COAL of AFRICA LIMITED

ANNOUNCEMENT **26 OCTOBER 2009**

REPORT FOR THE SEPTEMBER 2009 QUARTER & TRADING UPDATE

Coal of Africa Limited ("CoAL" or "the Company") provides its operational report for the quarter ended 30 September 2009. A full copy of this report is available on the Company's website, www.coalofafrica.com.

Highlights

- Railing and sale of first coal from the Mooiplaats thermal coal project ("Mooiplaats Project");
- Agreement in principle on terms of a Broad Based Black Economic Empowerment ("BBBEE") transaction taking the Company closer to compliance with South African Black Economic Empowerment ("BEE") legislation;
- Continued public private partnership ("PPP") discussions with Transnet Freight Rail ("TFR"), a division of Transnet, the South African government owned rail and freight organisation, on the Maputo rail corridor;
- Agreements executed to acquire the remaining 26% of Limpopo Coal Company (Pty) Ltd ("Limpopo Coal"), the owner of the Vele coking coal project ("Vele Project") taking CoAL's interest to 100% on completion;
- Completion of construction of the laboratory in Polokwane to reduce time delays for thermal and coking coal sample analysis;
- Appointment of Hendrik ("Kobus") Verster to the CoAL Board as ArcelorMittal SA's nominee Non-Executive Director;
- Cash balance at the end of the quarter of A$47 million - the Company has no debt.

Post Quarter Events

- Issue of 1,990,000 CoAL shares to acquire 6% of Limpopo Coal increasing the Company's interest in the Vele Project to 80%.

Commenting on the results today, Simon Farrell, Managing Director of CoAL said, "With the first sales of coal completed in September, the Company demonstrated the operational capabilities and logistical strategies that enable it to overcome many of the challenges faced by emerging coal mining companies. The revised Mooiplaats mine layout and the planned south shaft should allow the Company to take advantage of the increasing interest shown in thermal coal. Furthermore, the Company expects the granting of a New Order Mining Right for its Vele coking coal project before the end of 2009 and production is expected to follow within four months of receiving the required legislative approval. I am optimistic that the railways PPP initiative will ensure that the Company will be able to deliver significant tonnage of coal to the international and domestic markets."

DISCUSSION OF RESULTS

Mooiplaats Project – Ermelo Coalfield (100%)

In early July 2009, the Company announced that following an extensive reassessment of the mine plan and geological conditions, a revised mining layout for the Mooiplaats Project had been finalised. During the September quarter, additional vertical as well as horizontal drilling programmes to re-affirm the amended mine layout were completed. The revised layout did not result in any material amendments to the anticipated tonnage schedules of the project's life of mine plan and depending on the rate of development, export quality thermal coal is now expected to be reached by the end of 2009.

The Company's mining plan anticipates run of mine ("ROM") production for the next five years as follows:

Calendar year	2010	2011	2012	2013	2014
ROM Production	1.7m	2.7m	3.1m	3.4m	3.2m

The remaining road and conveyor infrastructure development of the Mooiplaats Project's north shaft was completed during the quarter. Currently, coal mined at the Mooiplaats Project is expected to be railed from the Umlabo siding to the Matola Terminal in Maputo, Mozambique ("Matola Terminal") while the larger Overvaal siding is being re-commissioned. The work required to re-commission the Overvaal siding is, pending relevant approvals and finalisation of lease documentation, expected to be completed by the end of Q2 2010.

Mining operations at the Mooiplaats Project are currently producing approximately 30,000 ROM tonnes per month of a high calorific value (>27MJ/kg), mid volatile "lean" coal. In mid-September 2009, the Company loaded its first train of mid volatile "lean" coal and agreed terms of sale. The Company commenced trucking the coal from the Mooiplaats Project on 8 September 2009, with the first train loaded and railed to the Matola Terminal on 11 September 2009. Trains will continue to be loaded and dispatched to utilise the maximum stockpile of 80,000 tonnes at the Matola Terminal. Shipping is expected to commence by the end of 2009.

During September 2009, the Company also signed an off-take agreement with Traxys, a global mineral marketing company, for 35% of the export quality thermal coal from the Mooiplaats Project. The terms of this agreement offer significant upside over what are considered standard terms in the industry. CoAL has agreed terms with another well respected global trader for a further 35% of the Mooiplaats Project export quality thermal coal and expects to execute a formal off-take agreement reflecting the agreed terms by the end of 2009.

