



## ANNOUNCEMENT

19 September 2011

### ANNUAL FINANCIAL STATEMENTS COMMENTARY AND PROJECT UPDATE

Coal of Africa Limited, ("CoAL", or "the Company"), the coal exploration, development and mining company operating in South Africa and listed on the ASX, AIM and JSE (ticker: CZA), is pleased to provide a copy of its Annual Financial Statements for the year ended 30 June 2011 which are also available on the Company's website on [www.coalofafrica.com](http://www.coalofafrica.com). The financial summary and commentary on the results are provided below.

#### Operational highlights

- 4.409 million run of mine ("ROM") tonnes (FY2010: 2.515 million tonnes) of thermal coal produced from the Woestalleen and Mooiplaats Collieries, up 75% year on year.
- 4.997 million ROM tonnes (FY2010: 2.317 million tonnes) of thermal coal processed, including 0.472 million ROM tonnes (FY2010: 0.262 million tonnes) of purchased coal.
- 3.316 million saleable tonnes (FY2010: 1.308 million tonnes), up 154% year on year representing an overall yield of 66.4% (FY2010: 56.4%), up 10.0% year on year.
- Phase 3 expansion of the Matola Terminal in Maputo, Mozambique ("Matola Terminal"), completed in March 2011, increasing CoAL's effective throughput allocation from 1.0 million tonnes per annum ("mtpa") to 3.0 mtpa.
- 100 additional wagons (total of 850 wagons) utilised by Transnet Freight Rail ("TFR") on the Maputo corridor to meet increased port allocation and a reduction in turnaround times from eight days to four days.
- Environmental authorisation received for the Vele coking coal colliery ("Vele Colliery"), paving the way for operations to resume. The Integrated Water Use Licence ("IWUL") for the project was granted in April 2011 but was automatically suspended by operation of law following an appeal by non-governmental organisations ("NGOs"). CoAL has petitioned the Minister for Environment and Water Affairs ("the Minister"), who has the power and authority to do so, to lift the suspension of the IWUL. Activities which do not require Vele Colliery to engage in water uses requiring authorisation under the IWUL restarted at the Vele Colliery on 5 August 2011.
- Definitive Feasibility Study ("DFS") for the Makhado coking coal project ("Makhado Project") in the final stages with the infrastructure design substantially complete. Product trials at ArcelorMittal South Africa Limited ("AMSAL") nearing completion, leading to further discussions to convert the signed letter of intent between CoAL and AMSAL, into a commercial off-take agreement for coking coal.



#### Post year-end operational events:

- Memorandum of Agreement (“MOA”) signed with Department of Environmental Affairs (“DEA”), South African National Parks (“SANParks”) and CoAL, paving the way for collaborative and responsible mine development in the Limpopo Province. The MOA is pursuant to conditions set out as part of the Vele Colliery environmental authorisation and seeks to ensure the conservation and integrity of the globally significant natural and cultural Heritage Site and to maintain and strengthen co-operation between CoAL, DEA and SANParks.
- Progress with Rio Tinto Minerals Development Limited (“Rio Tinto”) towards conclusion of the Rio Tinto/Chapudi transaction.
- Successful transition from contract miner to owner-operator at the Mooiplaats thermal coal colliery (“Mooiplaats Colliery”).
- Complete Independent Technical Statement on all assets by Venmyn Rand (Pty) Ltd (“Venmyn”).

