

CZA - Coal of Africa Limited - Report for the December 2007 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

REPORT FOR THE DECEMBER 2007 QUARTER

Highlights

- * Shareholder approval obtained for the change of name from GVM Metals Limited to Coal of Africa Limited ('CoAL').
- * Issue of 80,000,000 shares raising more than A\$115 million to fund acquisitions and development of CoAL's projects.
- * CoAL has paid an additional £10 million thereby increasing the Company's stake in the Mooiplaats Coal Project to 49%. Subject to Section 11 consent, the Company expects to increase its stake to 70% in the current quarter.
- * Over 10,000 metres of drilling were completed during the quarter on the Mooiplaats coal project increasing the total amount drilled on the project to over 65,000 metres. The results of the drilling are in line with management expectations and will be released in the current quarter.
- * Exploration expenditure for the quarter was A\$5.2 million including the payment of ZAR20 million to Exxaro Resources Limited for drilling information for 1,200 boreholes pertaining to the Baobab Coal Project.
- * Concluded an agreement to acquire six farms comprising 7,000Ha located in the vicinity of the Baobab coal project from Sekoko Coal (Pty) Ltd.
- * Finalised an agreement to acquire an area comprising 552Ha consisting of a remaining portion of the farm Holfontein and portions of the neighbouring farm Wildebeesfontein.
- * Nimag (Pty) Ltd's nickel magnesium alloy business continued to experience tough trading conditions accompanied by increased inventories due to reduced global nickel prices and demand and generated an EBIT for the quarter of A\$512k.
- * Cash balance at the end of the quarter was A\$117 million.

Commenting on the results today, Simon Farrell, Managing Director of CoAL, said, 'We are pleased to announce strong progress across the Company's coal projects. Drilling at Mooiplaats has been completed bringing the project into the 'Measured' status while negotiations with potential off takers continue. Coal prices continue to trend upwards and the market looks very encouraging. The drilling on the Thuli project has commenced and an 'Inferred' status is

expected early in the next quarter. The drilling data acquired from Exxaro gives us the possibility of bringing two of the Baobab farms into production 18 months earlier than we previously thought."

DISCUSSION OF RESULTS

Coal Activities

Mooiplaats Coal Project

(70% on completion of the Coal of Africa Limited transaction)

During the previous quarter, CoAL was granted Mining Rights for portions 1 and 9 in terms of Section 23 of the Mineral and Petroleum Resources Development Act, encompassing some 940 hectares of the 22k hectare project. Mining on these portions is expected to commence in the second half of the 2008 calendar year.

The infill drilling programme continued at Mooiplaats during the quarter and 10,000 metres were drilled, bringing the total metres drilled on the project to over 65,000. On completion of the exploratory drilling phases, additional holes will be drilled to enable water monitoring. The independent consultants' project reports on phases 1 and 2 of the drilling together with a report on mining floor and roof support requirements is expected shortly.

A further £10 million was paid as part of the £35.5 million payable to acquire 70% of the Mooiplaats Coal Project. The balance payable of £10 million in cash and 4,444,445 shares will deliver the remaining 21% of the 70% stake acquired in the project.

Discussions with mining contractors have been concluded and those with potential off take partners - including Eskom - continued during the quarter under review.

As a result of the substantial increase in the price of export thermal coal, the Company is now reviewing its earlier plans of supplying largely unwashed thermal coal to the domestic market and is now focusing on the possibility of concentrating on producing washed coals for the export market.

Baobab Coal Project (100%)

Gemecs (Pty) Ltd completed an initial geological evaluation and an initial geological evaluation of the Fripp and Tanga properties based on the data obtained from Exxaro. The evaluation yielded potential open cast resources of over 140 million tonnes of coal in 'Measured', 'Indicated' and 'Inferred' resource categories. Total resources at Fripp and Tanga stand at 710 million tonnes.

East Coast Maritime (Pty) Ltd were appointed to assess railway, road and port infrastructure required for CoAL's Baobab and Thuli coal projects and their mandate has been extended to Phase 2 of the project. Phase 1 of the study

has been completed and the report detailing the findings will be finalised by the end of January while Phase 2 will develop the infrastructure and relationships identified in Phase 1.

A co-operation agreement has been signed with Transnet Freight Rail whereby CoAL will be able to acquire coal transport capacity from Transnet.

