Regulatory Story

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ANNOUNCEMENT **29 JANUARY 2010**

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2009

Coal of Africa Limited ("CoAL" or "the Company") provides its operational report for the quarter ended 31 December 2009. A full copy of this report is available on the Company's website, www.coalofafrica.com.

Highlights

- Placement of 59,867,731 ordinary shares at 95 pence per share raising approximately GBP56.9 million to fund the acquisition of Nucoal Mining (Pty) Ltd ("NuCoal").
- Execution of agreements with subsidiaries of the Rio Tinto Group to formalise the Farm Swap memorandum of understanding (as previously announced).
- Execution of formal agreements with Broad Based Black Economic Empowerment ("BBBEE") partners as part of efforts to ensure compliance with South African legislative requirements for empowerment groups to hold at least 26% of mining companies by 2014.
- Completion of the acquisition of 6% of the Vele coking coal project ("Vele Project") and extension of the Agreement to acquire the remaining 20% of the Vele Project.
- Granting of a New Order Prospecting Right ("NOPR") for coal bed methane over an area measuring 564 km^2 in the Limpopo Province which includes the Makhado coking coal project ("Makhado Project") as well as neighbouring areas.
- Renewal of the employment contracts of the Managing Director and Finance Director.
- Cash balance at the end of the quarter of A$94 million - the Company has no debt.

Post Period Highlights

- Completion of the acquisition of NuCoal, a company producing 4.2 million tonnes per annum ("Mtpa") run of mine ("ROM") coal, transforming CoAL into a multiple product producer.

Commenting on the results today, Simon Farrell, Managing Director of CoAL said: "The acquisition of NuCoal will transform the Company into a multiple producing mine entity and allows us to take advantage of the positive trend in international thermal coal prices. It also ensures that we fully utilise our port allocation at the Maputo Terminal, while our Vele mining application awaits approval, which will increase to 3 million tonnes per annum in the third quarter of this calendar year."

DISCUSSION OF RESULTS

Mooiplaats Project - Ermelo Coalfield (100%)

Following the reconfiguration of the Mooiplaats mining layout as a result of geological conditions, the Company is still on track to commence production of export quality coal during the first quarter of 2010. During the December quarter, 2,381 metres were mined with mining targets exceeded in both November and December, resulting in the production of 26,000 tonnes of lean coal.

The second module of the wash plant was commissioned during the quarter, allowing for the processing of 200 tonnes per hour of ROM coal. At the end of the quarter, over 47,000 tonnes of lean coal had been railed from the Umlabo siding to the Matola Terminal in Maputo, Mozambique ("Matola Terminal"), with the first shipment of lean coal due to be loaded and depart by the end of January 2010.

The Environmental Management Plan for the extension of the New Order Mining Right ("NOMR") to include the farms Klipbank and Adrianople was submitted to the Department of Mineral Resources ("DMR") during the quarter, completing the documents required by the Department for approval of the extension to the Mooiplaats Project, facilitating the regulatory approval for the development of the south decline.

Safety management continues to be a key focus at CoAL's projects and no reportable safety issues occurred at the Mooiplaats Project during the quarter.

Vele Project - Tuli Coal Field (80% - will be 100% on granting of the NOMR)

On 23 October 2009, the Company issued 1,990,000 fully paid ordinary CoAL shares to Shangoni Bezwe Management Services (Pty) Ltd to acquire 6% of Limpopo Coal Company (Pty) Ltd ("Limpopo Coal"), the company that owns the Vele Project, taking the Company's interest to 80%. As announced on 14 July 2009, the Company executed an agreement with Tranter Holdings (Pty) Ltd ("Tranter") to acquire the remaining 20% of Limpopo Coal for 5,625,750 ordinary shares subject to, amongst other things, the granting of a NOMR by 31 December 2009. The NOMR Application is currently under review by the DMR and the suspensive condition requiring NOMR approval by the end of the period was extended to 31 March 2010.

A further 34 exploration holes totalling over 2,060 metres, were drilled on the mine area during the quarter. The exploration holes drilled improved the drilling density and the results thereof will be used to confirm the structure and composition of the coal. All cores have been geophysically logged and core samples sent to the Company's laboratory in Polokwane for analysis.