#### Financial highlights (all amounts stated in United States Dollars)

- Change in reporting currency from the Australian Dollar to the United States Dollar.
- US\$261.4 million (FY2010: US\$98.4 million) in revenue generated, up 166% year on year, with US\$229.2 million (FY2010: US\$78.1 million) from thermal coal sales and US\$32.2 million (FY2010: US\$20.3 million) generated by the NiMag business from alloy sales, development and other revenue.
- US\$37.9 million (FY2010: US\$27.1 million) in gross profit, up 40% year on year.
- Operating costs, non-capitalized overheads and other items amounts to US\$49.3 million (FY2010: US\$49.6 million), marginally lower year on year.
- Adjusted loss before tax (excluding certain non-cash items and foreign exchange gains and losses) of US\$11.4 million (2010: US\$22.5 million), down 49% year on year.
- Foreign exchange losses of US\$29.9 million (FY2010: US\$3.0 million net gain) of which US\$29.3 million (US\$2.7m loss) was unrealized and non-cash related.
- Non-cash charges of US\$176.9 million (FY2010: US\$159.2 million) including:
  - o impairment losses of US\$97.4 million (FY2010: US\$54.0 million);
  - o depreciation and amortisation of US\$79.5 million (FY2010: US\$26.7 million);
  - o share-based payment expenses (BBEEE option) US\$nil (FY2010:US\$78.5 million).



- Net loss after tax for the year, including non-cash items and foreign exchange losses, of US\$219.0 million (FY2010: US\$167.8 million).
- Total unrestricted cash balances and undrawn Deutsche Bank facilities of US\$40.3 million at year-end.

John Wallington, CEO, commented:

“Over the past year, the Company has undergone a substantial transformation from a junior explorer to one that is developing the necessary structures, processes and resources required to become a significant developer of large-scale mining projects and operations. In 2010, the Directors identified the need to transform the organisation, which resulted in my appointment in mid-June 2010 and the more recent appointment of Wayne Koonin as Financial Director. The new management team has made significant progress in a number of key areas, most importantly improving relationships with key stakeholders, including the Government, in order for the Company to meet its vision of adding substantial value for shareholders and all other stakeholders associated with its projects.

“In particular, we are committed to raising the profile and reputation of the Company as we move forward with the future development of the business. The recent MOA signed with the DEA and SANParks is a landmark event in the Company’s development, and underscores our commitment to undertake the advancement of our mining projects in a socially and environmentally responsible manner. The Company has made considerable progress towards restarting delayed development activities at the Vele Colliery and will fully restart should the lifting of the suspension of the IWUL occur. We have also made substantial progress on the Makhado Project over the last year and the prospects remain very encouraging, including the potential to produce semi-hard coking coal with several excellent parameters.”

## **OPERATIONAL REVIEW**

### **Woestalleen Complex**

The Woestalleen Complex comprises three open cast thermal coal pits, namely Vuna (also known as Zonnebloem), Hartogshoop and Klipbank open cast mines, and three beneficiation plants with the capacity to process 350,000 ROM feed tonnes per month. Following the completion of the NuCoal acquisition effective 1 January 2010, the FY2010 CoAL financial statements include six months of production figures for Woestalleen. The FY2011 financial statements include production for the full year. During that year, the Klipbank and Hartogshoop Collieries were mined out and production was increased at the Vuna Colliery. The remaining life of mine (“LOM”) at Vuna is estimated at approximately two years and management continues to evaluate alternative options to secure additional coal rights in the vicinity, in order to ensure the ongoing utilisation of the beneficiation plant.



| <b>Operational Statistics (all amounts in tonnes unless stated otherwise)</b> | <b>Total FY2011</b> | <b>Total FY2010<sup>1</sup></b> | <b>Unit Variance</b> | <b>% Variance</b> |
|-------------------------------------------------------------------------------|---------------------|---------------------------------|----------------------|-------------------|
| ROM production                                                                | 3,525,906           | 2,114,101                       | 1,411,805            | 67%               |
|                                                                               |                     |                                 |                      |                   |
| Total coal feed to plant                                                      | 3,530,664           | 1,657,118                       | 1,873,546            | 113%              |
|                                                                               |                     |                                 |                      |                   |
| Overall yield (percentage)                                                    | 65.9%               | 61.6%                           | 4.3%                 | 7%                |
|                                                                               |                     |                                 |                      |                   |
| Saleable coal produced                                                        | 2,324,972           | 1,020,140                       | 1,304,832            | 128%              |
| - Export coal                                                                 | 2,021,770           | 867,761                         | 1,154,009            | 133%              |
| - Middlings coal                                                              | 303,202             | 152,379                         | 150,823              | 99%               |
|                                                                               |                     |                                 |                      |                   |
| Total coal sales                                                              | 1,920,175           | 965,623                         | 954,552              | 99%               |
| - Export quality Domestic FOR <sup>2</sup>                                    | 1,607,014           | 811,892                         | 795,122              | 98%               |
| - Eskom                                                                       | 313,161             | 153,731                         | 159,430              | 104%              |