Thuli Coal Project (Limpopo) (74%)

LudikCore (Pty) Ltd and GeoMechanics (Pty) Ltd commenced drilling on the Thuli Coal Project and are expected to deliver a JORC/ SAMREC compliant 'Inferred' status on the Prospect area by the end of April 2008. An Aeromagnetic study of the Baobab, Thuli and Tshikunda Coal Projects has been contracted for February 2008 with the results by the end of the current quarter.

Holfontein Coal Project (100%)

During the December quarter, the consultants continued to prepare the Mining Work Programme as well as the Social and Labour Plan and Environmental Impact Study. The Company commenced with the application for the New Order Mining Right and the preparation of the Pre-feasibility study for the mining of the Holfontein coal project. Drilling on the new portion of Holfontein and the portions of Wildebeesfontein acquired in the previous quarter is expected to commence in February 2008.

Nimag Group of Companies (100%)

The Nimag Group's profit before interest and tax for the six months was ZAR5.5 million (A\$980k). The nickel magnesium business continued to experience tougher trading conditions in the form of thinner margins and increased working capital requirements due to depressed global nickel demand combined with slow movement of goods at Durban harbour. The smaller Ferro Silicon business operated well ahead of expectations contributing to the Group's profitability.

Authorised by

Simon Farrell

Managing Director
31 January 2008

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The information in this report as it relates to geology of the Baobab Project was overseen by J C Sparrow a Director of Gemecs (Pty) Ltd. Mr Sparrow is a member of the South African Council for Natural Scientific Professions (400109/03), with a BSc (Univ. of Natal), BSc Hons Geology. (Univ. of Johannesburg) and a Chamber of Mines certificate in Rock Mechanics and qualifies as a competent person in the field of activity being reported on and consents to the inclusion of this information in the form and context in which it appears in this report.

Rule 5.3

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)

ABN		Quarter ended ("current quarter")
98 008 905 388		31 December 2007

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	10,265	22,242
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(5,239) (10,936) (4,685)	(6,681) (28,060) (5,912)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	127	641
1.5	Interest and other costs of	(47)	(75)

	finance paid		
1.6	Income taxes paid	(13)	(13)
1.7	Other	-	-
	Net Operating Cash Flows	(10,528)	(17,858)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(21,714) - (447)	(41,724) - (683)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	- 497 -	- 497 -
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	(1,860)	(1,860)
	Net investing cash flows	(23,524)	(43,770)
1.13	Total operating and investing cash flows (carried forward)	(34,052)	(61,628)
1.13	Total operating and investing cash flows (brought forward)	(34,052)	(61,628)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.(net) -see note 7.4 below	116,939	116,939
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)		
	Net financing cash flows	116,939	116,939
	Net increase (decrease) in cash held	82,887	55,311
1.20	Cash at beginning of quarter/year to date	33,927	61,530
1.21	Exchange rate adjustments to item	154	127

	1.20		
1.22	Cash at end of quarter	116,968	116,968

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	250
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	
2.2		
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	5,073	3,782

Estimated cash outflows for next quarter

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

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	2,393	33,089
5.2	Deposits at call	118,357	1,493
5.3	Bank overdraft	(3,782)	(655)
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	116,968	33,927

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	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
		-	-	-	-

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	297,429,472	297,429,472		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,888,888 590,063 65,000,000 15,000,000	8,888,888 590,063 65,000,000 15,000,000	30 pence 34 pence 65 pence A\$1.50	30 pence 34 pence 65 pence A\$1.50
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)	23,252,263	23,252,263	<i>Exercise price</i> See Note 6	<i>Expiry date</i> See Note 6
7.8	Issued during quarter	1,625,000 375,000	1,625,000 375,000	<i>Exercise price</i> See Note 6	<i>Expiry date</i> See Note 6
7.9	Exercised during quarter	590,063	590,063	34 pence	34 pence
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:
(Director)

Date: 31 January 2008

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 and Quoted Securities as at 31 December 2008:

Number Issued	Number Quoted	Exercise Price	Expiry Date	Lapsed Since End of quarter
13,500,000	-	A\$0.50	30 September 2011	-
555,575	-	GBP0.54	31 May 2009	-
196,688	-	GBP0.34	17 May 2009	-
7,000,000	-	A\$1.25	30 September 2012	-
1,625,000	-	GBP0.65	30 November 2009	-
375,000	-	A\$1.50	30 November 2009	-

+ See chapter 19 for defined terms.

30/9/2001

31 January 2008

Sponsor

PricewaterhouseCoopers Corporate Finance (Pty) Limited