



ANNOUNCEMENT

31 OCTOBER 2011

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2011

“Significant progress made”, says CoAL CEO

Coal of Africa Limited (“CoAL” or “the Company” and together with its subsidiaries “the Group”) provides its operational report for the quarter ended 30 September 2011. A copy of this report is available on the Company's website, www.coalofafrica.com.

Highlights

- Environmental Authorisation (“EA”) for the Vele coking coal colliery (“Vele Colliery”) granted on 5 July 2010, enabling the Company to recommence limited construction and mining activities from 4 August 2011.
- Suspension of the Vele Colliery Integrated Water Use Licence (“IWUL”) lifted by the South African Minister of Water and Environmental Affairs (“the Minister”) and full operations commenced on 19 October 2011.
- Memorandum of Agreement (“MoA”) signed with the South African Department of Environmental Affairs (“DEA”) and South African National Parks (“SANParks”) 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 the parties.
- 1,199,902 tonnes (FY2011 Q4: 1,256,825 tonnes) of run of mine (“ROM”) and 652,060 tonnes (FY2011 Q4: 664,865 tonnes) of export quality coal produced at the Woestalleen thermal coal complex (“Woestalleen”) and the Mooiplaats thermal colliery (“Mooiplaats”).
- Sales of export coal decreased from 492,781 tonnes in the June 2011 quarter to 277,499 tonnes in the September 2011 quarter due to generally slower market conditions and the timing of deliveries over the quarter end. Sales are scheduled to return to normal levels in the December quarter.
- Improved yield and production at Mooiplaats together with the change from a contract mining to an owner-managed operation.
- Commissioning the fifth underground section at Mooiplaats during September 2011.
- Irrevocable undertakings signed by vendor shareholders and the time period to obtain regulatory approvals extended in the acquisition of the Chapudi Coal Project from Rio Tinto Minerals Development Limited (“Rio Tinto”) and Kwezi Mining (Proprietary) Limited (“Kwezi”).

- Full Mineral Experts Report published today within a Registration Document, also including information on the Group, its assets and projects and regulatory, operating and financial information.
- Total cash balance and available facilities as at 30 September 2011 of US\$28.9 million.

Commenting today, Mr John Wallington, Chief Executive Officer of CoAL said: “Steady progress has been made by Coal of Africa, not least of which was the lifting of the suspension on the IWUL at Vele allowing the resumption of operations to bring the mine into production. The signing of the MoA with the DEA and SANParks signified a further strengthening of our working relationship with government and our commitment to all our stakeholders. Importantly, teams are back on site and the process of re-employing people has commenced. During the initial phase of mining operations, the mine is planned to ramp up to 2.7Mtpa ROM coal and 1.0Mtpa saleable coal and create up to 500 jobs.

During the September quarter, the transition of Mooiplaats from a contract mining to an owner managed operation progressed satisfactorily. Quarter on quarter, the colliery reported a 29% increase in run of mine coal production and a 3% increase in overall yield. The commissioning of a fifth underground section during September 2011 will facilitate further increases in production and optimise the installed processing plant capacity at the colliery. During the quarter, Woestalleen performed in line with expectation with the Vuna Colliery extending its exemplary safety record with no lost time injuries recorded.”

QUARTERLY COMMENTARY

Woestalleen Complex – Witbank Coalfield (100%)

The Woestalleen Complex consisting of the Vuna Colliery (“Vuna”) and three beneficiation plants continued the outstanding safety record with no single lost time injury recorded since commencing operations in 2008. Regrettably, two lost time injuries were recorded at the Woestalleen processing plant during the quarter, and management continues to focus on safety as a critical area of the business.

In the September quarter, production at Woestalleen was from Vuna only due to the depletion of Hartogshoop in the previous quarter. Total ROM production for the quarter of 898,114 tonnes, was 7.4% lower than the June quarter of 970,220 tonnes.

The Woestalleen wash plants produced 470,482 tonnes (FY2011 Q4: 503,625 tonnes) of export quality coal and a further 108,648 tonnes (FY2011 Q4: 73,265 tonnes) of lower grade product for Eskom Limited (“Eskom”), the South African electricity utility.

The overall yield of 63.4% (FY2011 Q4: 64.5%) was marginally lower than the previous quarter due to the change in mix with the Vuna providing 100% of the feed to the plant as mentioned above.

