

Disruption at the Vele operations

Mining

23 January 2013

On 22 January 2013, Coal of Africa announced that it was forced to stop production at its major opencast Vele operation due to the flooding caused by the severe rainfalls in the Limpopo province. The company guides a week of down time, but would not rule out operations to commence earlier as weather conditions have improved. At this stage, the production implications are likely to be minimal as the company will run down its saleable inventory, which is close to Vele's weekly output.

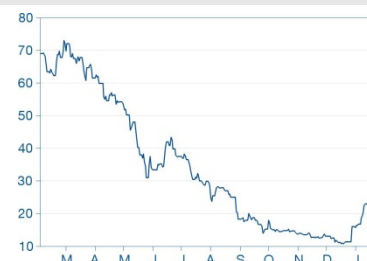
Price 22p
Market cap £176m

Shares in issue 801m
Free float 89%
Code CZA
Primary exchange ASX
Other exchanges AIM, JSE

Year end	Revenue (\$m)	EBITDA (\$m)	PBT (\$m)	EPS* (c)	P/E (x)	Yield (%)
06/11	261.4	(8.4)	(117.7)	(22.3)	N/A	N/A
06/12	243.8	(26.8)	(139.1)	(20.7)	N/A	N/A
06/13e	205.0	(34.7)	(103.5)	(13.2)	N/A	N/A
06/14e	217.2	13.1	(51.3)	(6.4)	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Share price performance



Coal of Africa announced that it was forced to stop production at its opencast Vele operation due to the mine site flooding. The flooding was caused by heavy rains in the Limpopo province, with an estimated 500mm of rainfall in the past five days compared to the normal annual rainfall of just 450mm. The company guides that the downtime could take up to seven days, but, as the rain has stopped, it does not rule out limited operations commencing in the next few days. At this stage, it appears that the production impact from the disruption is likely to be minimal as the operation has 5.5kt in saleable inventory. This compares to the Vele's current weekly production run rate of 7.7kt of thermal coal.

Business description

Coal of Africa launched the Mooiplaats mine in 2008 and has followed with the acquisition of NuCoal's thermal coal business in 2010. It recently commissioned the Vele mine and is advancing its flagship Makhado coking coal project.

In other news, Coal of Africa reported that its new strategic partner Beijing Houhua Energy Resources (BHE) obtained all necessary approvals to proceed with the final US\$80m tranche of the agreed US\$100m equity package. The initial US\$20m payment was advanced to the company in late 2012. The remaining US\$80m conditional payment is subject to Coal of Africa shareholder approval, which is expected to be received at the upcoming extraordinary shareholder meeting to be held on 25 January 2013.

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