Safety management continues to be a key focus at CoAL's projects but sadly, in July 2009, two employees of a contractor to CoAL were fatally injured in an accident resulting from the unlawful access to and use of a vehicle by an unlicensed contractor. Immediately following the accident, operations were halted for three days whilst investigations were conducted by inspectors and mine officials of the South African Department of Mineral Resources ("DMR"). Reassuringly, the results of the official inquiry indicated no material breaches by the Company, but suggested legal prosecution of the driver and several of the contractors' officials.

An application to extend the current New Order Mining Right ("NOMR") to include the farms Klipbank and Adrianople was lodged with the DMR in the September quarter. The extension would result in the development of the south decline shaft and increase the life of the mine. The DMR is currently processing the application and the Company expects the application to be approved by the end of 2009.

Vele Project – Tuli Coal Field (80% - will be 100% on granting of the NOMR)

During July 2009, CoAL confirmed that it will develop its Vele Project in two phases. Phase 1 will initially comprise the establishment of a modular coal treatment plant with the ability to deliver an estimated 1 million saleable tonnes (yield dependant) of coking coal per annum. The capacity of the modular plant can be doubled should ArcelorMittal SA ("Mittal") wish to increase its off-take from the Vele Project, as indicated in the Letter of Intent signed in April 2008 ("Mittal LOI"). The Mittal LOI provides for the potential off-take from the Company's coking coal properties of a minimum of 2.5 million tonnes per annum ("mtpa"), with an option for Mittal to increase this to 5mtpa. Phase 2 of the Project is expected to deliver the planned full capacity of 5 mtpa of saleable coking coal from the Vele Project and the implementation thereof will be dictated by market conditions.

The Company is ready to launch Phase 1 of the Vele Project immediately upon the granting of a NOMR which is currently under review by the DMR. Approval of the NOMR is expected by the end of 2009. The total capital expenditure to complete Phase 1 of the Vele Project is estimated at ZAR350 million with a further ZAR200 million required to double the Phase 1 capacity. An additional ZAR2.65 billion will be required to complete Phase 2 of the Vele Project, which will deliver 5 mtpa. The Mittal LOI is subject to formal documentation but, in principle, provides for a free on rail ("FOR") delivery in return for a free on board ("FOB") indexed price, which is expected to deliver a significantly better margin than would have otherwise been enjoyed through exporting the coal. Initial mining is expected to utilise opencast methods, which also contributes to lower initial mine establishment costs.

A considerable amount of preparation for Phase 1 has already been completed and significant capital expenditure committed to the modular plant which is expected to shorten its production lead time. Dry commissioning of the modular plant has been completed and all manufacturing work on the plant and supporting infrastructure is progressing according to schedule. Following the granting of a NOMR by the DMR, the wash plant and associated infrastructure is expected to be commissioned within four months in Q1 or early Q2 of 2010.

Work on the Vele Project feasibility study undertaken by GRD Minproc (Pty) Ltd was finalised during the quarter. The results of the feasibility study are expected to be ready before the end of 2009.

Discussions regarding the mining contract continued with MCC Contracts, the selected open-cast mining contractor, and the mining contract is due to be signed by the end of 2009. A Memorandum of Understanding in this regard between the two parties has already been signed.

A further 39 exploration holes, totalling over 3,200 metres, were drilled on the mine area during the quarter. All cores have been geophysically logged and core samples sent to the laboratory in Polokwane for analysis, the results of which are expected in the next quarter.

In May 2009, CoAL submitted comprehensive Environmental Management Progamme ("EMP") and Environmental Impact Assessment ("EIA") documents to the DMR in which the Company committed itself to the highest level of environmental and social performance. Dust monitors have already been erected on the Vele Project area as well as on neighbouring farms. Water monitoring boreholes have been drilled and an Integrated Water and Waste Management Plan for the Vele Project is being compiled by independent consulting engineers.

