


## Regulatory Announcement

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**Company** [Coal of Africa Ltd](#)  
**TIDM** CZA  
**Headline** Quarterly Activities Report  
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### REPORT FOR THE SEPTEMBER 2008 QUARTER

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

#### Highlights

- Rio Tinto and CoAL sign a Memorandum of Understanding to swap certain prospecting rights and enter into a Joint Venture on other prospecting rights, all located in and around CoAL's Makhado hard coking coal project.
- CoAL secures long term port allocation at the Richards Bay and Maputo ports for the export of its coal.
- The Company's Black Economic Empowerment partner receives approval from the Australian Foreign Investment Review Board to increase its stake beyond 15% to 17.3%, raising an additional GBP15.6 million.
- CoAL upgrades the resource on the Makhado project from 713mt to 1.335 billion gross in situ tonnes.

- The Vele project resource is upgraded from 441mt to 721 million gross in situ tonnes.
- At the end of the quarter, the Company's coal resources totalled 2.2 billion gross in situ tonnes with approximately 95% of the resources located in the higher value coking coal projects.
- Discussions with Transnet Freight Rail and Mozambique's CFM continued with finalisation of the rail allocations expected in the next quarter.
- Cash balance at the end of the quarter was A\$235 million. The Company has no debt.

Commenting on the results today, Simon Farrell, Managing Director of CoAL, said, "Development of the Company's coal projects continued according to schedule during the September quarter, resulting in the first coal being extracted from the Mooiplaats box-cut in October. In the face of challenging global economic conditions, CoAL's cash position and the absence of debt ensures the Company is well placed to be able to bring the Mooiplaats thermal coal project and the Makhado and Vele coking coal projects into production within the next two years. Furthermore, the securing of long term port allocation at the Richards Bay and Maputo ports guarantees that the Company has access to infrastructure to be able to deliver mined coal to customers. The port allocations, combined with the significant coking coal reserves, positions CoAL uniquely as it will enable the Company to take advantage of international coking coal supply shortages."

## **DISCUSSION OF RESULTS**

### **Mooiplaats Coal Project (100%)**

During the quarter, rehabilitation of the decline shaft and preparation of the surrounding areas for mining activity continued. The development of the box-cut is progressing according to plan and mining is expected to commence towards the end of 2008 followed soon thereafter by production. Negotiations with the contract miner have been finalised and

the supply of mining equipment, infrastructure and wash plant have been secured with delivery of the first continuous mining machine scheduled for October 2008. De-sliming of the box-cut and stabilisation of the decline walls was completed allowing for the contractors to sink to coal and concrete the mine floor which will be done early in the next quarter. Surface infrastructure is currently being established and wash plant design has been finalised, with the first wash plant modules scheduled for commissioning during the March quarter.

Additional production related drilling and drilling to identify the site for the second decline shaft commenced on the neighbouring farms, Klipbank and Adrianople. Exploration on other neighbouring farms has begun, allowing for the expansion of the Mooiplaats project mining area.

The Company has secured long term port allocation for the export of coal mined at Mooiplaats through the Richards Bay dry bulk terminal operated by Grindrod Limited. The throughput agreement provides CoAL with an allocation of 900,000 tonnes of coal per annum commencing in 2009 and the potential to increase its export capacity to 3 million tonnes per annum once the terminal expansion has been completed, in return for CoAL participating in the funding of the expansion.

Discussions with potential off-take customers continued during the quarter and are expected to be finalised early 2009.

#### **Makhado Coal Project (formerly Baobab) (100%)**

CoAL and Rio Tinto announced in July 2008 that they had entered into a joint venture and farm swap agreement relating to the New Order Prospecting Rights forming part of Rio Tinto's Chapudi and CoAL's Makhado project.

The rationalisation of the prospecting rights held by CoAL and Chapudi provides significant benefits to both companies in terms of improving economics and bringing the projects into commercial production.

CoAL anticipates submitting a New Order Mining Right Application in the second half of 2008 that will include Rio Tinto's coal prospect areas that are contiguous with CoAL's Fripp and Tanga farms. Detailed studies have been completed and the life of mine is expected to be in excess of 20 years yielding a saleable coking coal as well as a percentage of middlings suitable for power generation. The Company has entered into a supply agreement

with a global Independent Power Producer who has submitted a bid in the recent Eskom tender for base load power.

Initial marketing of the coking coal fraction will be finalised on completion of a formal off-take agreement with ArcelorMittal who have indicated that they will purchase between 2.5 and 5 million tonnes FOB Musina but paying FOB Kestrel (east coast of Australia) coking coal prices. Other major consumers have already expressed strong interest in securing a supply of hard coking coal from the Makhado project and discussions in this respect are ongoing.

Included in the agreement signed with subsidiaries of Grindrod Limited, the Company has secured long term port allocation through the Matola port in Maputo, Mozambique. The agreement provides for an allocation of 1 million tonnes per annum through the Matola dry bulk terminal commencing in 2009. Also included in the agreement, CoAL has secured the rights to up to 100% of any increased capacity at the Matola dry bulk terminal in return for the Company participating in the funding of the expansion. The first phase of Grindrod Limited's intended 2 phase expansion of the terminal will increase CoAL's export capacity to 3 million tonnes per annum and on completion of the second phase of expansion, CoAL will have a total capacity of 7 million tonnes per annum of the terminal's 10 million tonne total capacity.

During the quarter, a 40 hole large diameter drilling programme commenced yielding bulk samples for detailed coking coal analysis. Results of the programme received to date are in line with managements' expectations.

Digitisation of the exploration data acquired from Exxaro Limited was finalised during the quarter under review. This, together with results of exploration work previously undertaken, resulted in the creation of geological models that was 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 which will be used in the Mining Right application. This is due to be submitted in October.

#### **Vele Coal Project (formerly Thuli) (74%)**

Exploration on the Vele coal project included a 31 large diameter cored hole programme, resulting in a resource upgrade from 441mt to 721 million gross

in situ opencastable tonnes. This includes 158 million tonnes in the 'Measured' and 324 million tonnes in the 'Indicated' categories. Detailed studies have been undertaken and the New Order Mining Right Application was submitted in October 2008. The large diameter cores extracted in the drilling programme have been submitted for detailed laboratory analysis and initial results indicate a significant improvement in both coking coal qualities and yield when compared to historical results. Indications are that the resource contains classic hard coking coal with phosphorous levels below 0.01%, rather than the semi-soft coking coal as previously reported.

As with the Makhado project, the Company entered into an agreement with an Independent Power Producer to supply base load electricity to Eskom which, if successful, will improve the economics of the Vele project significantly.

#### **Holfontein Coal Project (100%)**

CoAL previously 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 due diligence for the transaction commenced during the quarter and is expected to be finalised in the December quarter.

#### **Nimag Group of Companies (100%)**

Due to depressed global commodity prices, the Nimag Group has continued to experience difficult trading conditions. Given the focus on coal production, the Nimag Group is considered non-core to CoAL and the Company is currently undertaking a strategic review of this operation.

Authorised by

**Simon Farrell**

*Managing Director*

*27 October 2008*

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**About CoAL:**

Coal of Africa Limited ("CoAL"), is primarily focused on the acquisition, exploration and development of metallurgical and thermal 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:**

Resource estimations have been compiled 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 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves - 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.

**[www.coalofafrica.com](http://www.coalofafrica.com)**

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