

CZA - Coal of Africa Limited - Report for the June 2008 quarter

Coal of Africa Limited
(previously, "GVM Metals Limited")
(Incorporated and registered in Australia)
(Registration number ABN 008 905 388)
Share code on the JSE Limited: CZA
ISIN AU000000CZA6
Share code on the Australian Stock Exchange Limited: CZA
ISIN AU000000CZA6
('CoAL' or 'the Company')

Report for the June 2008 quarter

Coal of Africa Limited ('CoAL' or 'the Company') is pleased to announce its operational report for the quarter ended 30 June 2008. A full copy of this report, as released today on the ASX, is available at the Company's website, www.coalofafrica.com.

Highlights

- CoAL secures long term Black Economic Empowerment status with Mvelaphanda Holdings and associated companies, ensuring the Company complies with the 2014 South African legislative targets for BEE ownership.
- ArcelorMittal, the world's largest steel company, takes a 17.8% stake and agrees to enter into an off-take agreement with CoAL to secure a minimum of 2.5 million tonnes annually from the Company's Limpopo coal projects, with an option to secure a further 2.5 mtpa.
- Upgrade of the Company's Vele (previously Thuli) soft coking coal resource to 441 million gross in situ tonnes, of which 133mt is "measured."
- Agreement reached on the sale of the Holfontein coal project to Lachlan Star Limited for A\$25 million.
- CoAL completed the acquisition of the remaining 30% of the Mooiplaats project, taking the Company's interest to 100%.
- Nimag (Pty) Ltd's nickel magnesium alloy business generated a 12 month EBIT of A\$3.1 million.
- Section 11 approval received satisfying the last remaining condition for the acquisition of 60% of the 32,584 hectare Tshikunda coal project.
- Appointment of Riaan van der Merwe as Chief Operating Officer.

- Cash balance at the end of the quarter was A\$254 million. The Company has no debt.

Commenting on the results today, Simon Farrell, Managing Director of CoAL, said, "Progress on the Company's coal projects is continuing according to plan and the rehabilitation of the Mooiplaats box-cut is now completed. The results of the exploration programmes on the Vele and Makhado projects confirm our expectations of both coal quality and coal reserves with Mining Right applications for both projects to be submitted in the September quarter. This progress, together with the enhancement of CoAL's shareholder base, positions the Company uniquely whereby it has significant cash reserves for large scale development and an off-take agreement that will allow the Company to take advantage of the current resource prices within a reduced risk environment."

DISCUSSION OF RESULTS

Corporate Activities

Black Economic Empowerment Status

Agreement was reached whereby Coal Investments Limited ('CIL') will subscribe for shares and options which, if exercised, will result in African Global Company 1, LP ('AGC')*, CIL and their affiliates owning in excess of 26% of the Company. This will ensure that CoAL satisfies the South African legislative requirements whereby Black Economic Empowerment ("BEE") groups must own at least a 26% equity interest in mining companies by 2014.

The agreement resulted in CoAL issuing 25.5 million shares for £33.15 million and, subject to Australia's Foreign Investment Review Board approval, CoAL will issue a further 12 million shares for £15.6 million. Combined with the 33.8 million shares in the Company already held by African Global Capital (a Mvelaphanda Holdings affiliate), this will result in CoAL's BEE partners having approximately 17.4% of CoAL's issued shares. In addition, subject to shareholder approval, CIL will be issued 50 million options exercisable at £1.80 each on the satisfaction of certain conditions, namely CoAL converting its New Order Prospecting Rights on the Makhado and Vele projects to New Order Mining Rights within 12 months of the date of entering this agreement. Furthermore, CIL cannot dispose of the options or the shares issued to it within 12 months from issue unless the disposal is to a CIL affiliate or another BEE group.

*AGC is the first fund managed by a private equity initiative involving amongst others New York based Och-Ziff Capital

Management Group LLC and Mvelaphanda Holdings (Pty) Ltd.

Placement and Off-Take Agreement with ArcelorMittal

During the quarter CoAL signed an agreement whereby ArcelorMittal, the world's largest steel company, subscribed for 60 million shares in the Company (approximately 16% of the issued capital) for £66.7 million. Furthermore, ArcelorMittal has agreed to enter into an off-take agreement to annually secure a minimum of 2.5 million tonnes (which may be increased to five million tonnes) of coking coal from CoAL's Makhado and Vele coal projects. As part of the transaction, ArcelorMittal has the right to nominate a director to the CoAL board.

Terms and conditions of the off-take agreement are subject to formal documentation but the two parties have agreed in principle that the coal will be delivered to the town of Musina in the Limpopo province at a Free-on-Rail price linked to the Free-on-Board price of Kestrel (East coast of Australia) hard coking coal assuming similar quality and specification parameters.

