COAL of AFRICA LIMITED

ANNOUNCEMENT **28 OCTOBER 2010**

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2010

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

Highlights

- Achievement of 1000 fatality free production shifts at Mooiplaats thermal coal project ("Mooiplaats Colliery") during September 2010.
- Approval received from the Department of Mineral Resources ("DMR") for the exchange of New Order Prospecting Rights for the Makhado property between CoAL and Rio Tinto controlled entities.
- 93% increase in run of mine ("ROM") production and 30% increase in sales from the Mooiplaats Colliery.
- Appointment of Mr David Murray as Senior Independent Non-Executive Director.
- Increased quarter on quarter total ROM coal production to 1,113,070 tonnes.
- Cash balance at the end of the quarter of A$42.7 million.

Commenting on the results today, John Wallington, Chief Executive Officer of CoAL said: "The Company has faced some significant challenges during this past quarter, particularly relating to the cessation of operations at the Vele Colliery. We have actively engaged with the Department of Environmental Affairs and remain confident the issues will be satisfactorily resolved to re-commence development before year end. Production ramp up at Mooiplaats was significantly enhanced during the quarter and the Woestalleen Collieries continue to progress as planned."

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DISCUSSION OF RESULTS

Mooiplaats Colliery – Ermelo Coalfield (100%)

Mooiplaats achieved the important milestone of 1000 fatality free production shifts on 15 September 2010. Safety management is given a high priority at all of CoAL's operations, which this achievement bears testimony to.

Operations at the Mooiplaats Colliery continued with the three underground sections all producing high quality bituminous (thermal) coal. During the quarter, the Colliery produced 182,230 tonnes of ROM coal, compared to 94,514 tonnes during the previous three month period. This quarter on quarter increase was attributable to the recent addition of section 3 as well as production from sections 1 and 2 .

The plant processed 361,112 tonnes of ROM coal (including 154,957 tonnes of purchased ROM coal (Q4 2010: 154,277 tonnes)) producing a total of 197,690 tonnes of primary export quality product, a 72% increase compared to the previous quarter. The second wash plant produced a further 55,870 tonnes of middlings product for the domestic market (Q4 2010: 82,690 tonnes).

During the quarter, 172,022 tonnes of export quality thermal coal was railed to the Matola Terminal in Maputo, Mozambique ("Matola Terminal") and 83,167 tonnes of middlings product was sold to Eskom's Camden Power Station. The 172,022 tonnes of coal railed to the Matola Terminal (Q4 2010: 138,161 tonnes) included both the Mooiplaats and Woestalleen export quality product and resulted in sales of 181,492 tonnes to international customers, a 30% increase on the previous quarter's export sales. Sales revenue generated from the Mooiplaats Colliery for the September quarter totalled ZAR106 million (A$15.8 million) vs. ZAR122 million (A$18.5 million) during the previous quarter.

Development of further sections at the Mooiplaats Colliery is progressing and an additional continuous miner is due to be delivered early in the next quarter. The ramp-up of Mooiplaats is expected to be completed in early 2011, with five sections producing some 190,000 tonnes per month of ROM coal expected thereafter.

Woestalleen Mines and Processing Plant – Witbank Coalfield (100%)

The Zonnebloem operation continues its impeccable safety record, with the site not recording a single lost time injury since start-up in 2008.

Woestalleen's open cast mines produced 930,840 tonnes of ROM coal during the quarter, comprising 750,130 tonnes from Zonnebloem (Q4 2010: 785,980 tonnes), 25,968 tonnes from Klipbank (Q4 2010: 45,076 tonnes) and 154,742 tonnes from Hartogshoop (Q4 2010: 161,373 tonnes). The ROM coal was processed at the Woestalleen processing facility, producing 447,117 tonnes (Q4 2010: 443,759 tonnes) of export quality coal and 104,082 tonnes (Q4 2010: 69,195 tonnes) for sale to the domestic market.

During the quarter, total sales revenue from Woestalleen was ZAR254 million (A$37.9 million). This revenue was generated from export sales as well as 115,141 tonnes of lower grade middlings sold to

Eskom (Q4 2010: 85,724 tonnes) and a further 560,036 tonnes (Q4 2010: 362,977 tonnes) of export quality coal sold free on rail under historical off-take agreements. Woestalleen's remaining export quality coal is railed to the Matola Terminal and sold together with the Mooiplaats coal.

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

Safety management at Vele coking coal project ("Vele Colliery") was commendable, with only one lost time injury recorded during the full construction phase to date.