<sup>1</sup> Production for the six months starting 1 January 2010

The volumes (tonnes) reported in the table are post production and reclassification adjustments.

Arising out of the NuCoal acquisition, Woestalleen had a number of historical export and domestic coal supply agreements in place at the date of its acquisition by the Company. As at December 2010, the majority of these agreements had expired, allowing for an increase in saleable coal to be railed to the Matola Terminal for sale on the international markets.

In FY2011, ROM production was 3.5Mt (FY2010: 2.1Mt) realizing 2.3Mt (FY2010: 1.0Mt) of saleable coal at an overall yield of 65.9% (FY2010: 61.6%). For FY2012 ROM production is targeted at 3.4Mt. The Woestalleen Complex generated revenue of US\$115.2 million (FY2010: US\$56.2 million) based on 1.9Mt sold.

Based on an assessment of the Vuna Colliery's LOM by independent mineral evaluation experts Venmyn, a US\$5.1 million (FY2010: US\$ nil) non-cash impairment charge was recorded.



### **Mooiplaats Colliery**

During FY2011, the Mooiplaats Colliery expanded its operations to four underground sections, using continuous miners. The fourth underground section was commissioned in November 2010 and development of the fifth underground section continued as planned, with the acquisition of a fifth continuous miner. Production from the fifth section is planned to start in October 2011, with the ramp-up to full production expected to take place by the end of calendar year 2011.

In FY2011, ROM production was 0.9Mt (FY2010: 0.4Mt) and 0.5Mt (FY2010: 0.3Mt) of ROM coal was purchased as additional plant feed. Based on 1.5Mt (FY2010: 0.7Mt) ROM feed to the plant, 1.0Mt (FY2010: 0.3Mt) of saleable coal was produced at an overall yield of 67.6% (FY2010: 43.6%) which was considerably higher than in the previous year and production transitioned from lean coal to higher quality export coal. For FY2012 ROM production is targeted at 1.7Mt. The Mooiplaats Colliery generated revenue of US\$114.0 million (FY2010: US\$21.9 million) in FY2011 based on sales of 1.5Mt (FY2010: 0.3Mt).

In FY2011, Mooiplaats used a contract miner to operate the four underground mining sections equipped with continuous miners. Although ROM production continued to increase during the ramp-up phase, the contract miner was unable to meet the required production targets and the contract was terminated by mutual agreement with effect from 30 June 2011. From 1 July 2011, the Company assumed direct control of mining operations and as part of the transition process, all employees previously employed by the contractor were employed directly by Mooiplaats. With the employment of existing staff and as a result of the underground mining equipment being owned by the mine, the transitional process took place with minimal disruption to operations.

During the past two-and-a-half months since the transition took place, Mooiplaats has continued to show a steady improvement in both yield and production output, with several new production records being achieved during this period. Having taken direct control of the mining operations, the Company believes that it is well positioned to continue to achieve an improvement in operational performance with the resultant cost benefits expected during FY2012. With the transition to an owner-managed operation, and with the ramp-up from the fifth section, the mine is targeting average production of 1.67 million ROM tonnes in FY2012.