Coal Activities

Mooiplaats Coal Project (100%)

During the quarter CoAL shareholders approved the issue of 4.75 million shares satisfying the final acquisition payment for the remaining 30% of the project. By the end of the quarter, orders for over A\$28 million (ZAR200 million) of mining equipment had been placed with delivery to commence in the September quarter.

Access to the decline shaft was obtained during the quarter allowing for the de-watering of the box-cut. Development of the mine site has commenced and management expect mining to commence towards the end of the third quarter of this year, with production in the following quarter. Negotiations were initiated with suppliers of wash plants, which are anticipated to be commissioned by February 2009.

The results of the production related drilling concluded during the quarter were included in the geological model, allowing for the finalisation of production scheduling and the mining contract. CoAL has processed all of the geological information and re-built the geological model internally, verifying the models presented by the contract miners. This model has been submitted to independent mine planners who are generating life-of-mine schedules, the results of which are expected in August.

Once signed, details of the mining contract and revised

production scheduling will be released to the market, expected to occur prior to the end of August. Additional production related drilling has commenced on the neighbouring farm Klipbank to identify the best site for the second decline (the Beta boxcut).

Discussions with potential off-take customers continued during the quarter and a non-exclusive marketing agreement for the project was concluded with Oreport (Pty) Ltd. Negotiations with Transnet regarding rail allocation for Richards Bay export coal, together with port allocation agreements, continued favourably and are expected to be finalised shortly.

Makhado Coal Project (formerly Baobab) (100%)

During the quarter, a 5,000 metre drilling programme to define the outcrop of the coal zones and to verify the positions of the dolerite sill intersections in the project area commenced. The large diameter (123mm) core drilling sites prepared for the drilling programme will enable this to be completed by the end of August. The large diameter drilling programme will yield samples for detailed coking as well as other coal parameter testing.

Digitisation of the exploration data acquired from Exxaro Limited was finalised during the quarter under review. Together with the results of exploration work previously undertaken, this resulted in the creation of geological models that were included in the updated resource statement released in July that increased the resource base to 1.33 billion tonnes. These models have been submitted to independent mine planners who are in the process of generating life-of-mine schedules.

Negotiations with Rio Tinto with regards to the rationalisation of farms continued during the three months resulting in the signing of a Memorandum of Understanding in July. The rationalisation of farms results in farms being swapped by the parties, while others will form part of a joint venture between Rio Tinto and CoAL.

Vele Coal Project (formerly Thuli) (74%)

LudikCore (Pty) Ltd and GeoMechanics (Pty) Ltd continued drilling on the Vele Coal Project and by the end of June had completed phase one of the exploration project, comprising some 65 boreholes. The completed drilling programme, together with the data acquired earlier, resulted in an upgrade of the previously reported JORC/SAMREC compliant 'Indicated' resource. This programme, covering approximately 80% of the project area, delivered a resource of 441.47 million gross in

situ tonnes, of which 133.84 million tonnes occur in the 'Measured' status and 76.58 million tonnes in the 'Indicated' status, with the majority of the coal being open-castable.

The Company proposes to undertake a further 65 hole drilling programme which is expected to result in over 70% of the resource being classified in the JORC/SAMREC 'Measured' category.

An additional large diameter (123mm) drilling programme was undertaken during the quarter. Drilling commenced on the first of three sites with the remaining two sites to be drilled by the end of August 2008. Samples from the first large diameter drilling site have been submitted, in conjunction with ArcelorMittal, for coking coal analysis.

The geological model for CoAL's Vele coal project is undergoing similar evaluation to the Makhado coal project with regards to the mine life and mine design, which is expected to yield a scoping study level schedule and cost estimation in the next quarter.

Holfontein Coal Project (100%)

During the June quarter, exploration on the project (including the Wildebeesfontein portions of the project) continued with over 8,800 metres drilled. Coal samples have been submitted for analysis and selected samples will be tested for their metallurgical coal properties with results of these tests expected in August. The results of the drilling programme will be geologically modelled and are expected to result in a JORC/SAMREC compliant 'Measured' resource.

CoAL has reached agreement to sell 100% of the Holfontein coal project to Lachlan Star Limited for A\$25 million, payable in a mix of cash and shares on the satisfaction of certain conditions. The transaction will include an upfront payment upon transfer of the project to Lachlan Star and a series of milestone payments linked to the granting of the New Order Mining Right as well as certain production targets. Following the conclusion of the sale, CoAL will be the largest shareholder in Lachlan Star.

Nimag Group of Companies (100%)

The Nimag Group's unaudited profit before interest and tax for the twelve months was ZAR21 million (A\$3.1 million). The nickel magnesium business continued to experience tough trading conditions compared to the previous financial year.