Acquisition of remaining 26% Interest in Limpopo Coal

As announced on 14 July 2009 and 23 October 2009 ("Announcements"), the Company executed two binding agreements with Shangoni Bezwe Management Services (Pty) Ltd ("Shangoni") and Tranter Holdings (Pty) Ltd ("Tranter") to collectively secure the remaining 26% interest in Limpopo Coal, the company that owns the Vele Project and in which CoAL already owns a 74% interest. On 23 October 2009, 1,990,000 fully paid ordinary CoAL shares were issued to Shangoni for 6% of Limpopo Coal after all suspensive conditions to the agreement had been satisfied. The consideration payable to Tranter for the remaining 20% of Limpopo Coal is 5,625,750 new fully paid ordinary shares in CoAL and is conditional upon the fulfillment or waiver of suspensive conditions set out in the Announcements.

Makhado Coking Coal Project – Soutpansberg Coal Field (100%, subject to 30% Exxaro option)

The Company has prepared the documentation required for the NOMR Application for submission to the DMR, based on the planned 5mtpa production profile of the 1.3 bn tonne[1] Makhado coking coal project ("Makhado Project"). This application will be submitted once section 11 approval in terms of the South African Minerals and Petroleum Resources Development Act, 2002, has been granted by the DMR for the Rio Tinto Farm Swap.

During the quarter, the Company completed an additional 45 exploration holes bringing the total metres drilled since June 2009 to over 2,086 metres. The exploration boreholes of the large diameter drilling programme provided additional cores for bulk sample analysis and assisted in delineating the southern and northern limits of the coal.

In July 2009, the Company submitted an application to the DMR for the extraction of a bulk sample from the Makhado Project. Approval of the application is expected in Q4 of 2009 and the sample extracted will yield 1,000 tonnes of coal for analysis by ArcelorMittal SA in their coking ovens.

[1] Including the Rio farm swap

Holfontein Coal Project (100%)

During July 2009, the Company mandated The Mineral Corporation (Pty) Ltd ("Mineral Corp") to update the resource estimate of the Holfontein coal project ("Holfontein Project") based on both historic data and the results of the drilling programme undertaken during 2008/09. The Mineral Corp report is expected to be completed shortly and the Company continues to classify Holfontein as an asset available for sale. The New Order Mining Right for Holfontein is anticipated to be granted by the end of 2009.

Confirmation of PPP Discussions with TFR

Discussions progressed with regards to the PPP with TFR on the Maputo rail corridor. The discussions are designed to ensure the availability of rail capacity to match the port capacity CoAL has secured through agreements with Grindrod Trading & Shipping Limited ("Grindrod"). CoAL's export capacity via the Matola Terminal is currently 1 mtpa. This is expected to rise to 3 mtpa by late 2010 with the potential to reach 13 mtpa following an additional 10 mtpa expansion via the creation of a new dedicated coal export terminal. Terms and conditions of the arrangement between CoAL and TFR are yet to be finalised, but both parties are committed to ensuring a solution is found that will meet the overall objective of facilitating the use of the Maputo corridor, as a viable export route for coal producers and an alternative to the Richards Bay Coal Terminal.

Richards Bay Throughput Agreement

As announced on 25 August 2008, the Company entered into a throughput agreement with Grindrod Limited ("Throughput Agreement") to secure long term port allocation for the export of coal produced at the Mooiplaats Project via the dry bulk terminal at Richards Bay ("Richards Bay Terminal"). As a result of certain conditions precedent under the Throughput Agreement not being met by Grindrod, the Company has formally terminated the Throughput Agreement. Notwithstanding this, CoAL continues to work closely with Grindrod and others with a view to securing allocation at the Richards Bay Terminal. As previously advised, the Company is using the Matola dry bulk coal terminal in Maputo, Mozambique for the export of coal produced at the Mooiplaats Project.

Black Empowerment Transaction

The Company has, subject to formal documentation, reached agreement in principle with its proposed BBBEE partners ensuring CoAL takes a significant step towards compliance with South African BEE legislation. The arrangement will replace the previous agreement, announced on 13 June 2008, with Coal Investments Limited ("CIL") pursuant to which CIL subscribed for shares and was granted an option to acquire 50 million CoAL shares. The parties are in the process of negotiating formal agreements which are expected to include the cession of CIL of their right to appoint a director to the Company's Board.