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| <b>Operational Statistics (all amounts in tonnes unless stated otherwise)</b> | <b>Total FY2011</b> | <b>Total FY2010</b> | <b>Variance</b> | <b>% Variance</b> |
|-------------------------------------------------------------------------------|---------------------|---------------------|-----------------|-------------------|
| ROM production                                                                | 883,036             | 400,995             | 482,041         | 120%              |
|                                                                               |                     |                     |                 |                   |
| ROM coal purchased                                                            | 471,824             | 262,248             | 209,576         | 80%               |
|                                                                               |                     |                     |                 |                   |
| Total coal feed to plant                                                      | 1,466,136           | 659,853             | 806,283         | 122%              |
|                                                                               |                     |                     |                 |                   |
| Overall yield (percentage)                                                    | 67.6%               | 43.6%               | 24.0%           | 55%               |
|                                                                               |                     |                     |                 |                   |
| Saleable coal produced                                                        | 991,237             | 287,688             | 703,549         | 245%              |
| - Export coal                                                                 | 738,503             | 192,262             | 546,241         | 284%              |
| - Middlings coal                                                              | 252,734             | 95,426              | 157,308         | 165%              |
|                                                                               |                     |                     |                 |                   |
| Saleable coal purchased                                                       | 40,298              | -                   | 40,298          | 100%              |
|                                                                               |                     |                     |                 |                   |
| Total coal sales                                                              | 1,528,388           | 323,178             | 1,205,210       | 373%              |
| - Export quality Matola Terminal                                              | 1,069,163           | 271,269             | 797,894         | 294%              |
| - Export quality Domestic FOR                                                 | 195,817             | -                   | 195,817         | 100%              |
| - Eskom                                                                       | 263,408             | 51,909              | 211,499         | 407%              |

The volume (tonnes) reported in the table are post production and reclassification adjustments.

As part of the financial year-end reporting process, the Mooiplaats Colliery was independently valued by Venmyn, resulting in the requirement for a non-cash impairment charge of US\$88.5 million (FY2010: US\$46.7 million). The reduction in the net present value is primarily attributable to:

- overall lower production tonnages than historically predicted, reducing from 2.28 - 3.36 mtpa to a revised level of 1.18 - 1.70 mtpa;
- re-evaluation of the coal qualities in the transition zone from the north to south section of the mine;
- an increase in the mining horizon cut-off from 1.4 metres to 1.6 metres, resulting in a reduction in the mining resource from 41.8 million ROM tonnes to 32.0 million ROM tonnes; and
- significantly higher rail and port costs than originally projected from the asset.

There are a number of initiatives in place aimed at improving the longer-term viability of the mine by reducing overall logistic costs and sourcing additional ROM feed for the plant. The improvement in performance following the change from a contract mining operation provides further confidence that the recent initiatives at the mine are having a positive impact.



## **Export sales**

Coal from the Mooiplaats and Woestalleen Collieries sold on the export market was railed to the Matola Terminal, with a small amount also being transported to the Richards Bay Coal Terminal. At the end of March 2011, the Phase 3 expansion of the Matola Terminal was completed, resulting in an increase in the total port capacity from 4 mtpa to 6 mtpa. As a result of this expansion the Company's allocation has increased to 3 mtpa.

Following the completion of the Phase 3 expansion, TFR increased the rail capacity on the Maputo rail corridor by adding an additional 100 wagons resulting in a total of 850 wagons operating on the line. The additional capacity and joint operational initiatives to improve the operational performance on the line by TFR and the port operator resulted in a reduction in turnaround times from approximately eight days to approximately four days. This resulted in an increase in the delivered export coal through the Matola Terminal.

The Company is presently engaging with TFR to resolve issues relating to current rail tariffs and to discuss potential opportunities to meet the increased throughput capacity requirement with the development of Phase 4 at Matola.

## **Vele Colliery**

Following the lifting of the Compliance Notice on 5 July 2011 and the subsequent automatic suspension by operation of law of the IWUL on 29 July 2011 as a result of an appeal being lodged by the NGOs, limited work restarted at the Vele Colliery on 5 August 2011. The Company has implemented a concentrated work programme in respect of aspects not requiring the Company to engage in a water use which requires authorisation in terms of the IWUL. This included an assessment of repairs required to the plant while it remained idle during the past year as well as completion of the remaining construction of the plant and certain earthworks.

