



ANNOUNCEMENT

28 JULY 2010

REPORT FOR THE QUARTER ENDED 30 JUNE 2010

Coal of Africa Limited ("CoAL" or "the Company") provides its operational report for the quarter ended 30 June 2010. A full copy of this report is available on the Company's website, www.coalofafrica.com.

Highlights

- Zonnebloem open cast mine attains 1,000 fatality free production shifts.
- Mr John Wallington appointed as Chief Executive Officer and Executive Director.
- Exploration on the Vele coking coal project ("Vele Project") completed three months earlier than planned, enabling confirmation of the Project's long term mine plan. Placement of 50,000,000 ordinary shares at GBP1.10 per share, raising GBP55 million.
- Mineral Experts Report ("MER") completed for the Woestalleen thermal coal assets and a revised Resource Statement released covering the Vele Project, Makhado coking coal project ("Makhado Project") and the Mooiplaats colliery ("Mooiplaats Colliery").
- First sales of Mooiplaats Colliery lower grade middlings coal to Eskom.
- Run of mine ("ROM") coal production for the quarter of 1,093,444 tonnes.
- Cash balance at the end of the quarter of A\$101 million.

Commenting on the results today, Simon Farrell, Executive Deputy Chairman of CoAL said: "Despite railing problems during the quarter due to strike action at Transnet Freight Rail, the Company serviced its coal sales contracts from stockpiles at site and at the Matola port in Maputo, Mozambique. Development of the Vele Project has progressed according to schedule and first sales of coking coal are expected during the next quarter. The appointment of John Wallington as Chief Executive Officer is very exciting and his extensive experience will further strengthen CoAL's executive team and reflects the strong growth path the Company has successfully undertaken during the last five years."

DISCUSSION OF RESULTS

Mooiplaats Colliery – Ermelo Coalfield (100%)

During the quarter, underground mining operations at the Mooiplaats Colliery continued, with a third underground section introduced towards the end of the quarter. All sections produce high quality bituminous (thermal) coal and yielded 94,514 tonnes of ROM coal during the three month period.

The Mooiplaats Colliery plant processed the ROM coal and a further 154,278 tonnes of ROM coal was purchased to utilise spare plant capacity. The Mooiplaats Colliery transferred 110,877 tonnes of export quality thermal coal to the Umlabo siding and sold 58,382 tonnes of lower grade middlings product to Eskom. As a result of three weeks of strike action at Transnet Freight Rail (“TFR”) during May, the Company experienced a period in which no coal was railed to the Matola Terminal in Maputo, Mozambique (“Matola Terminal”) resulting in only 102,581 tonnes of coal being railed to the terminal during the quarter.

The development of further sections at the Mooiplaats Colliery is progressing according to plan and additional continuous miners are due to be delivered during the next quarter. The ramp-up of Mooiplaats is expected to be completed before the calendar year end, with five sections producing 190,000 to 200,000 tonnes per month of ROM coal expected thereafter.

A revised resource statement compiled by Mineral Corporation Consultancy (Pty) Limited (“MinCorp Summary Report”) in connection with the preparatory work being carried out for the proposed London Stock Exchange Main Market listing was completed during the quarter and highlights with regard to Mooiplaats are as follows:

- The MinCorp Summary Report recorded 79.4 million mineable tonnes *in situ* (“MTIS”) for the Mooiplaats Colliery which CoAL had previously disclosed at 74.5 million tonnes (“Mt”). This resource estimate was calculated using a seam thickness cut-off of one metre.
- Gross tonnes *in situ* (“GTIS”) resources for the B Upper Seam, which is currently being mined, total 56.3 Mt, of which more than 95% is classed as measured. A seam thickness cut-off of 1.4 metres was used to define potentially mineable GTIS resources, as this is considered the minimum underground mining height from practical and economic aspects.
- Resources in all categories in the North Block are measured, while approximately 95% of resources in the South Block fall into the measured category.

A full copy of the MinCorp Summary Report is available on the Company’s website at www.coalofafrica.com/-Reports-.html.

