



## ANNOUNCEMENT

23 JULY 2009

### REPORT FOR THE JUNE 2009 QUARTER

Coal of Africa Limited, the AIM/ASX/JSE listed coal mining and development company operating in South Africa (ticker: CZA) ("CoAL" or "the Company") announces its operational report for the quarter ended 30 June 2009. A full copy of this report is available on the Company's website, [www.coalofafrica.com](http://www.coalofafrica.com).

#### Highlights

- Increased coal production at the Mooiplaats thermal coal project ("Mooiplaats Project").
- Commissioning of the Mooiplaats Project Coal Handling and Preparation Plant ("CHPP") with the capacity to process 110,000 tonnes of run-of-mine coal per month.
- Finalisation of revised mining layout for the Mooiplaats Project following an extensive reassessment of the mine plan and geological conditions.
- Submission of the Environmental Impact Assessment ("EIA") and Environmental Management Programme ("EMP") for the Vele coking coal project ("Vele Project").
- Railed over 7,000 tonnes of third party coal to the Matola Terminal in Maputo, Mozambique.
- Commencement of construction of the laboratory in Polokwane to reduce time delays for thermal and coking coal sample analysis.
- Appointment of Mr Paul Holmes as Managing Director of the Nimag Group of companies.
- Cash balance at the end of the quarter of A\$87 million - the Company has no debt.

Commenting on the results today, Simon Farrell, Managing Director of CoAL said, "I am pleased to report that the Company has successfully commissioned the CHPP at Mooiplaats and the mine is operational with the required infrastructure to deliver coal to the domestic and international markets. The development of the Mooiplaats Project is almost complete and is below the original CAPEX budget. Furthermore, we have no debt and sufficient cash to complete this development, as well as phase one of the Vele Project. This positions the Company ideally to take advantage of improving international coal prices during the 2010 financial year."

## **DISCUSSION OF RESULTS**

### **Mooiplaats Thermal Coal Project – Ermelo Coalfield (100%)**

At the end of June 2009, approximately 3,400 metres had been cut, yielding over 49,500 tonnes of coal. The Company is currently mining over 30,000 tonnes of run of mine (“ROM”) mid-volatile lean coal, which can be quickly ramped up to 80,000 ROM tonnes per month if required. Low volatile, high calorific value (>27MJ/kg) coal currently mined at Mooiplaats is being stockpiled. Negotiations with potential buyers are continuing.

A revised mining layout for the project has been finalised following an extensive reassessment of the mine plan and geological conditions at Mooiplaats. The Company is undertaking additional vertical as well as horizontal drilling programmes to re-affirm the amended mine layout. By the end of June, 44 holes for the vertical drilling programme were complete and the horizontal drilling machine had finished four holes comprising over 246 metres. Results from the drilling programmes will also be used to better determine the transition from lean to export quality thermal coal.

By the end of June, the majority of the mine infrastructure was complete, with the CHPP commissioned earlier in the month. Kwena Mineral Processing Services, a leading black owned mining and metallurgical processing company, will operate the plant and assumed this function at the end of May. The second phase of the CHPP module is expected to be commissioned in Q4 of 2009. Once the high volatile coal is being mined and processed, the CHPP will produce an export quality thermal coal as well as a lower grade middlings product, suitable for the domestic power station market.

The remaining road, conveyor and workshop infrastructure is expected to be completed by the end of July and the phase one wash plant workshop is due for completion in mid-August. Agreement has been reached with the owner of a nearby siding, which will be used while the Overvaal siding is being re-commissioned. The work required to re-commission the Overvaal siding is expected to be completed by Q1 2010, pending relevant approvals.

The Company has reached, in principle, an agreement with two international coal trading companies for a minimum of 70% of the export thermal coal expected to be produced at Mooiplaats. Formal agreements will be concluded early in the next quarter. The terms and conditions proposed by the traders are favourable, offering significant upside over what are considered standard terms in the industry.

An application to amend the current New Order Mining Right to include the farms Klipbank and Adrianople has been lodged with the Department of Minerals and Energy (“DME”). The extension will result in the development of the south decline and increase the life of the mine.

**Vele Coking Coal Project – Tuli Coal Field (74% - subsequent to 30 June 2009, agreements were concluded enabling CoAL to acquire the remaining 26% of the Vele Project)**

During the quarter, the Company refined the development of the Vele project into two phases with the first phase comprising the establishment of a modular coal treatment plant with a capacity to deliver approximately one million saleable tonnes of coking coal per annum. The capacity of the modular plant can be doubled dependant on market conditions. Phase two of the project will enable the delivery of 5 million tonnes of coking coal per annum.

Work on the feasibility document continued during the quarter with initial results of the study expected in Q3 of 2009. Phase one of the engineering, procurement and construction management proposal to provide services and infrastructure for the modular plant has been implemented and discussions with MCC Contracts (“MCC”), the appointed open cast mining contractor, are ongoing. The mining contract with MCC is due to be signed early in the next quarter.