A petition was submitted by the Company to the Minister on 8 August 2011, requesting her to lift the suspension on the IWUL. The Minister has the power and authority to do so. Further representations were filed by the NGOs on 7 September 2011 in relation to the Company's petition. CoAL currently awaits the outcome of the Minister's decision and following this, will update the markets accordingly. Once in operation, Vele is targeting production of 2.7 million ROM tonnes per annum and 1.0 mtpa of saleable coking coal during the initial phase of the mining operation.

On 1 September 2011, a MOA was signed between the DEA, SANParks and the Company. This historic agreement in respect of the Mapungubwe Cultural Landscape World Heritage Site paves the way for a new approach to working with the Government in this sensitive area. The MOA seeks to ensure the conservation and integrity of the globally significant natural and cultural heritage site and to maintain and strengthen co-operation between the DEA, SANParks and the Company.



With the help of the DEA and SANParks, the Company is seeking to establish an appropriate balance between conservation and economic development. CoAL recognises its responsibility to protect the natural and cultural abundance of the heritage site, while substantially increasing the size of the local economy and creating desperately needed jobs in the vicinity.

The potential value for Vele remains significant, based on the substantial resource base that has the capability to produce both semi-soft coking and thermal coal.

### **Makhado Project**

Progress continues to be made on the Makhado Project with the DFS in the final stages of preparation. Management is currently assessing optimisation studies prior to finalisation of the project for presentation to the Board of Directors of CoAL ("Board"). The Company expects to submit the DFS to the Board before the end of the 2011 calendar year.

The application for the New Order Mining Right was submitted in January 2011. The consultation process with interested and affected parties and all detailed technical studies needed for the submission of the Environmental Management Programme and IWUL are progressing well. These processes have been extensive and demonstrate CoAL's further commitment to conduct its affairs to the highest standards.

Following the extraction of the bulk sample, detailed tests have confirmed that the Makhado Project will be capable of producing a semi-hard coking coal with several excellent parameters. In accordance with the memorandum of understanding entered into between the Company and AMSA, samples have been provided to AMSA for testing purposes. In addition, the Company has commissioned an independent study by international coking coal experts to assist in the evaluation of the coking coal properties. This will determine the potential value of the product and ultimately dictate its market value. Upon finalisation thereof, discussions will take place with Exxaro Resources Limited regarding the exercise of its option to acquire up to a 30% interest in the Makhado Project.

The co-operation of the regulatory authorities and local communities has been encouraging and the Company remains confident about the prospects for the Makhado Project.

### **Rio Tinto/Chapudi transaction**

After the end of FY2011, further progress has been made on the Rio Tinto/Chapudi transaction announced in November 2010. On 15 August 2011, CoAL announced that the various commercial conditions precedent required from the shareholders had been fulfilled and that the date for fulfillment of the outstanding regulatory approvals has been extended to 30 April 2012.

Of the original purchase consideration of US\$75 million, US\$73 million remains payable in two separate tranches of US\$43 million and US\$30 million. Subject to timing of the remaining regulatory approvals, these amounts are anticipated to be paid by early 2012 and by mid-2013 respectively.



The Company is in the process of mobilising the exploration programme on the various properties, which will further increase the resource base and unlock the potential value from these assets.

The transaction consolidates various tenements and will make CoAL a substantial holder of coking coal New Order Prospecting Rights in the Soutpansberg Coalfield (located in the Limpopo Province) when completed. With the scale and contiguous nature of these ore bodies, the Company continues to work towards becoming the primary South African coking coal exporting company.