Woestalleen Mines and Colliery – Witbank Coalfield (100%)

The Woestalleen Mines and Colliery comprises the Zonnebloem, Hartogshoop and Klipbank open cast mines, together with the Woestalleen processing facilities and the Opgooedenhooop project. The first three are active surface (open pit) collieries, mined by truck and shovel methods, while Opgooedenhooop is a drilled out exploration project with potentially exploitable resources.

The Zonnebloem open cast mine achieved the distinction of 1,000 fatality free production shifts during the quarter and has operated without any serious injuries since mining commenced in August 2008. During the quarter, the mine received recognition for this achievement from the South African Department of Mineral Resources (“DMR”) as well as from the South African Colliery Managers’ Association (“SACMA”) at a coal industry safety function.

The Woestalleen Mines and Colliery continued to produce coal in line with expectations but during three weeks in May 2010, no coal was railed to Richards Bay Coal Terminal (“RBCT”), Richards Bay Dry Bulk Terminal or the Matola Terminal as a result of the TFR strike. The re-commencement of rail transport was adversely affected by the limited availability of TFR rolling stock and strike related delays to the TFR occupation schedule.

During the three months, Zonnebloem mined 785,980 ROM tonnes, Hartogshoop 161,373 ROM tonnes and Klipbank 45,076 ROM tonnes. An amount of 137,391 tonnes of unprocessed coal was sold as ROM coal and 1,045,724 tonnes was processed at the Woestalleen Colliery, resulting in 498,596 tonnes being sold as high grade thermal coal and a further 136,596 tonnes sold to Eskom, the South African electricity public utility company.

During the quarter, the Company received the MER from Caracle Creek International Consulting (Pty) Limited on the Woestalleen Mines and Colliery (“CCIC Report”). Highlights of the CCIC Report were:

- The CCIC Report estimated a total GTIS resource across the Woestalleen Mines and Colliery of approximately 48 Mt, of which 23 Mt are measured resources and a further 25 Mt are indicated resources. MTIS resources are estimated at 43 Mt. Zonnebloem is presently producing an average of 260,000 tonnes per month of ROM coal, which is transported some 40 kilometres to the Woestalleen processing plant where it is beneficiated for the export and domestic thermal coal markets. Presently, the estimated GTIS resource at Zonnebloem stands at approximately 11.77 Mt. To the immediate east and north of Zonnebloem, there is considerable upside potential to jointly develop other resources not currently held by CoAL.
- The Hartogshoop colliery began production in December 2009 and currently has a steady rate of production with a maximum capacity of 60 kt per month of ROM coal. The mining method is via open pit truck and shovel and doze-over. The mining layout is a single box-cut 600 metres in length. Some coal has been sold raw as mined but presently the majority of coal is beneficiated at the Woestalleen processing plant.

- The Opgoedenhooop Project has an estimated GTIS resource of 27.41 Mt. A New Order Mining Right has been granted in respect of the Project, however mining has not yet commenced.
- Woestalleen is a coal preparation facility in close proximity to the coal resources from which it currently receives coal to be beneficiated for the export and domestic markets. The plant is established, well run and flexible, being well suited to its current task. Woestalleen has its own RBCT and general freight siding and has produced beneficiated coal product since 1986. The present plant capacity is 350,000 (approximately 10%) ROM feed tonnes per month and a two stage wash is undertaken to produce a 26.5 megajoules per kilogram ("MJ/kg") primary product for the export thermal coal market and a secondary 21 MJ/kg product for the domestic thermal coal market.
- As Zonnebloem, Hartogshoop and Klipbank are all producing mines, the main development opportunities at these sites lie in enhancing the coal recoveries, decreasing mining dilution and costs and enhancing processing on site such that less non-coal material needs to be hauled to Woestalleen and beneficiated.

A full copy of the CCIC Report is available on the Company's website at www.coalofafrica.com/-Reports-.html .

