



## ANNOUNCEMENT

8 JUNE 2009

### COMMISSIONING OF MOOIPLAATS COAL HANDLING AND PREPARATION PLANT

- Coal Handling and Preparation Plant ("CHPP") successfully commissioned with capacity to process 110,000 tonnes of run-of-mine coal per month
- Completion and commissioning of second CHPP module planned for Q4 2009
- Bituminous coal to be mined Q1 2010
- Mooiplaats project under the original CAPEX budget
- Cash on hand of US\$82.7 million

Coal of Africa Limited ("CoAL" or "Company"), the AIM/ASX/JSE listed coal development company operating in South Africa (ticker: CZA), is pleased to announce that it has successfully commissioned the Coal Handling and Preparation Plant ("CHPP") at its Mooiplaats Colliery in Mpumalanga, South Africa.

This first module of the CHPP has the capacity to process 110,000 tonnes of run-of-mine (ROM) coal per month. When processing bituminous coal, it will produce an export quality thermal coal, as well as a lower grade middling product suitable for the domestic power station market. The mine is situated only 1.7 km from Eskom's Camden Power Station.

The Mooiplaats plant was designed, built and commissioned by Portaclone, with site engineering, procurement and construction management (EPCM) handled by ELB, who supervised several subcontractors. Technical project management was undertaken by Badger Mining and Consulting. The contract for the operation of the plant has been awarded to Kwenza Processing, who took over operation of the plant at the end of May 2009.

"The achieved project schedule of less than nine months is very pleasing, particularly given delays caused by an abnormally wet rainy season", Simon Farrell, CoAL's Managing Director, said. "The project has also come in under the original CAPEX budget. Most importantly, the site suffered only one Lost Time Injury to date, due to a minor accident that did not result in any serious injury, a commendable achievement given that there were more than 500 staff represented by several contractors working together during this period."

Portaclone has already commenced manufacturing the second module, which will double processing capacity. Completion and commissioning of the second module is planned for Q4 of 2009. Both modules will have the ability to handle bituminous or lean coal.

### Production

As indicated in the Company's quarterly report for the March Quarter, the Company has experienced adverse geological conditions at Mooiplaats that were not anticipated from initial interpretation of the extensive exploration geological drilling conducted over the area. An extensive reassessment of the mine plan has been conducted during the past 2 months, which has involved underground horizontal drilling, surface geological drilling and wireline logging to gain better understanding of factors which may impact the mining layout.

Management is now considering a revised mining layout and tonnage schedule, which it anticipates will result in bituminous coal only becoming available in Q1, 2010. CoAL will in due course advise the market of revised tonnage schedules after the planning process has been completed, which is expected to be within the next 2 weeks. Importantly, with a cash balance of approximately US\$82.7m, the Company has sufficient funds to complete the development of Mooiplaats and Phase 1 of Vele as previously advised.

Mr Farrell noted that "Underground mining continued during this period to develop access through lean coal resources to bituminous coal. Again, the mining contractor, BRSW (Klipbank Mining) and the supporting contractor, Izazi, did excellent work to stabilize the access portals and develop through some very challenging weak roof conditions, as well as 2 dyke intersections without incurring any serious injuries."

Development through "lean" coal areas will now continue to Q1, 2010, which will result in a delay in reaching the bituminous coal as mentioned above. Commercial discussions with several international parties regarding the sale of this mid-volatile product are ongoing. Further, discussions with a number of parties who produce unwashed coal but require coal processing capacity have also commenced. Commercial terms have not been completed, but will be based on a profit sharing arrangement.

#### **Siding**

CoAL is pleased to confirm that it has reached an agreement, which is subject to formal documentation, with the owner of a nearby siding to be used as a temporary arrangement whilst the nearby Overvaal siding is being recommissioned, which is expected to be completed during Q1, 2010.

#### **Off-take**

CoAL has reached in principle agreements with two international coal trading companies for a minimum of 70% of the export thermal coal expected to be produced from Mooiplaats. In both cases, formal agreements are expected to be executed in the coming weeks. Importantly, the terms and conditions proposed by the traders are extremely favourable and offer significant upside over and above what is considered standard terms within the industry.

#### **Other**

Coal is also pleased to advise that design and construction of the Vele modular plant is progressing on schedule and steel fabrication is 50% complete, with major components out on tender. As previously announced, the application for the New Order Mining Right at Vele and associated Environmental Impact Assessments is now complete and we await a formal decision from the Department of Minerals & Energy, expected in Q3 2009.

Yours sincerely



**SIMON J FARRELL**  
*Managing Director*

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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.

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