COAL of AFRICA LIMITED

COAL OF AFRICA "TRANSFORMED" in FY2011: CEO

Results for the year ended 30 June 2011

MEDIA RELEASE **19 September 2011**

Key features:

- **75% increase in thermal coal production**
- **154% rise in saleable tonnes**
- **Revenue up 166%**
- **40% improvement in gross profit**
- **Development resumes at Vele coking coal project**
- **CoAL's Makhado coking coal project: regulatory process pushes ahead**
- **Matola (Mozambique) export alloction triples**
- **Soutpansberg Coalfields footprint set to grow**

Johannesburg, South Africa. 19 September 2011. Coal of Africa Limited (CoAL) (ASX, AIM, JSE: CZA) has undergone "substantial transformation" in 2011, says CEO John Wallington.

Commenting on the company's results for the year ended 30 June 2011, Wallington says that the former junior explorer and development stage company is "implementing additional structures, processes and resources as the company gears up to become a significant developer and operator of large-scale mining projects and operations."

Thermal coal operations: production, sales increase

CoAL's total run-of-mine (ROM) production of thermal coal – from the **Woestalleen** and **Mooiplaats Collieries**, both in South Africa's Mpumalanga Province – rose by 75% in FY2011 to 4.4 million tonnes ("Mt"). Saleable coal increased by 154% to 3.3 Mt.

Total revenue generated rose by 166% to US$261.4 million, US$229.2 million of which came from thermal coal sales and the balance from alloy sales by CoAL subsidiary NiMag, which is deemed non-core.

Gross profit was 40% up year on year at US$37.9 million, and the adjusted loss before tax (non-cash items and foreign exchange gains and losses) of US$11.4 million was recorded compared with US$22.5 million in the previous year.

Coking coal projects: moving ahead

Subsequent to year-end, work on CoAL's **Vele** coking coal project in South Africa's Limpopo Province resumed following the lifting of a regulatory hold imposed by the South African Department of Environmental Affairs in August 2010.

A non-governmental coalition appeal against the project's water use licence, resulting in its temporary suspension, currently limits developmental work to activities that do not require the use of water but Wallington says the company has petitioned the Minister of Environmental Affairs to lift the suspension.

Vele is targeting annual production of 2.7 million run of mine ("ROM") tonnes and 1.0 Mt of saleable coking coal in its first phase.

Wallington says CoAL's second major coking coal project in Limpopo Province, **Makhado**, is progressing: application has been made for a new order mining right and preparations are continuing both for regulatory approval of the environmental management programme and the granting of a water use licence.

Following extraction of a bulk sample, detailed testing has confirmed that Makhado will be capable of producing a semi-hard coking coal "with several excellent parameters", Wallington says.

Samples have been provided to steel producer ArcelorMittal South Africa Limited for testing; also, an independent evaluation has been commissioned to determine the potential value of the Makhado product and its market value. Once these processes are finalised, discussions will take place with Exxaro Resources Limited regarding the exercising of its option to acquire up to 30% of Makhado.

Exports: Matola allocation triples

Wallington says that, with the completion of the Phase 3 expansion of the Matola Terminal in Maputo, Mozambique in March 2011, CoAL's export allocation through the port tripled to 3Mt per annum.
An increase in rail capacity on the Maputo rail corridor by Transnet Freight Rail (TFR), together with joint initiatives by TFR and port operator has halved turnaround time to four days, resulting in increased exports by CoAL through the Matola Terminal.

CoAL is in discussions with TFR on the issue of rail tariffs and meeting capacity requirements that will flow from the planned Phase 4 expansion of the Matola Terminal, Wallington says.

Soutpansberg Coalfields: footprint set to grow

CoAL made further progress subsequent to the year-end on its acquisition of the Rio Tinto/Chapudi properties in Limpopo Province.

These, when consolidated with CoAL's contiguous properties, will make CoAL a "substantial holder of coking coal new order prospecting rights in the Soutpansberg Coalfield", says Wallington, continuing its work "towards becoming the primary South African coking coal producing company supplying both the domestic and international markets".

An exploration programme on the various Soutpansberg Coalfield properties is in the process of being mobilised.

A complete Independent Technical Statement on all assets has been issued by Venmyn Rand (Pty) Ltd.

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About CoAL:

CoAL is an AIM/ASX/JSE listed coal exploration, development and mining company operating in South Africa. CoAL's key projects include the Vele Colliery (coking and thermal coal), the Makhado Project (coking coal) and the Mooiplaats and Woestalleen Collieries (both thermal coal).

The Mooiplaats Colliery commenced production in 2008 and is currently ramping up to produce 2 Mtpa. The Woestalleen Colliery, acquired through the acquisition of NuCoal Mining (Pty) Limited in January 2010, currently processes approximately 2.5Mtpa of saleable coal for domestic and export markets. The Woestalleen Complex also incorporates three beneficiation plants with a total processing capacity of 350,000 run of mine feed tonnes per month.

CoAL's Vele Colliery is expected to start production in the first half of 2012. During the initial phase, the operation is targeting 2.7 Mtpa ROM production to produce 1.0Mtpa saleable coking coal.. The Makhado Project, CoAL's flagship project in the Soutpansberg coalfield, is well into the feasibility stage, with a Definitive Feasibility Study nearing completion. An application for a New Order Mining Right for the Makhado Project was submitted in January 2011.

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In November 2010, CoAL agreed to acquire the Chapudi coal project and several other coal exploration properties in the Soutpansberg coal basin in South Africa from the previous owners, including Rio Tinto. Upon completion, the acquisition of these projects will significantly extend the scale and scope of certain of CoAL's existing projects in the region and will more than double the resource of the existing Makhado Project.

Forward looking statements

Certain statements in this announcement are or may constitute "'forward looking statements". Forward-looking statements can be identified by words such as "plans", "expects", "intends", "estimates", "will", "may", "continue", "should" and similar expressions. Such forward-looking statements are based on numerous assumptions regarding CoAL's present and future business strategies and the environment in which CoAL will operate in the future. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Past performance is not an indication of future results and past performance should not be taken as a representation that trends or activities underlying past performance will continue in the future. All views expressed are based on financial, economic, and other conditions as of the date hereof and CoAL disclaims any obligation to update any forecast, opinion or expectation, or other forward looking statement, to reflect events that occur or circumstances that arise after the date hereof.