### Resource Statement

At the request of the Board, an Independent Technical Statement has been compiled by Venmyn to provide a summary of the principal coal assets of CoAL with particular reference to declared coal resources and reserves. Set out below is a summary of CoAL's reserves and resources, which has been extracted without adjustment from the Independent Technical Statement. For full details on CoAL's reserves and resource estimates, and the basis on which those estimates were prepared, refer to the full Independent Technical Statement, which can be found on the Company's website [www.coalofafrica.com](http://www.coalofafrica.com)

#### Coal Reserves of CoAL's Principal Mineral Assets

| PROJECT NAME | MINEABLE TONNES IN SITU (MTIS) | RoM TONNAGE (t) | SALEABLE PRIMARY PRODUCT (t) | SALEABLE SECONDARY PRODUCT (t) | COAL ATTRIBUTABLE % |
|--------------|--------------------------------|-----------------|------------------------------|--------------------------------|---------------------|
| Mooiplaats   | 31,590,200                     | 18,656,800      | 9,433,300                    | 779,900                        | 100%                |
| Vuna         | 6,155,700                      | 6,547,400       | 3,381,600                    | 2,101,200                      | *100%               |
| Vele         | 332,709,000                    | 299,391,000     | 92,387,000                   | 0                              | 100%                |
| Total        | 370,454,900                    | 324,595,200     | 105,201,900                  | 2,881,100                      | 100%                |

\* CoAL has a 49% legal interest but a 100% economic interest in Vuna.

#### Coal Resources of CoAL's Principal Mineral Assets (Inclusive of Reserves)

| PROJECT NAME | GROSS TONNES IN SITU (GTIS) | TOTAL TONNES IN SITU (TTIS) | MINEABLE TONNES IN SITU (MTIS) | COAL ATTRIBUTABLE % |
|--------------|-----------------------------|-----------------------------|--------------------------------|---------------------|
| Mooiplaats   | 92,322,689                  | 85,619,262                  | 50,760,100                     | 100%                |
| Vuna         | 6,820,858                   | 6,479,815                   | 6,155,700                      | *100%               |
| Vele         | 803,820,826                 | 680,202,877                 | 369,629,400                    | 100%                |
| Makhado      | 879,734,822                 | 764,699,202                 | 411,156,500                    | 100%                |
| Voorburg     | 217,778,959                 | 188,929,976                 | 181,811,100                    | 100%                |
| Mount Stuart | 407,162,828                 | 325,730,262                 | 55,460,000                     | 100%                |
| Total        | 2,407,640,982               | 2,051,661,394               | 1,074,972,800                  | 100%                |

\* CoAL has a 49% legal interest but a 100% economic interest in Vuna.

Source: Venmyn Rand (Pty) Ltd – Independent Technical Statement for Coal of Africa as at 18 September 2011.



### *Differences between resource estimates*

The estimates prepared by Venmyn for the Mooiplaats and Woestalleen Collieries are broadly in line with the resource estimates for this collieries prepared during 2010 by The Mineral Corporation ("TMC") and Caracle Creek International Consulting (Pty) Ltd ("CCIC"), taking into account mining depletion and additional drilling during the intervening period. However, it should be noted that:

- the Venmyn MTIS estimate for the Vele Colliery 369.6 million tonnes ("Mt") is significantly lower than the corresponding TMC estimate from 2010 (690.6Mt), principally as a result of the application of a minimum and maximum mining height of 1.4 metres and 4.5 metres respectively, and consideration of only the Bottom Lower Seam for underground mining; and
- both the Venmyn GTIS and MTIS estimates for the Makhado Project (879.7Mt and 411.2Mt respectively) are significantly higher than the corresponding TMC estimates (323.6Mt and 289.0Mt respectively), principally because, in the case of the GTIS estimates, TMC only considered opencastable resources to a depth of 140 metres whereas the Venmyn estimate was based on all coal greater than 0.5 metres in thickness and, in the case of the MTIS estimates, Venmyn considered all coal to a maximum depth of 200 metres and applied a different approach to discounting the GTIS estimates.

For a more detailed explanation of the differences between the Venmyn estimates and the TMC and CCIC estimates, see the Independent Technical Statement.