Vele Coking Coal Project – Tuli Coal Field (100%)

Development at the Vele Project is progressing well and production is expected to commence during the next quarter followed soon thereafter by first sales of coal, pending the grant of an integrated water use licence ("IWUL"). During the development phase of the Project, approximately 850 job opportunities were created, the majority of which were staffed by residents from the nearby towns of Musina and Alldays. The development phase will be followed by the production phase during H2 2010 and the Company expects this phase of the Project will create an additional 460 job opportunities, which will also primarily be staffed by residents from nearby towns.

The exploration work required to complete the final exploration and confirmation drilling programme was completed during the quarter, three months ahead of schedule, resulting in substantial cost savings. No exploration sampling was done during the quarter and laboratory results from seven boreholes delivered at the end of March 2010 are still outstanding.

The MinCorp Summary Report contained the following highlights in relation to the Vele Project:

- The Vele Project contains a GTIS and MTIS resource of 813.5 Mt and 690 Mt, respectively. The current GTIS estimate of 813.5 Mt generated in the MinCorp Summary Report reflects an increase in the GTIS tonnage of approximately 93 Mt from the previous CoAL estimate of 720.8 Mt.

- The deposit is considered to be amenable to exploitation by both opencast and underground mining methods. The potential opencast GTIS resources in all four targeted seams total 333 Mt. Only the Bottom Lower seam, with a GTIS resource of 212 Mt, is targeted for underground extraction.
- Free Swelling Indices ("FSI") determined on a 12% ash product derived from large diameter ("LD") bulk samples are relatively high, ranging from 7.5 to 8.5, while Gray King and Roga Indices are similarly high, ranging from G8 to G11 and 84 to 90 respectively.
- On the basis of the bulk sampling test work, the coal from the Vele Project could be categorised as a high volatile soft (blend) coking coal.
- The results of test work conducted on LD core samples indicate product yields in the practical mining situation are likely to be significantly higher than the slim core indications, in some cases by more than 90%. In some seams, yields of over 40% were shown.

Aerial photos of the Vele Project site at the end of the quarter are available on the Company's website www.coalofafrica.com.

The Company still awaits approval of its application for an IWUL which was submitted to the Department of Water Affairs on 10 November 2009. CoAL is liaising with the relevant authorities on an ongoing basis and remains confident that the required licence should be received in the near term. The IWUL is required prior to undertaking certain mining activities on the Vele Project.

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

While the section of the MinCorp Summary Report covering the Makhado Project was completed, the final MER relating to the Makhado Project will not be completed until the laboratory analysis of the 2009 exploration program has been received. The results of this exploration programme are expected in Q3 2010.

The highlights of the MinCorp Summary Report in relation to the Makhado Project are:

- Estimated total GTIS resource of 947 Mt for the coal deposits contained in the contiguous Windhoek, Tanga, Fripp and Lukin farms (held by CoAL) and Salaita and Telema (held by Rio Tinto), of which 387 Mt is measured resource and 542 Mt is indicated resource. This is within 10% of CoAL's previous resource statement, which estimated 1,035 Mt GTIS.
- The opencast GTIS resources total 311.5 and comprise 284.4 Mt measured resource and 27.1 Mt indicated resource. No resource statement was calculated for underground resources.
- Results for analysis of slim core samples from the CoAL boreholes indicate an overall average yield of 19.5% for a coking coal product with an ash content of 12%. Average product yields from LD samples are higher and in some seams, yields of over 30% were shown.

- The product has low inherent moisture content and the arithmetic average sulphur content of 1.1% is moderate. Based on the initial results received from LD bulk sample test work, the product exhibits high Free Swelling and Roga Indices of 9 and 89 respectively while the vitrinite content ranges from 79% to 88% with an average vitrinite reflectance of $RoV_{max}1.0$. Maximum fluidities of over 14,000 dial divisions per minute have been recorded.
- The vitrinite reflectance, FSI and volatile matter contents suggest that the Makhado product has the potential to be classed as a medium volatile, semi-hard coking coal. This is expected to be confirmed when further results of specialised test work are received.