Mooiplaats Colliery – Ermelo Coalfield (100%)

The transition to an owner managed mine at the end of June 2011 facilitated direct management of the operation, following which there has been an improvement in overall performance. Coal production increased by 28.6% to 301,788 ROM tonnes from 234,655 ROM tonnes in the June quarter (excluding 51,950 of ROM waste tonnes). A fifth underground section was commissioned in September 2011 and is expected to reach optimum production during the second quarter of the current financial year.

Coal processed during the three months to September 2011 declined marginally to 317,709 ROM tonnes from 321,105 ROM tonnes during the June quarter. A total of 181,578 tonnes (FY2011 Q4: 161,240 tonnes) of export quality coal was produced and 32,420 tonnes (FY2011 Q4: 44,348 tonnes) of the lower grade product for Eskom.

Reduction in ROM contamination due to better mining controls resulted in yields improving from 64.0% in the June quarter to 67.4% in the September quarter.

Safety at Mooiplaats continues to be a focus area with three lost time injuries reported at the mine during the September quarter (FY2011 Q4: four lost time injuries).

Marketing and Logistics

The slower international market for export thermal coal resulted in delays in shipments under term agreements for planned shipments during the quarter. Operational delays at the terminal at quarter end resulted in the loading of a vessel being delayed into the December quarter. These factors resulted in stock at the Matola Terminal increasing to 220,000 tonnes at 30 September 2011. Subsequently, shipping levels have returned to normal levels, with additional cargoes scheduled in the December quarter and stock levels expected to normalise by calendar year end.

A total of 64,399 tonnes of third party coal (FY2011 Q4: 40,298 tonnes) was purchased during the quarter, contributing to the 277,499 tonnes of export quality coal sold (FY2011 Q4: 492,781 tonnes).

Woestalleen sold 276,171 tonnes (FY2011 Q4: 264,813 tonnes) and Mooiplaats 41,254 tonnes of coal (FY2011 Q4: 63,233 tonnes) to domestic customers during the quarter and 90,344 tonnes (FY2011 Q4: 39,460) of middlings coal from Woestalleen and 30,838 tonnes (FY2011 Q4: 69,242 tonnes) from Mooiplaats, was purchased by Eskom.

Summary tables (tonnes)

	Woestalleen	Mooiplaats	Total
September 2011 quarter			
ROM production	898,114	301,788	1,199,902
ROM coal purchased	-	-	-
Total coal processed	913,896	317,709	1,231,605
Overall Yield	63.4%	67.4%	64.4%
Total coal produced	579,130	213,998	793,128
Export coal	470,482	181,578	652,060
Middlings coal	108,648	32,420	141,068
Saleable coal purchased	-	64,399	64,399
Total coal sales	366,515	349,591	716,106
Export	-	277,499	277,499
Inland	276,171	41,254	317,425
Eskom	90,344	30,838	121,182

Vele Colliery

During the quarter, significant progress was made on various regulatory matters impacting the Vele Colliery. Following receipt of the EA for Vele on 5 July 2011, and the subsequent appeal against the granting of the IWUL resulting in the suspension of the IWUL by operation of law, limited operations not requiring the use of water commenced on 4 August 2011. These activities included grading all access roads onto site, undertaking all electrical repairs and construction at the coal handling and processing plant.

On 8 August 2011, CoAL lodged an urgent petition requesting the Minister, in terms of the National Water Act No 36 of 1998 ("the Act"), to exercise her discretion to allow the IWUL to remain in full force and effect pending the appeal to be heard by the Water Tribunal. After taking into consideration all relevant facts including the appeal to the Water Tribunal, in terms of Section 148 (2)(b) of the Act the Minister lifted the suspension on 18 October 2011.

All activities required to complete construction of the mine and plant and to commence full mining operations at Vele, resumed on 19 October 2011.

During the September quarter, the Company, DEA and SANParks unveiled a historical MoA in respect to the Mapungubwe Cultural Landscape World Heritage Site ("Heritage Site"). The MoA was concluded pursuant to conditions set out as part of the EA 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, SANParks and the DEA.

The signatories to the MOA have committed themselves to ten joint undertakings, including:

- developing means by which local communities and other stakeholders can participate in and tangibly benefit from the management and sustainable use of the Heritage Site's natural and cultural resources;
- developing detailed biodiversity offset programs and action plans;
- monitoring the implementation of these through a steering or environmental management committee; and
- providing adequate financial, human and other resources for their effective implementation.