On completion of the Rio Tinto/Chapudi transaction CoAL will acquire the Chapudi Project, as well as prospecting rights for various other project areas within the Soutpansberg Coalfield. Although the Independent Technical Statement does not include an estimate of coal resources or reserves for these projects, as previously announced in November 2010 upon signature of the agreement with Rio Tinto, the Chapudi Project has estimated coal resources of 1.040 billion tonnes.

### **Financial review**

During the year, the Company changed its reporting currency from the Australian Dollar to the United States Dollar as the Board considers that the latter more appropriately reflects the results of operations and the financial position of CoAL and its subsidiaries on the basis that the underlying commodities from its operating coal mines are principally sold in that currency. Accordingly, the FY2010 prior year comparatives have been retrospectively adjusted to reflect this change.

With the acquisition of NuCoal with effect from 1 January 2010, Woestalleen's FY2010 results are based on six months production compared to a full year in FY2011. Production at Mooiplaats started in late 2008 and was in a ramp-up phase with three underground sections in operation by 30 June 2010. The ramp up continued in FY2011 increasing from three to four underground sections by 30 June 2011. As a result, the production and financial results from both thermal coal mines in FY2010 and FY2011 are not directly comparable.



On 31 March 2011, an operating subsidiary of the Company entered into a US\$50 million revolving loan facility with Deutsche Bank AG (Amsterdam) and simultaneously repaid the JP Morgan Cazenove US\$20 million loan which was then in place. As at 30 June 2011, the Company had drawn down US\$32.5 million against the US\$50 million facility. Total unrestricted cash and cash equivalents and available Deutsche Bank facility at year-end was US\$40.261 million (FY2010: US\$72.054 million), including US\$17.500 million (FY2010: nil) which is undrawn against the Deutsche Bank facility. The facility is repayable by 23 September 2012.

The following is a summary of the key financial results for FY2011:

- US\$261.4 million (FY2010: US\$98.4 million) in revenue generated, up 166% year on year, with US\$229.2 million (FY2010: US\$78.1 million) from thermal coal sales and US\$32.2 million (FY2010: US\$20.3 million) generated by the NiMag business from alloy sales, development and other revenue;
- US\$37.9 million (FY2010: US\$27.1 million) in gross profit, up 40% year on year;
- operating costs, non-capitalised overheads and other items amounts to US\$49.3 million (FY2010: US\$49.6 million), marginally lower year on year with the inclusion of Woestalleen for a full 12 months in the current financial year (FY2010: 6 months) and generally higher overhead costs not capitalised as the Company continued to increase the portfolio of exploration and development stage projects during FY2011;
- adjusted loss before tax (excluding certain non-cash items and foreign exchange gains and losses) of US\$11.4 million (FY2010: US\$22.5 million), down 49% year on year;
- foreign exchange losses of US\$29.9 million (FY2010: US\$3.0 million net gain) of which US\$29.3 million (US\$2.7m loss) was unrealised and non-cash related.
- non-cash charges of US\$176.9 million (FY2010: US\$159.2 million) include:
  - impairment losses of US\$97.4 million (FY2010: US\$54.0 million);
  - depreciation and amortisation of US\$79.5 million (FY2010: US\$26.7 million);
- share-based payment expenses (BBEEE option) US\$nil (FY2010: US\$78.5 million);
- loss before tax for the year, including non-cash items, of US\$218.1 million was US\$39.4 million higher than in FY2010 of US\$178.7 million principally as a result of the higher impairment charges in the current year;
- income tax charge for the year of US\$0.9 million (FY2010: US\$10.9 million credit) differs from the prior year and was due to the net effect of various reversals of deferred tax relating to the impairment charges in the current and prior year;



- net loss after tax for the year, including non-cash items, of US\$219.0 million (FY2010: US\$167.8 million);
- Total unrestricted cash balances and undrawn Deutsche Bank facilities of US\$40.3 million at year-end.