Authorised by

Simon Farrell
Managing Director
30 July 2008

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About CoAL:

Coal of Africa Limited ("CoAL") is primarily focused on the acquisition, exploration and development of thermal and metallurgical coal projects. The Company's key projects, along with its leading metals processing company NiMag Group (Pty) Ltd, are in South Africa. The Company was incorporated in Western Australia and listed in 1980. Since 2005, the Company has also listed on both the AIM and JSE markets, allowing further growth in the Company's coal assets.

Resource Estimation

The information in this report that relates to exploration results is based on information compiled by Mr John Sparrow (Member of the South African Council of Natural Scientific Professions SACNASP) 400109/03 an independent geological and technical consultant with 26 years experience in the Southern African and Australian regions. Mr Sparrow has compiled a number of competent person's reports for various organizations for the JSE, ASX, and TSE.

Mr Sparrow has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sparrow has reviewed the information contained within this report and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

30 July 2008

Sponsor

PricewaterhouseCoopers Corporate Finance (Pty) Ltd

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97,
1/7/98, 30/9/2001.

Name of entity

Coal of Africa Limited (previously GVM Metals Limited)
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ABN

Quarter ended
("current quarter")

98 008 905 388

30 June 2008

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	11,743	46,079
1.2	Payments for (a)exploration and evaluation	(4,681)	(12,693)
	(b) development	(95)	(95)
	(c) production	(1,135)	(41,121)
	(d) administration	(2,040)	(9,896)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2,725	5,472
1.5	Interest and other costs of finance paid	(67)	(215)
1.6	Income taxes paid	-	(1,512)
1.7	Other		
Net Operating Cash Flows		6,450	(13,981)
Cash flows related to investing activities			
1.8	Payment for purchases of:(a)prospects	(2,836)	(95,599)
	(b)equity investments	-	-
	(c) other fixed assets	(1,174)	(1,918)

1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	497
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	(1,860)
	Net investing cash flows	(4,010)	(98,880)
1.13	Total operating and investing cash flows (carried forward)	2,440	(112,861)

1.13	Total operating and investing cash flows (brought forward)	2,440	(112,861)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.(net) - see note 7.4 below	198,283	315,222
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Exchange rate related movements in foreign borrowings and reserves)	(9,727)	(9,727)
	Net financing cash flows	188,556	305,495
	Net increase (decrease) in cash held	190,996	192,634
1.20	Cash at beginning of quarter/year to date	62,932	61,530
1.21	Exchange rate adjustments to item 1.20	(9)	(245)
1.22	Cash at end of quarter	253,919	253,919

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

Current quarter \$A'000

1.23	Aggregate amount of payments to the parties included in item 1.2	156
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Issuing of 5,200,000 shares as part consideration for acquisition of the Mooiplaats coal project and professional fees.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	4,570	351

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(2,500)
4.2 Development	(5,000)
Total	(7,500)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,310	3,612
5.2 Deposits at call	251,960	61,107
5.3 Bank overdraft	(351)	(1,787)

5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	253,919	62,932

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	Increase of the investment in the Mooiplaats project as previously announced.	70%	100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference			
	+securities (description)			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			

7.3	+Ordinary securities	398,254,492	398,254,492		
7.4	Changes during quarter				
	(a) Increases through issues	5,200,000 60,000,000 500,000 25,500,000	5,200,000 60,000,000 1,055,575 25,500,000	A\$1.60 GBP1.11 GBP0.12 GBP1.30	A\$1.60 GBP1.11 GBP0.12 GBP1.30
	(b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities (description)				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	19,921,688	-	Exercise price See Note 6	Expiry date See Note 6
7.8	Issued during quarter	1,000,000 600,000 250,000	- - -	Exercise price See Note 6 A\$1.90 A\$1.25 A\$2.05	Expiry date See Note 6 30 September 2012 1 May 2012 1 May 2012
7.9	Exercised during quarter	555,575 4,250,000 375,000	555,575 4,250,000 375,000	GBP0.54 A\$0.50 A\$1.50	31 May 2009 30 September 2011 30 November 2009
7.10	Expired during quarter	Nil	Nil		
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:
Date: 30 July 2008
(Director)

Print name: Simon Farrell

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 Issued and quoted securities: The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

6 Issued options as at 30 June 2008:

Number Issued	Number Quoted	Exercise Price	Expiry Date	Lapsed Since End of quarter
9,250,000	-	A\$0.50	30 September 2011	-
196,688	-	GBP0.34	17 May 2009	-
7,000,000	-	A\$1.25	30 September 2012	-
1,625,000	-	GBP0.65	30 November 2009	-
250,000	-	A\$2.05	1 May 2012	-
1,000,000	-	A\$1.90	30 September 2012	-
600,000	-	A\$1.25	1 May 2012	-

