CZA - CoAL of Africa Limited – Projects Update

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’)

24 September 2008

PROJECTS UPDATE

* Vele resource upgrade from 441 mt to 721 mt;
* Makhado coking coal project to produce 5 mtpa at a mining cost of US$43 per saleable tonne;
* Vele coking coal project to produce 5 mtpa at a mining cost of US$54 per saleable tonne;
* Mooiplaats FOB cost Richards Bay US$ 37 per saleable tonne;
* Port capacity secured at both Richards Bay and Maputo;
* Mooiplaats thermal coal project on track for mining commencement in Q4 2008;
* Current cash resources of A$240 million, no debt.

Coal of Africa Limited, the AIM/ASX/JSE listed coal development company operating in South Africa, is pleased to announce that significant progress continues to be made toward the development of the Company’s coal projects in South Africa. An update of work in progress and of that planned on each project is set out below:

Makhado Coking Coal Project – Soutpansberg Coalfield

The latest coal resource update for the Makhado Project, announced on 22 July 2008, has increased resources to in excess of 1.3 billion tonnes, of which over 230 million tonnes are in the “measured” category.

Exploration drilling on Fripp has been completed and has commenced on the adjoining farm, Tanga. The initial results of drilling are revealing a high quality coking coal with a low phosphorous content.

The New Order Mining Right Application is anticipated to be submitted by the end of October, which will include the extension from Fripp and Tanga to include contiguous farms gained from the Rio Tinto transaction, as announced on 8 July 2008.

Production schedules for various mining scenarios have been generated and an XPAC model has been developed. This includes scenarios where

100% of the middling's suitable for power generation are discarded, which still produces very robust financial results. Production schedules indicate a consistent 5mtpa saleable coking coal at an average mining cost of US$43/tonne over the Life of Mine, which is in excess of 20 years.

The Company has entered into a supply agreement with a global Independent Power Producer ("IPP"), who has submitted a bid in the recent Eskom tender for base load power. In the event that this tender proves successful, the economics improve significantly for the Project.

Due to lengthy lead times in the supply of large mining equipment, the Company has gauged interest and capacity from several large South African contract mining operators and a tender process will be initiated shortly. In addition, the Company intends on securing manufacturing slots from equipment suppliers as soon as mine design and capacity requirements have been finalised.

The Company has secured long term port allocation through Maputo in Mozambique, as per the announcement made on 25 August 2008. This terminal facility is operated by subsidiaries of Grindrod Limited. Throughput agreements signed provide for an allocation of 1 million tonnes of coal per annum ("mtpa") through the Matola dry bulk coal terminal in Maputo, commencing in 2009. The Company has also secured the rights to up to 100% of any increased capacity at the Maputo Terminal, in return for participating in the funding of any proposed expansions at this terminal. The first phase of expansion is expected to provide a further 2 mtpa, taking CoAL's allocation to 3 mtpa. The second expansion phase will lift capacity to 10 mtpa, of which CoAL's allocation will be 7 mtpa.

Initial marketing focus will be on completing the formal off-take agreement with ArcelorMittal, as agreed in the Letter of Intent announced on 21 April 2008. The balance of marketing will be a function of whether ArcelorMittal exercises its option to increase its off-take to 5mtpa. Other major consumers of coking coal have already expressed strong interest in securing supply from Makhado and discussions remain ongoing.

Vele Coking Coal Project– Tuli Coalfield

The coal resource update for the Vele Project (announced on 18 June 2008) increased the resources to 441 million tonnes, of which over 133 million tonnes is "measured".

Incorporation of the latest drilling results and analysis has resulted in a further resource upgrade to :

Total Insitu	Gross Insitu(1)	Insitu Mineable(2)

721 mt	641 mt	593 mt (including 158 mt Measured and 324 mt Indicated)
1) Gross Insitu only incorporates opencastable coal.		
2) Insitu Mineable incorporates potential Geological losses		

A New Order Mining Right Application is scheduled for submission by the end of September 2008. A 65-hole geological drilling program has been completed and three bulk sample sites consisting of 31 large diameter cored boreholes have been completed, logged and submitted for preliminary analysis. Initial results indicate a significant improvement of coking coal qualities and yield when compared to historical results, indicating the primary resource is a classic hard coking coal rather than the expected semi-soft. Testing indicates a washed product with phosphorous levels below .01%.

Mineral Resource Management (MRM) has completed various scenarios of mine scheduling for opencast mining, of which the base case (no middling's sales) indicate robust financial results based on current pricing. Production is scheduled for 5mtpa of saleable coal at an average mining cost of US$54/tonne over the Life of Mine, which is in excess of 20 years.