Exploration to gather geotechnical data for the assessment of the decline site conditions continued and exploration confirmed that the overall dip of the coal is one degree and not the previously modelled 2 to 3 degrees. Drilling on areas where significant infrastructure will be positioned has been completed and infrastructure planning will be finalised during the next quarter.

In May, CoAL submitted the comprehensive EMP and EIA to the DME in which the Company committed itself to the highest level of environmental and social performance.

CoAL has committed to spending in excess of R18 million per annum on various programmes *inter alia* rehabilitation and re-vegetation, biodiversity, dust suppression and environmental monitoring and auditing. An additional R1 million per annum will be spent on archaeology and palaeontology to monitor and manage heritage resources. Further funds have been committed to skills development, infrastructure development and community services. Macro economic impacts from the project are expected to be significant and include potential job creation, benefits for the South African balance of payments due to exports generated and the reduction of coal imports.

**Makhado Coking Coal Project – Soutpansberg Coal Field (100%)**

During the quarter, the Company acquired the surface rights for the farm Tanga 849 MS, which will be used for the establishment of project infrastructure. Negotiations with other Makhado coking coal project (“Makhado Project”) surface right owners are ongoing and will be finalised pending the DME’s approval of the exchange of New Order Prospecting Rights between Rio Tinto and CoAL.

In June, the Company prepared an application for the extraction of a bulk sample from the Makhado Project, which was submitted to the DME in early July. The sample will yield 1,000 tonnes of coal for analysis by ArcelorMittal in their coking ovens.

The first of three large diameter borehole bulk sample sites was completed, bringing the total metres drilled and geologically logged from January to June 2009 to 2,322. Washability tests on the

bulk sample cores have been completed and specialist coking tests are now in progress. The exploration drilling confirmed the presence of other coal horizons in the overburden of the deeper coal to the north of the proposed open-cut. All new exploration data is being incorporated into a Sable Dataworks corporate geological database which will facilitate easier geological modelling.

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

While discussions with the DME with regards to the New Order Mining Right ('NOMR') continued, the Company received Section 11 approval for the transfer to CoAL of 51% of the project from Motjoli Resources (Pty) Ltd, the Company's previous BEE partners. The Section 11 and NOMR applications were submitted in early 2008 and CoAL is confident that the Mining Right approval will be granted in the near future. The Holfontein Project continues to be classified as an asset available for sale.

#### **ArcelorMittal South Africa acquires 16.3% stake in Coal of Africa**

In April, ArcelorMittal South Africa ("ArcelorMittal SA") acquired a 16.3% stake in CoAL from ArcelorMittal Group for R404.5 million in cash, replacing its parent company as the second largest shareholder in CoAL. The transaction will mitigate one of ArcelorMittal SA's key variable input costs by securing part of the company's future coal needs. As part of the transaction, ArcelorMittal SA has secured an option to enter into an off-take agreement with CoAL for the supply of 2.5 million tonnes of metallurgical (coking) coal annually, with an option to increase this in the future. CoAL expects that the coking coal from its Vele Project will enable ArcelorMittal SA to increase the quantity of South African sourced coal in its overall mix to feed its furnaces, further enhancing management of input costs and satisfying an important step in the company's raw material backward integration strategy.

#### **Extension of BEE Agreement**

The agreement with Coal Investments Limited ("CIL") whereby CIL would subscribe for CoAL shares and be granted an option which, if exercised, would result in CIL, African Global Capital L.L.P. ("AGC") and their affiliates holding in excess of 26% of the Company's shares, was further extended to 31 July 2009. AGC is a private equity initiative involving Mvelphanda Holdings (Pty) Ltd, OZ Management LP (an operating entity of Och-Ziff Capital Management LLC (NYSE: OZM)) and Palladino Holdings Ltd.

When implemented, the agreement will ensure that CoAL is fully compliant with South African legislation requiring black empowered groups ("BEE Groups") to hold more than 26% of a mining company's equity by 2014. CIL, AGC and their affiliates were unable to complete the required transactions due to, amongst other and not limited to, regulatory and other approvals not in their direct control. AGC, CIL and their affiliates will continue to use commercially reasonable endeavours to transfer their holdings in the Company to a BEE Group by the amended date.

#### **Construction of Polokwane Analytical Laboratory**

The construction of a world class analytical laboratory in Polokwane (capital of the Limpopo Province) commenced during the quarter. The diversified, high quality testing facility will be managed by international laboratory group, Inspectorate, who will ensure that the laboratory is cost

effective and receives the relevant accreditation. The facility will be well equipped with state of the art technology and will be able to perform extensive Petrographic and thermal coal tests, removing delays experienced by coal exploration and production companies in obtaining sample analysis results.

Samples from the Makhado and Vele Projects have already been delivered to the facility and initial analysis is expected to commence in July 2009.

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

The cost cutting and restructuring measures implemented by Nimag management during the financial year ensured the Nimag Group produced positive cash flows. Mr Paul Holmes, a qualified engineer (PhD), was appointed Managing Director and has been tasked with returning the Group to full production capacity, in addition to expanding the business.

Authorised by



SIMON J FARRELL

Managing Director

*21 July 2009*

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**About CoAL:**

AIM and JSE listed 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.

**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.