Impairment losses of US\$97.4 million (FY2010: US\$54.0 million) relate to the re-assessment of the carrying value of Mooiplaats and Woestalleen totaling US\$92.3 million (FY2010: US\$46.6 million) and assets held for sale totaling US\$5.1 million (FY2010: US\$7.4 million).

Depreciation and amortisation relate to the mining assets, plant and equipment increased from US\$26.7 million in FY2010 to US\$79.5 million in FY2011. The increase in the depreciation charge year on year was due to a reduction in the remaining life and resource at Woestalleen coupled with a twelve month charge in FY2011 compared to a six month charge in FY2010, since Woestalleen was only acquired effective 1 January 2010. The re-assessment of the remaining life of mine at Mooiplaats, also resulted in an increase in this charge year on year.

The foreign exchange losses of US\$29.9 million, of which US\$29.3 million is non-cash and unrealised, is principally as a result of the translation of inter-company loan balances, the majority of which are denominated in Australian Dollars or South African Rands, into US Dollars at financial year-end. The Australian/US Dollar closing exchange rate at financial year-end was 23.7% higher than the previous year and the average rate was 12.1% higher year on year. Similarly, the South African Rand/US Dollar closing and average exchange rates strengthened year on year by 10.4% and 7.7% respectively.

The share-based payment expense of US\$78.5 million in FY2010 relates to the fair value adjustment for the option issued to Firefly to acquire 50 million ordinary shares at 60 pence per share (exercisable between 1 November 2010 and 1 November 2014). There is no corresponding charge in FY2011.

### **Corporate review**

“The Company underwent a significant internal restructuring during FY2011 and has refocused the business into three core areas, namely exploration, development and mining. This is in line with the objective to advance the various exploration and development projects which the Board believes will provide the greatest potential growth in the business and creation of additional value for CoAL’s shareholders.

As part of the independent valuation of the Mooiplaats and Woestalleen assets by Venmyn, further impairment charges were required in FY2011. Management are confident that the various issues highlighted over the past year have been adequately addressed, allowing for greater focus on the future operation of the Company’s assets with the objective of improving performance and enhancing value.



The progress made at the Vele Colliery is encouraging and we await the decision by the Minister regarding our petition to lift the suspension of the IWUL to enable the Company to re-start operations. The Makhado Project continues to be a key focus area as the next development for the Company with further updates to be reported in due course. Management is evaluating the Company's various other projects in order to prioritise the next development after the Makhado Project.

To support these various changes, additional management has been employed and the underlying business systems have been replaced to support the future growth of the business. After the 2011 financial year-end, the first phase of the implementation of a unified Enterprise Resource Planning (ERP) financial and operating system was successfully completed. Once fully operational, the new system will further strengthen the operational and financial controls required to manage the various development projects and operating mines.

To conclude, I wish to reiterate the commitment of the Company and myself to meeting our goals that are captured in the spirit of the MOA with the DEA and SANParks. We believe that we have put the foundation and building blocks in place to meet these objectives and in this regard are fortunate to have a competent, dedicated and loyal team in place that have the desire to see CoAL succeed."

JOHN WALLINGTON

Chief Executive Officer

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**For more information contact:**

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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.



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.

#### **Competent Persons**

The information in this announcement that relates to mineral resources or ore reserves has been compiled by Ms C Telfer (B.Sc. Hons. (Geol.), (DMS) Dip Bus Man Pr. Sci. Nat., FGSSA, MAusIMM, M.Inst.D) and Mr G Njowa (M.Sc. (Min. Eng), MRM, B.Sc.Hons. (Min. Eng), Grad CIS, MSAIMM, Pr Eng, MIAS), of Venmyn Rand (Pty) Ltd, who both have relevant and appropriate experience and independence to appraise the coal assets. Both Ms C Telfer and Mr G Njowa are considered "Competent Persons", and each have more than five years relevant experience in the assessment and evaluation of the types of coal exploration and mining properties presented in this announcement. Both Ms C Telfer and Mr G Njowa consent to the inclusion of the resource information in this announcement in the form and context in which it appears.

#### **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.