Regulatory Story

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ANNUAL FINANCIAL STATEMENTS

Coal of Africa Limited ("CoAL" or "the Company"), the coal mining and development company operating in South Africa and listed on the ASX, AIM and JSE (ticker: CZA), provides a copy of its Annual Financial Statements for the full year ended 30 June 2010. A financial summary and commentary on those results is provided below.

The consolidated operating result for the Group was a loss totalling $101.4 million, of which $88.7 million is represented by depreciation, amortisation, impairment, interest and tax, leaving an EBITDA loss of approximately $12.7 million.

Key components of the above mentioned EBITDA included the Mooiplaats Colliery, generating a small EBITDA profit of $3.3 million on sales of $24.2 million, and the recently acquired Woestalleen Colliery (and associated mines) contributing an EBITDA profit of approximately $10.4 million (6 months of operations) on total sales of approximately $66.1 million.

Woestalleen Colliery

In October 2009, CoAL agreed to acquire 100% of NuCoal Mining (Pty) Ltd ("Woestalleen Colliery"), a thermal coal producer situated in the Witbank coal field, which includes two beneficiation plants with a total name plate capacity of 350,000 run of mine ("ROM") feed tonnes per month, the Zonnebloem, Hartogshoop and Klipbank open cast coal mines and the Opgoedenhoop and Klipfontein coal projects.

In January 2010, all outstanding suspensive conditions for the acquisition were fulfilled, resulting in the Company acquiring the Woestalleen Colliery effective from 1 January 2010, which, exclusive of acquisition entries on acquisition, produced a six month EBITDA of $10.4 million on sales of $66.1 million.

The 6 month performance of the Woestalleen Colliery included the following highlights:

- Zonnebloem producing 1,542,868 ROM tonnes;

- Hartogshoop producing 449,451 ROM tonnes;
- Klipbank producing 154,730 ROM tonnes;
- Total ROM sales of 516,457 tonnes;
- Total A Grade coal sales of 790,540 tonnes;
- Total B, C, & D Grade coals sales to domestic customers, including Eskom, of 224,486 tonnes;
- Record railings in March 2010 in excess of 170,000 tonnes; and
- Closing saleable inventory at Woestalleen was 183,889 tonnes.

Although the costs per tonne and ROM coal production numbers were largely in-line with expectations, total revenue and profit generated were lower than expected due to the following:

- Issues with the newly commissioned Fraser Alexander plant has restricted available washing capacity to less than the 350,000 tonnes per month name plate;
- Transnet Freight Rail ("TFR") rail strike in May 2010; and
- Total tonnes railed against the lowest price off-take agreement were higher than forecast.

Mooiplaats Colliery

Although the Mooiplaats Colliery managed to deliver a small EBITDA profit of approximately $3.3 million on the back of sales of $24.2 million, the overall performance of the mine continued to suffer from adverse underground conditions, which resulted in a revision to the mine layout and an assessment of the project for possible impairment. The mine layout review was completed early in the period and required the Company to mine through low volatile ("lean") coal to reach the export quality bituminous ("thermal") coal. The assessment resulted in a $52.8 million impairment of the project, which was recognised in June.

Mining in the first section reached the export quality thermal coal in early 2010 and by the end of June, the Colliery had three underground sections producing high quality thermal coal. The transition from lean to bituminous coal is associated with marked improvements in roof and floor conditions and a reduction in mining costs.

In the first half of 2010, the colliery commenced processing ROM coal purchased from a neighbouring coal operation, ensuring the spare processing capacity available at the plant during the ramp-up phase was utilised. The purchasing of ROM coal from third parties is expected to continue until the end of the calendar year, when the ramp-up phase is expected to be complete, resulting in five sections producing 190,000 to 200,000 tonnes per month of ROM coal.

The highlights of the Mooiplaats operations were as follows:

- Total ROM production of 400,995 from 3 sections;
- Total processed tonnes of 659,853, included approximately 260,000 ROM tonnes acquired;
- Total export sales via the port of Maputo were 271,269 tonnes, including some coal railed from Woestalleen Colliery;
- Total middlings produced of 95,426 tonnes; and
- Closing inventory of export quality coal at the end of June 2010 amounted to 28,794 tonnes at the Mooiplaats Colliery, 20,952 at the Umlabo siding and 55,559 tonnes at the Matola Terminal in Mozambique.

The coal from the Mooiplaats and Woestalleen Collieries due be sold internationally was railed to the Matola Terminal, the Richards Bay Coal Terminal ("RBCT") or the Richards Bay Dry Bulk Terminal ("RBDBT"). During three weeks in May 2010, no coal was railed to RBCT, RBDBT or the Matola Terminal as a result of strike action at TFR. At the end of the strike, re-commencement of rail transport was further adversely affected by the limited availability of TFR rolling stock and strike related delays to the TFR occupation schedule.

The total loss may be reconstructed as follows:

Profit/ (loss) after tax for the year	**(101,441,293)**
Add backs:	
Depreciation & Amortisation	15,985,617

Impairment of investments	10,465,095
Impairment of assets available for sale	8,386,435
Impairment of Mooiplaats Colliery	52,779,745
Amortisation of mining assets	12,786,703
Amortisation of logistics assets	2,208,375
Tax	(12,350,743)
Interest paid	1,216,008
Interest received	(2,776,708)
Adjusted EBITDA (loss)	**(12,740,766)**
The adjusted EBITDA includes the following:	
Mooiplaats EBITDA	3,333,734
Woestalleen six month EBITDA	10,359,301
NiMag EBITDA	3,553,261
	17,246,296
Sub-total	**(29,987,062)**
The sub-total includes the following items:	
Options granted	1,995,871
Currency adjustment	(3,343,210)
Employee expenses[(1)]	9,687,884
Rental expenses	1,142,067
London main board expenses	3,267,880
Take or Pay Obligations	3,625,644
Other corporate expenses	13,610,926
	29,987,062

(1) Employee expenses net of expenses recorded on issue of options.

Operational Expenses

Of the total $30 million incurred as operational expenses, a number of non-recurring cost were incurred including $3.6 million in take or pay obligations at the port of Matola and $3.3 million incurred in professional fees regarding the proposed Main Board Listing on the London Stock Exchange. Other material expenses included $9.7 million in employee costs, $1.1 million in rental expenses, $6.7 million on professional, investment banking, advisory, marketing and promotion expenses, $753,000 on travel expenses and $479,000 on the Company's laboratory.

Yours sincerely

JOHN WALLINGTON
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About CoAL
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 Mooiplaats thermal coal mine, the Vele coking coal project and the Makhado coking coal project.

The Mooiplaats coal mine commenced production in 2008 and is currently ramping up to produce 2 million tonnes per annum ("**Mtpa**"). CoAL's Makhado coking coal project is expected to start production in 2012 and timing for Vele to reach production is still to be confirmed. These operations are targeted to collectively produce an initial 2 Mtpa ramping up to a combined annual output of 10 Mtpa of coking coal.

In 2010, CoAL completed the ZAR467m 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 processes approximately 2.5Mtpa of saleable coal for domestic and export markets. NuCoal also owns two beneficiation plants, one fully operational mine producing approximately 300kt per month of ROM coal and has recently commenced production at a second mine.

CoAL currently has 1 Mtpa export capacity at the Matola Terminal in Maputo, Mozambique, increasing to 3 Mtpa on completion of the next phase of expansion at the terminal. CoAL also has the option to participate in further expansion at the Matola Terminal, which is expected to increase the capacity at the terminal by an additional 10 Mtpa