The development phase of the Vele Colliery is almost complete with the construction of the open cast mining pit, processing plant and related mining infrastructure near completion. Pending the grant of the Integrated Water Use Licence ("IWUL"), production was expected to commence, followed soon thereafter by first sales of coal. 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. Following the development phase, the Company expects the production phase to create a further 460 job opportunities.

The Company was served with a Compliance Notice by the Department of Environmental Affairs ("DEA") during the quarter and is in the process of submitting rectification papers in terms of section 24G of the South African National Environmental Management Amendment Act, 1998 (Act No. 107 of 1998) to continue with the activities relevant to the Compliance Notice. CoAL has fully adhered to the instructions contained within the Compliance Notice and the Company has held several constructive meetings with all appropriate representative levels of the DEA in a bid to resolve the issues identified. The Company has also applied to the Minister of the DEA for the suspension of the Compliance Notice during this process and hopes that a ruling will be made soon.

CoAL awaits approval of its application for an IWUL for the Vele Colliery, which was submitted to the South African Department of Water Affairs ("DWAF") on 10 November 2009. The Company is working closely with the relevant authorities on an ongoing basis to facilitate the granting of the IWUL, which is required before any coal mining or processing activities can commence at the Colliery.

The Company has appointed an Independent Environmental Assessment Practitioner ("EAP") to assess the current and proposed activities in conjunction with the IWUL application process. Furthermore, CoAL has made significant progress in satisfying the technical requirements raised by the DEA and DWAF and is confident that with continued liaison between itself and these departments, the issues will be satisfactorily resolved.

The execution of the NOMR in March 2010 and approval of the Environmental Management Plan was the result of an extensive and exhaustive process spanning a period of more than 18 months, including public and government participation (including DMR, DWAF and the DEA) and the engagement of over 12 independent experts who contributed to a comprehensive Environmental Impact Assessment. The Company is confident that it has addressed the concerns and designed sufficient mitigation into the mining layout and processes to ensure co-existence with eco-tourism and agriculture in the area. The Project will introduce much needed investment, employment and economic growth into one of the poorer regions of South Africa. The dual benefits of reduced imports of coking coal as well as potential exports from the Colliery to the national balance of payments are likely to be substantial.

The timelines required to complete the processes have resulted in the Company having no choice but to reduce the workforce at the Vele Colliery by 596 people. This process is taking longer than originally envisaged, with a resolution now expected before year end.

During March 2010, the Company announced that the estimated capital expenditure required to develop the Vele Colliery was ZAR450 million. This estimate has now been revised to ZAR571.4 million and includes expenses attributable to the suspension of activities on site, primarily the de-mobilisation of equipment and manpower, box-cut design and infrastructure plan adjustments as well as processing plant scope changes. By the end of September 2010, the Company had incurred ZAR525.3 million, requiring ZAR46.1 million to complete the construction of phase 1.

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

The extraction of the bulk sample at the Makhado coking coal project ("Makhado Project") commenced during the quarter and is progressing according to schedule. By the end of September 2010, over 80,700 bulk cubic metres ("BCM") of over burden had been removed. The first raw coal for the sample is expected to be extracted in the third quarter from where it will be sent to Exxaro's Tshikondeni mine for processing. The coking coal sample yielded from the wash process will be sent to ArcelorMittal's works in Vanderbijl park for coking tests. A portion will also be assessed at the Company's analytical laboratory in Polokwane.

The definitive feasibility study ("DFS") continued during the quarter and was approximately 75% complete by the end of the quarter. The DFS is on track for completion in Q1 of 2011 calendar year . During the quarter, the Company has commenced the process of interacting with all stakeholders.

CoAL also received confirmation from the DMR that the application for Ministerial consent in terms of the MPRDA to effect the Rio Farm Swap Agreement with Kwezi Mining and Exploration (Proprietary) Limited ("Kwezi") and Chapudi Coal (Proprietary) Limited ("Chapudi"), joint venture companies held by the Rio Tinto Group and the Kwezi Group of South Africa, had been approved.

The rationalisation of the farms owned by Chapudi, Kwezi and CoAL provides significant benefits to all parties in terms of creating numerous contiguous, well defined and economic coal projects and allows CoAL to lodge a NOMR application for the Company's flagship Makhado Project. The NOMR application is expected to be lodged before the end of the calendar year, followed closely by an application for an IWUL and further relevant approvals, as required.

The Rio Farm Swap Agreement creates a further three significant coal projects around the Makhado Project, namely the Mount Stuart coking coal project ("Mount Stuart Project"), the Voorburg coking coal project ("Voorburg Project") and the Jutland coking coal project ("Jutland Project"), together with an additional two farms which will form a natural extension to the Makhado Project.