CoAL is set to launch Phase 1 of the Vele Project upon the granting of a NOMR, approval of which is expected in early 2010. The total capital expenditure to complete Phase 1 of the Vele Project is estimated at ZAR350 million and comprises the establishment of a modular coal treatment plant with the ability to deliver 1 million saleable tonnes (yield dependant) of coking coal per annum. A substantial amount of preparation for Phase 1 has been completed and a significant portion of the capital required for Phase 1 has already been committed. Dry and wet commissioning of the modular plant has been successfully completed and construction of the supporting infrastructure is progressing according to schedule. Work has commenced on the upgrading of the rail siding in Musina and is expected to be concluded in Q1 of 2010.

The capacity of the modular plant can be doubled should ArcelorMittal SA ("Mittal") wish to increase its off-take from the Vele Project. In principle, the Letter of Intent with Mittal signed in April 2008 ("Mittal LOI") provides for the potential off-take from the Company's coking coal properties of 2.5 - 5Mtpa. An additional ZAR200 million is required to double the Phase 1 capacity and a further ZAR2.65 billion will be required to complete Phase 2 of the Vele Project, which will have capacity to deliver 5Mtpa of saleable coking coal. The Mittal LOI in principle, provides for a free on rail ("FOR") delivery in return for a free on board ("FOB") indexed price, delivering a significantly better margin than would have otherwise been enjoyed through exporting the coal.

Initial mining will utilise opencast methods, which also contributes to lower initial mine establishment costs. Phase 2 of the Project will deliver the planned full capacity of 5Mtpa of saleable coking coal from the Vele Project and the implementation thereof will be dictated by market conditions. A Memorandum of Understanding for the mining contract was previously signed with MCC Contracts, the appointed open-cast mining contractor, and discussions between the two parties continued during the current quarter. The mining contract is expected to be signed in early 2010.

Makhado Coking Coal Project - Soutpansberg Coal Field (100%)

During the quarter, the Company completed an additional 20 exploration holes bringing the total metres drilled on the Makhado Project to over 9,000 metres. The exploration boreholes provided additional information for the revised geological model, which will include both sedimentology as well as geological structure and will be used to update the mine model. A high level study on the processing plant required for the project has commenced and a modular wash plant similar to that built for the Vele Project is being considered.

As announced on 29 October 2009, CoAL entered into an Exchange of Prospecting Rights Agreement ("Farm Swap") with Kwezi Mining and Exploration (Pty) Ltd ("Kwezi") and Chapudi Coal (Pty) Ltd ("Chapudi"), joint venture companies held by the Rio Tinto Group and the Kwezi Group of South Africa. The Farm Swap cedes ownership of certain Chapudi and Kwezi NOPR that are contiguous to the Company's Makhado Project to CoAL. In return, the Company will cede certain NOPR and interests therein to Chapudi. In addition, and on satisfaction of conditions precedent, Regulus Investments (Pty) Limited, a subsidiary of CoAL, will pay Chapudi a premium of ZAR12.5m.

During the December quarter, the Company submitted an application to the DMR for the extraction of a bulk sample from the Makhado Project. Approval of the application is expected in Q1 of 2010 and the sample extracted will yield 1,000 tonnes of coal for analysis by ArcelorMittal SA in their coking ovens.

The Company has commenced preparing the documentation required for the NOMR Application. The application is based on the planned 5Mtpa production profile of the Makhado Project and will be submitted once approval has been granted by the DMR for the Rio Tinto Farm Swap.

Holfontein Coal Project (100%)

The Company continues to classify Holfontein as an asset available for sale while it awaits the grant of a NOMR, applied for in February 2008.

Acquisition of NuCoal Mining (Pty) Ltd and Share Placement

During the quarter, the Company agreed to acquire 100% of NuCoal, a thermal coal producer with assets located close to CoAL's Mooiplaats Project, for ZAR650m. NuCoal's Woestalleen Colliery produces 2.5Mtpa of saleable coal for domestic and export markets and has a number of off-take contracts in place. NuCoal has two beneficiation plants and a fully operational mine producing 350,000 tonnes per month of ROM coal. Furthermore, NuCoal has a number of potential open cast and underground projects suitable for the local and export markets which CoAL will evaluate in the context of the Company's overall corporate strategy.

The acquisition was funded by proceeds of the share placement completed at the end of October 2009 which raised GBP56.9m (ZAR731m).

On 26 January 2010, CoAL confirmed the completion of the acquisition of NuCoal. The final adjusted purchase price due to NuCoal is ZAR467m after a 10% retention and adjustments to reflect the working capital position (including certain non-current liabilities) as at 31 December 2009. A retention of ZAR65mwill be withheld in relation to certain warranties and in accordance with the terms of the Nucoal acquisition agreement. CoAL will apply the remaining proceeds of the placement to, amongst other things, accelerating capital expenditure at its Vele Project and general working capital requirements.

