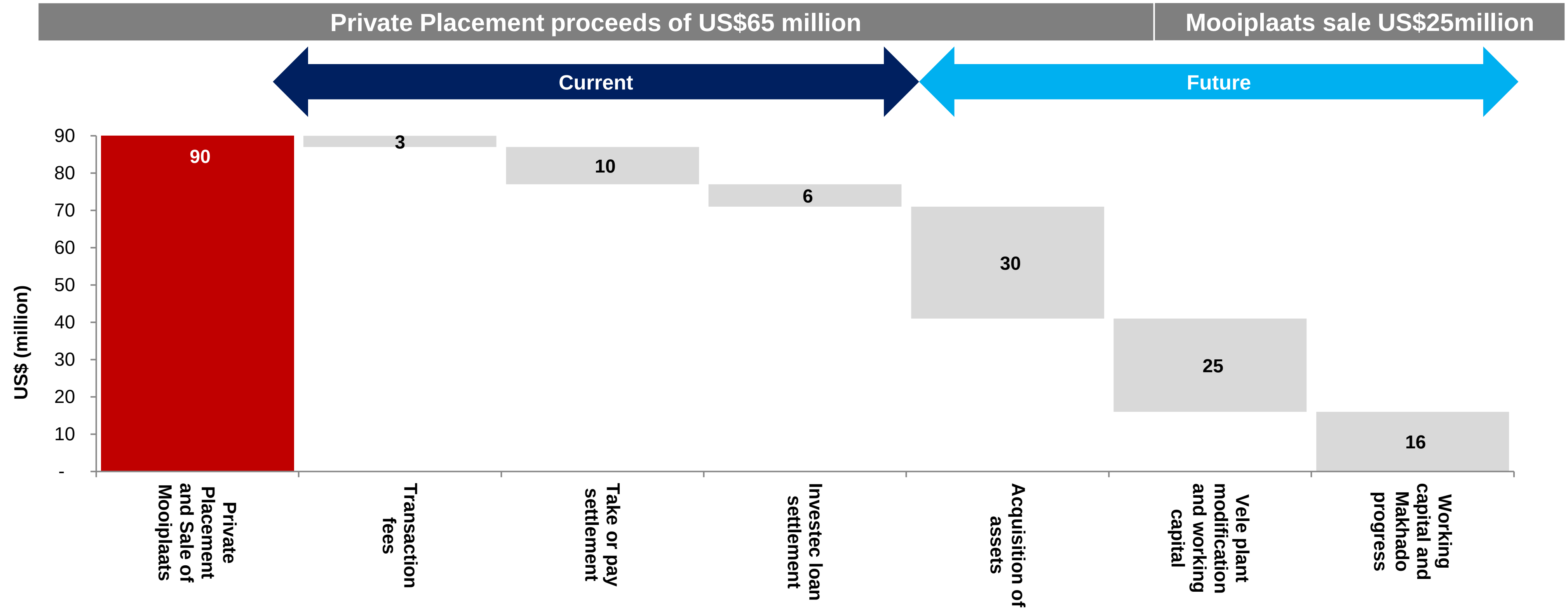
1 Net proceeds from Private Placement and Sale of Mooiplaats
2 Pro forma adjustment to account for the Grindrod settlement liability
3 Gross proceeds from the Private Placement at a price of GBP0.055
4 Pro forma adjustment for the Private Placement fees and the Grindrod take or pay expense

Cash flow shortfall

What has changed during the last 24 months to cause the cash flow shortfall?

Delay in the disposal process at Mooiplaats	▪Sales proceeds delayed as a result of the downturn in global markets	-US$40 million
Take or pay liabilities	▪50% of the associated liabilities mitigated, leaving a significant liability over the remaining contract term ▪Settlement of ~$10 million proposed	-US$10 million
Operating losses incurred at both Mooiplaats and Vele	▪Delay in the closure of Mooiplaats: resulting in care and maintenance costs ▪Vele: Placed on care and maintenance and planned plant modification and additional costs associated with product testing for AMSA ▪Operational losses minimised and not ongoing	-US$18 million
Final payment for the purchase of GSP from Rio Tinto	▪Unsuccessful negotiations to defer the final payment until the company was cash flow positive	-US$30 million
Total Cash flow shortfall		-US$98 million

Use of proceeds



Logistics	**Marketing relationship and take or pay**	Take or pay liability has been significantly reduced. Agreement in principle to settle both the historical and future liabilities
Rio Tinto final payment	**Progress on renegotiated repayment terms**	Principle agreement recently reached to a deferred payment process, terms to be finalised

Next steps

Key deliverables to unlock intrinsic value

2014	▪ Vele off take agreements finalised ▪ Vele plant modification commences ▪ Makhado regulatory approval (NOMR and IWUL) ▪ Disposal of Mooiplaats, turnaround strategy completed
2015	▪ Makhado financial close which indicates fully funded project ▪ Vele plant modification complete ▪ Vele steady state production achieved ▪ Sale of Vele BEE component completed
2017	▪ Makhado construction complete
2018	▪ Makhado steady state production achieved

DEFINED PATH FOR FUTURE VALUE CREATION

COAL of AFRICA LIMITED

Questions?

www.coalofafrica.com