Documentation to affect the Rio Tinto Farm Swap Agreement executed between CoAL and joint venture companies held by the Rio Tinto Group and the Kwezi Group of South Africa during October 2009, previously lodged with the DMR in April 2010 remains outstanding and the Company is hopeful this will be finalised during the next quarter.

Polokwane Analytical Laboratory (100%)

Construction of bulk sample storage areas at the Company's Analytical Laboratory in Polokwane in the Limpopo Province commenced during the quarter and is due to be completed in Q3 2010. The development of this new laboratory facility, which is independently managed by international laboratory group Inspectorate, has resulted in the creation of 33 permanent employment opportunities for skilled staff and a further 2 for unskilled staff. The number of new job opportunities is expected to grow by a further 23 skilled staff for the laboratory facilities at both the Vele and Makhado Projects once production has commenced. The Laboratory has applied for SANAS 17025 accreditation for the majority of the procedures undertaken at the facility and approval is expected in Q3 2010.

The Laboratory will have the capacity to provide analytical services to third parties and is considered by CoAL to be the most sophisticated coal laboratory in the southern hemisphere.

Share Placement

In June 2010, the Company carried out a placing of 50,000,000 ordinary shares at GBP1.10 per share raising GBP55 million (before costs). The placement was oversubscribed by 94% and the Company intends using the funds for, amongst other things, the Makhado Project bulk sample analysis and Definitive Feasibility Study, potential acquisitions and working capital.

Executive appointment

During the quarter, CoAL was pleased to announce the appointment of Mr John Wallington as Chief Executive Officer ("CEO") and Executive Director of the Company, effective 15 June 2010. Mr Wallington joined Anglo American in 1981 and was CEO of the South African Region before being appointed as CEO of Anglo Coal globally. Mr. Wallington held the position of CEO for the Anglo Coal

Division between 2005 and 2008 and has 30 years experience in the coal exploration and mining industry.

Corporate Activity

As announced during the quarter, the Company intends to transfer its primary listing from the Australian Securities Exchange (“ASX”) and seek approval for admission to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s Main Market. This move is expected to occur during H2 2010 and in terms of the ASX listing regulations, Australian shareholders will be notified timeously prior to any de-listing from ASX.

Nimag Group of Companies (100%)

The Nimag Group had a profitable quarter as a result of stable nickel prices and slightly higher than expected orders for alloys. In a bid to expand the Group’s product package as well as earnings, the company has identified potential acquisition targets, the financing of which will be funded by internally generated cash flows. Furthermore, the company continued the previously announced research and development programme to develop new products.

Holfontein Coal Project (100%)

The Company continues to classify Holfontein as a non core asset available for sale. The Company has been tentatively approached by interested parties and expects to enter a formal sale process during the next quarter. Further announcements on any progress in this regard will be made once formal documentation has been signed.

Authorised by



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Executive Deputy Chairman
27 July 2010

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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 Vele and Makhado coking coal projects are expected to start production in Q3 2010 and 2012 respectively, collectively 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 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.

Competent Persons Statement

The information in this announcement that relates to exploration results, mineral resources or ore reserves is based on information compiled by the following persons:

1. In respect of the MinCorp Summary Report, Mr. Mark Craig Stewardson, who is registered as a Professional Natural Scientist (Pr Sci Nat, Reg. No. 400119/93) with the South African Council for Natural Scientific Professions ("SACNASP"), which is a Recognised Overseas Professional Organisation ("ROPO") in terms of the 4th Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Mr. Mark Craig Stewardson is employed by The Mineral Corporation.

2. In respect of the CCIC Report, Dr. Philip John Hancox, who is a member of the SACNASP (Reg. No. 400224/04), which is a ROPO in terms of the JORC Code. Dr. Philip John Hancox is employed by CCIC.

Mr. Mark Craig Stewardson and Dr. Philip John Hancox have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the JORC Code. Mr. Mark Craig Stewardson and Dr. Philip John Hancox consent to the inclusion in this announcement of the matters based on their information in the form and context in which it appears.