Black Empowerment Transaction

As announced on 11 December 2009, the Company has executed formal agreements with Firefly Investments 163 (Pty) Ltd ("Firefly"), its Broad Based Black Economic Empowerment ("BBBEE") partners, ensuring CoAL takes a significant step towards compliance with South African legislation which requires black empowered groups to hold at least 26% in mining companies by 2014. The arrangement replaces the previous agreement announced on 13 June 2008 with Coal Investments Limited ("CIL") pursuant to which CIL subscribed for shares and was granted an option to subscribe for 50 million CoAL shares.

The BBBEE consortium will be led by Firefly which is wholly owned and controlled by historically disadvantaged South Africans. Firefly's current shareholders include Mosomo Investment Holdings (Pty) Ltd and Mtungwa Resources (Pty) Ltd which are led by Kgomotso Brian Mosehla and Patrick Ntshalishali.

The BBBEE agreements which have been entered into by CoAL, CIL- and Firefly provide BBBEE partners with the option to subscribe for a total of 50 million CoAL shares for 60 pence each between 1 November 2010 and 1 November 2014 ("the Option"). Firefly cannot exercise the Option prior to 1 November 2010 except in limited circumstances such as a change in control of the Company. The Option will be subject to certain regulatory approvals including the Australian Foreign Investment Review Board.

Firefly will have the right to nominate two persons to the CoAL Board and has undertaken to procure that the King of the VhaVenda, His Majesty Khosi Khulu Toni Mphephu Ramabulana ("the King") holds a shareholding and beneficial interest in Firefly within a period of three months of satisfaction of the conditions precedent to the BBBEE Agreements. The King represents his constituents of the Mudimeli, Musekwa, Makushu-Musholombi and Tshivhula communities, relevant female empowerment and youth groups as well as a special purpose vehicle to promote and develop entrepreneurs and other specific community groups in the Limpopo province.

To facilitate the BBBEE transaction, the Company's second largest shareholder, African Global Capital I, L.P., an entity associated with Mvelaphanda Holdings (Pty) Ltd, Palladino Holdings Limited and OZ Management LP, and its affiliate CIL, which currently own in the aggregate 15.03% of the issued share capital of CoAL, has entered into an agreement with Firefly in terms of which amongst other provisions, they will cede their voting rights over their ordinary shares in CoAL to Firefly.

Polokwane Analytical Laboratory

The Company's analytical laboratory in Polokwane in the Limpopo Province continued performing petrographic and thermal coal tests on samples from the Company's Vele and Makhado Projects. Initial results from the tests undertaken during the quarter will be released once all of the results have been received.

Nimag Group of Companies (100%)

The implementation of cost cutting measures and improved nickel prices, together with increased demand for the Nimag Group's products, resulted in an unaudited EBIT of ZAR5m for the first half of the year. Nimag's management has been tasked with growing the NiMag Group through acquisitions and the identification of new clients and products.

Authorised by
SIMON J FARRELL
Managing Director
27 January 2010

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About CoAL:
Coal of Africa Limited ("CoAL") is an AIM/ASX/JSE listed coal mining and development company operating in South Africa. CoAL's key projects include the Woestalleen Colliery, the 113 million tonne ('mt') Mooiplaats thermal coal mine, the 656 mt Vele coking coal project and the 1 billion tonne Makhado coking coal project.

The Mooiplaats coal mine commenced production in 2008 and is currently ramping up to produce 2 mtpa. CoAL's Vele and Makhado coking coal projects are expected to start production in H1 2010 and Q4 2011 respectively producing an initial 2 mtpa rising to a combined annual output of

10 mtpa of coking coal.

In 2010, CoAL completed the ZAR650m acquisition of NuCoal Mining (Pty) Limited ("NuCoal"), a thermal coal producer with assets in South Africa in close proximity to CoAL's Mooiplaats mine. NuCoal owns the Woestalleen Colliery, which has a number of off-take contracts in place and produces 2.5Mtpa of saleable coal for domestic and export markets. NuCoal also owns two beneficiation plants, one fully operational mine producing 350kt per month of run of mine ("ROM") coal and has recently commenced production at a second mine.

Resource Estimation:
Resource estimations have been compiled, according to the JORC and SAMREC codes, 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 mineraliszation to qualify as a Competent Person as defined in 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. The JORC Code is the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and SAMREC is the South African Code for the Reporting of Mineral Resources and Mineral Reserves.

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