As with Makhado, the Company has entered into an agreement with another IPP as part of the recently released Eskom tender for base load power and if successful, the economics of the Vele Project similarly improve substantially.
Rail logistics design is in progress to link the Vele Project to both the South African domestic rail system and the Matola terminal in Mozambique, whilst initial road haulage routes are being finalised.

Mooiplaats Thermal Coal Project – Ermelo Coalfield

The Mooiplaats Project currently has coal resources of 113 million tonnes, of which 88.2 million tonnes are "measured". The structural model for the Mooiplaats Farm, where the first decline will be located, has been completed. Drilling on Klipbank and Adrianople is continuing in order to firm up the structural model and exact position of the planned second decline. Work is also in progress to expand the mining area onto neighbouring farms.

Decline desliming and additional topsoil stripping has been completed, and blasting has commenced. Contractors will stabilise the decline walls, sink to coal and concrete the floor, which is expected to be completed by the end of October.

The first JOY continuous miner is ready for handover, and the contract with the mining contractor is anticipated to be finalised this month.

Initial coal mining by continuous miner is now planned to commence in November 2008, following the establishment of access portals, ventilation fans, incline conveyor and temporary stockpiles.

Surface infrastructure is being established, and plant design has been finalised. The first plant modules are scheduled for commissioning in February 2009.

The Company has secured long term port allocations through the Dry Bulk Terminal ("DBT") at Richards Bay, which is operated by subsidiaries of Grindrod Limited. Throughput agreements signed provide for an allocation to CoAL of 900,000 tonnes of coal per annum commencing in 2009. The Company furthermore secured the rights to up to 50% of any increased capacity to the DBT, in return for participating in the pro-rata funding of any proposed expansions at this terminal. COAL's share of final capacity will be 3 mtpa. Production scheduling from mining both the Alpha and Beta declines reach a target ROM of 3.4mtpa, matching the maximum export allocation via the DBT at a weighted average cost per saleable tonne of US$37, which includes the expected 40% increase in rail tariff to the DBT. Mooiplaats production will consist mainly of bituminous (thermal) and lean coal. Washing of the bituminous coal provides an export thermal coal theoretical yield of in excess of 75% with the balance yielding a middling's fraction of approximately 30% (post a second wash). International off- take opportunities for the export portion is being evaluated, including discussions with various international trading companies. Marketing discussions for the middling's portion of saleable coal have been scheduled with Eskom in October, with a view to supplying coal to the nearby Camden power station.

Washing of the lean coal produces a theoretical yield of approximately 83%, which will then be put through a subsequent calcine treatment to produce a very low volatile coal suitable for domestic consumption. Oreport, a South African based trading company appointed as non-exclusive marketing agents, continue to explore the market possibilities for this type of coal but early indications suggest a strong domestic market realising prices approaching R1,400/tonne.

Aerial photography of progress at the site as at the 20th September 2008 is available for viewing on the company's website.

Rio Tinto JV and Farm Swap Agreements
As announced on 8 July 2008, the Company and Rio Tinto entered into a Memorandum of Understanding whereby the companies will swap certain farms in the Makhado Project area, creating larger and more economic contiguous blocks for each company. In addition, both Rio and CoAL will contribute certain farms to a new joint venture operation in the region, to be operated by Rio Tinto.

Due Diligence being conducted by both parties is near completion and it is anticipated that application for Section 11 approval will be submitted to the Department of Minerals and Energy during the current quarter. Formal documentation regarding the proposed joint venture will be prepared post the Section 11 application.

Rail Allocations

Following the recent securing of port allocations at both Richards Bay and Maputo in Mozambique, CoAL has turned its attention to securing rail allocations to match the throughput tonnage achieved. As previously mentioned, production from Mooiplaats is planned for export through the DBT at Richards Bay whilst production from both Makhado and Vele will be sent via Maputo. Discussions with both Transnet Freight Rail and Mozambique's CFM are progressing very well and negotiations are expected to complete prior to the end of this calendar year.

Holfontein Thermal Coal Project

Although agreement has been reached to dispose of the Holfontein Project to ASX listed Lachlan Star Limited, as announced on 7 May 2008, due diligence is continuing and the last remaining condition precedent, namely Section 11 approval from the DME, is expected to be concluded prior to the end of the year.

Corporate

The Company remains in a strong financial position with over A$240 million cash at bank and no debt whatsoever. Importantly, CZA has approximately A$40 million in capital expenditure to be met between now and bringing the Mooiplaats Project into production. Therefore, prior to the end of this calendar year, the Company will still have close to $200m in cash, a producing coal asset in Mooiplaats and no debt, providing a solid foundation in which to bring our coking coal properties into production.

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About CoAL:
Coal of Africa Limited 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.

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