The additional Heritage Impact Assessment as required by the United Nations Educational Scientific and Cultural Organization (UNESCO) and the DEA commenced during the quarter and is expected to be completed during the quarter ending 31 December 2011.

Makhado Coking Coal Project

During the September quarter, independent experts continued with the baseline social and environmental studies required for the Makhado Project New Order Mining Right ("NOMR") application. The consultation process with interested and affected parties continued during the period, including the involvement of various government departments.

The Definitive Feasibility Study ("DFS") is in the final stages of review with all phases of design work and reports complete. Discussions to finalise an off-take agreement with ArcelorMittal South Africa Limited are underway and is expected to be concluded in the near term, following which all project documents will be tabled for approval by the CoAL Board. Feedback from other potential customers who have received product samples is expected during the next quarter.

By 30 September 2011, comments from the various interested and affected parties on the Environmental Impact Assessment, Environmental Management Plans and IWUL submissions, had been received. The IWUL Technical and Engineering report is expected to be submitted to the DEA during the December quarter.

Acquisition of Rio Tinto's South African Assets

During the September quarter, the Company secured irrevocable undertakings from the vendor shareholders in terms of the Sale and Purchase Agreement ("SPA") for the acquisition of Rio Tinto's Chapudi Coal Project and related exploration properties (collectively, the "Coal Assets") in South Africa's Soutpansberg Coalfield in the Limpopo Province. The date for the fulfilment of the suspensive conditions in the SPA has been extended from 12 August 2011 to 30 April 2012, to allow for obtaining the remaining regulatory approvals required, including Ministerial consent in terms of

section 11 of the Mineral and Petroleum Resources Development Act, for the acquisition of the Coal Assets.

The Company is in the process of mobilising the exploration teams and finalizing the exploration programme for the various properties, which is expected to 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 when completed.

Cash and Available Facilities

At 30 September 2011, total cash on hand and call deposits was US\$8.8 million (FY2011 Q4: US\$22.8 million) and undrawn loan facilities and standby credit arrangements was US\$20.1 million (FY2011 Q4: US\$17.5 million). Quarter on quarter, total cash and available facilities remained in line with management expectations.

As noted in the Group's financial statements for the 2011 Financial Year published on 19 September 2011, the Group has a continuing need for further capital for the exploration, development and continuing operation of its projects, including completion of the Chapudi acquisition from Rio Tinto/Kwezi. The Directors are pursuing a number of sources of funding and are at an advanced stage of negotiation for a new US\$40 million debt facility and remain confident of securing further financing. The Group is committed to the sale of certain of its assets, including NiMag and the Holfontein Project. The Directors are confident of completing the sale on one or both of these assets within the next 12 months, realising further cash resources for the Group.

Corporate Activity

As previously announced, the Group is committed to moving from its current AIM listing to the Main Market of the London Stock Exchange and, in connection with that and as a result of the Company being deemed to be tax resident in South Africa notwithstanding its incorporation in Australia, the Group is also proposing to carry out a restructuring of the Group in the next 12 months.

In connection with these proposed activities, the Group has today published a Registration Document prepared in accordance with the Prospectus Rules published by the United Kingdom Financial Services Authority ("FSA") made under section 73A of the United Kingdom Financial Services and Markets Act (2000) ("FSMA"), which also includes an overview of the proposed Group restructuring. The Registration Document which has been approved by the FSA in accordance with Section 87A of the FSMA and contains a full Mineral Experts Report prepared by Venmyn Rand (Pty) Ltd, which includes details of all the Group's current projects and the revised resources and reserves estimates set out in the Independent Technical Statement released by the Company as part of the technical update on 18 September 2011.

In addition, the Registration Document includes a detailed description of the Group, its directors, and its projects and licences as well as the regulatory environment in which it operates in South Africa, including Black Economic Empowerment. The Registration Document also sets out the material risks which face the Group, operating and financial information on the Group for the three

years ended 30 June 2009, 2010 and 2011 reported under International Financial Reporting Standards (as adopted by the European Union) and its future funding requirements. The Registration Document and Mineral Experts Report are available on the company's website www.coalofafrica.com.

Authorised by
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31 October 2011

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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 Q1 2012. During the initial phase, the operation is targeting 2.7 Mtpa ROM production to produce 1.0Mtpa of 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.