The BBBEE consortium will be led by Firefly Investments 163 (Pty) Ltd ("Firefly") which is wholly owned and controlled by historically disadvantaged South Africans. Firefly's current shareholders include Mosomo Investment Holdings (Pty) Ltd and Mtungwa Resources (Pty) Ltd which are led by Kgomotso Brian Mosehla and Patrick Ntshalishali. The proposed transaction requires CoAL to issue an option to acquire 50 million shares, representing approximately 10.85% of the Company's issued capital, to Firefly. Any shares issued on exercise of the option to subscribe for shares are proposed to be subject to a 12 month "lock-in period". it is expected that the shares will be issued at a price of 60 pence per share. The right to subscribe for the shares is expected to last until five years from the date the conditions to the agreement are satisfied.

Pursuant to the proposed agreement, Firefly will undertake, within a period of three months, to distribute the rights under the agreement to subscribe for shares to the King of the VhaVenda, His Majesty Khosi Khulu Toni Mphephu Ramabulana, representing his constituents of the Mudimeli, Musekwa, Makushu-Musholombi and Tshivhula communities, relevant female empowerment and youth groups as well as a special purpose vehicle to promote and develop entrepreneurs and other specific community groups in the Limpopo province.

The proposed agreement with Firefly will be subject to certain regulatory approvals, including consent of the Australian Foreign Investments Review Board and CoAL shareholder approval. It is proposed that Firefly will also have the right to nominate two persons to the CoAL Board. To facilitate the BBBEE transaction, the Company's second largest shareholder, African Global Capital I, L.P., an entity associated with Mvelaphanda Holdings (Pty) Ltd, Palladino Holdings Limited and OZ Management LP, and its affiliate CIL, which currently own in the aggregate 17.33% of the issued share capital of CoAL, are expected to enter into an agreement with Firefly in terms of which amongst other provisions, they will cede their voting rights over their ordinary shares in CoAL to Firefly for a period of time.

Construction of Polokwane Analytical Laboratory

The construction of a world class analytical laboratory in Polokwane in the Limpopo Province was completed during the quarter. The facility commenced performing petrographic and thermal coal tests on samples from the Company's Vele and Makhado Projects. Results from these tests are expected early in Q4 2009.

Nimag Group of Companies (100%)

The combined effect of cost cutting measures, an improvement in nickel prices, together with increased demand for the Nimag Group's products resulted in a return to profitability during the September quarter. The Group's new Managing Director has been tasked with growing the Group through the acquisition of companies with similar production profiles.

Appointment of a Non-Executive Director

On 27 August 2009, the Company announced the appointment of Mr Hendrik ("Kobus") Verster as ArcelorMittal SA's nominee non-executive director to the CoAL Board. Mr Verster replaced Mr Pierre Leonard, who stepped down from the Board as non-executive director.

Mr. Verster has 15 year's finance experience within the ArcelorMittal Group and is currently Executive Director Finance of ArcelorMittal South Africa and a board member of various unlisted ArcelorMittal Group companies. He is also a director of the National Business Initiative in South Africa, which is a regional partner of the World Business Council for Sustainable Development, a voluntary group of leading national and multinational companies which work together to towards sustainable growth and development in South Africa through partnerships, practical programmes and policy engagement.

Authorised by

SIMON J FARRELL

Managing Director

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About CoAL:

Coal of Africa Limited ("CoAL") is an AIM/ASX/JSE listed coal mining and development company operating in South Africa. CoAL has three key projects including the 113 million tonne ('mt') Mooiplaats thermal coal mine, the 656 mt Vele coking coal project and the 1.3 bn tonne Makhado coking coal project (including the Rio farm swap).

The Mooiplaats coal mine commenced production in 2008 and is currently ramping up to produce 2 mtpa. CoAL's Vele and Makhado coking coal projects are expected to start production in H1 2010 and Q4 2011 respectively producing an initial 2 mtpa rising to a combined annual output of 10 mtpa of coking coal.

Resource Estimation:

Resource estimations have been compiled, according to the JORC and SAMREC codes, by Mr John Sparrow (Member of the South African Council of Natural Science Professions SACNASP) 400109/03, an independent geological and technical consultant with 26 years experience in the Southern African and Australian regions. Mr Sparrow has sufficient experience relevant to the assessment of this style of mineralization to qualify as a Competent Person as defined in the JORC Code and has compiled a number of Competent Person's reports for various organizations for the JSE, ASX and TSE. Mr Sparrow consents to the inclusion of the information in this report in the form and context in which it appears. The JORC Code is the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and SAMREC is the South African Code for the Reporting of Mineral Resources and Mineral Reserves.