During the 1980's Iscor undertook a drilling campaign across the Mount Stuart, Voorburg and Jutland Projects.

The Mount Stuart Project was subject to an intensive drilling program by Iscor in the early 1980's with some 331 boreholes drilled on the project area. This exploration work previously undertaken by Iscor compares to the 351 boreholes that were drilled by Iscor on the seven farms comprising the Makhado Project (including the two farm extension to the east). The historical data indicates that there is a substantial resource of open-castable coal with size and quality similar to that identified at the Makhado Project. The yields of coking coal appear to be higher than those at Makhado providing an exciting opportunity to create a meaningful addition to CoAL's coking coal portfolio.

On the Voorburg Project, Iscor drilled 44 boreholes and the exploration information was then the subject of a detailed Iscor internal pre-feasibility study, which CoAL is currently assessing.

A detailed internal pre-feasibility study of the Jutland Project was also completed by Iscor with exploration comprising some 80 boreholes. The Iscor internal report studied different mining methods covering the middle lower and bottom upper coal seams and suggested reasonable yields from the two seams. A potential life span of greater than 20 years was determined for the project.

Polokwane Analytical Laboratory (100%)

Construction of bulk sample storage areas at the Company's analytical laboratory in Polokwane in the Limpopo Province were completed during the quarter. This facility, which is independently managed by international laboratory group, Inspectorate, has applied for SANAS 17025 accreditation for the majority of the procedures undertaken at the facility. The accreditation reviews undertaken to date have been favourable and SANAS approval is expected during the next quarter.

Appointment of a Senior Independent Non-Executive Director

In September 2010, the Company announced the appointment of Mr David Murray as Senior Independent Non-Executive Director. Mr Murray has held a number of senior positions in the global coal industry, including Managing Director of Ingwe Coal Corporation (formerly Trans-Natal Coal Corporation Limited), Chief Executive of BHP Billiton Mitsubishi Alliance and President of Energy Coal Sector Group at BHP Billiton Limited, a position he held until December 2009.

Mr Murray holds a Bachelor of Science Degree (Civil Engineering) from the University of KwaZulu-Natal and a Post Graduate Diploma in Mining Engineering from the University of Pretoria. He has also completed the Advanced Executive Program from the University of South Africa.

Corporate Activity

Main Board Listing

The Company previously announced that it intends to transfer its primary listing from the Australian Securities Exchange and would 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 ("LSE"). As a result of the delay in the commencement of the Vele Colliery, the CoAL Board considers it prudent that the transfer to the LSE be delayed pending the outcome of discussions with the Department of Environmental Affairs regarding the Vele Colliery.

Funding Options

The Company continues to evaluate various financing options (including proposals for export trade finance, equipment financing and further working capital facilities), and negotiations to secure a new facility are at an advanced stage. A further announcement will be made in due course.

NiMag Group of Companies (100%)

The NiMag Group returned a profit for the quarter as a result of stable nickel prices but was adversely affected by lower than expected orders for alloys and the strengthening of the South African currency. During the quarter, NiMag acquired 51% (with an option to acquire the remaining 49%) of a foundry and tooling facility situated in Rustenburg in the North West Province. The acquisition was funded from NiMag generated cash flows. Further research, development and analysis of new alloy products continued during the quarter and NiMag management will continue to evaluate additional potential acquisition targets.

Holfontein Coal Project (100%)

The Company continues to classify its Holfontein project as a non core asset available for sale. The Company has been tentatively approached by interested parties and commenced the processes required for a formal sale process. Further announcements on any progress in this regard will be made once they are known.

Madagascar Coal Project (50%)

CoAL holds a 50% interest in the Imoloto Project located in south west Madagascar. The project covers approximately 90% of the Imoloto basin and comprises 43 blocks, totalling 270 km^2, as well as a further 90km^2 in 14 blocks in adjacent coal basins. The geology of the area is well understood and is similar to the Witbank coal field in Mpumalanga, South Africa.

The exploration project undertaken during the June 2010 financial year consisted of a desktop study and initial drilling programme. The drilling programme comprised 19 holes, totalling 2,522 metres, and additional exploration programmes are required to generate a Competent Person Report.

The Company intends facilitating an offering of this coal asset during the first half of 2011. It is also the Company's intention that CoAL shareholders receive a priority entitlement to this offering.

Authorised by

JOHN WALLINGTON
Chief Executive Officer
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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 expected to commence Q1 2011. 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.