COAL of AFRICA LIMITED

ANNOUNCEMENT **31 JANUARY 2012**

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2011

"Green light for Vele a significant step forward", says CoAL CEO

Coal of Africa Limited ("CoAL" or "the Company") the coal exploration, development and mining company operating in South Africa, is pleased to provide its operational report, together with its subsidiaries ("the Group"), for the quarter ended 31 December 2011. A copy of this report is available on the Company's website, www.coalofafrica.com.

Highlights

- An encouraging safety performance was achieved during the quarter with no lost time injuries recorded in the Group.
- Lifting of the suspension of the Vele coking coal colliery ("Vele Colliery") Integrated Water Use Licence ("IWUL") expediting the remaining construction and other activities requiring the use of water.
- Extraction at the Vele Colliery commenced on 20 December 2011 with approximately 3,200 tonnes of ROM coal stockpiled to date. Wet commissioning of the plant and related infrastructure completed in December and hot commissioning underway.
- Memorandum of Understanding ("MOU") signed with the Save Mapungubwe Coalition ("the Coalition") committing the parties to work together and strengthen co-operation ensuring the sustainable development of the Mapungubwe cultural landscape.
- Placement of 130,000,000 shares completed raising approximately US$106 million; securing a new US$40 million working capital facility with J.P. Morgan Chase Bank N.A. ("New Bank Facility").
- 1,083,396 tonnes (FY2012 Q1: 1,199,902 tonnes) of run of mine ("ROM") and 531,506 tonnes (FY2012 Q1: 652,060 tonnes) of export quality coal produced at the Woestalleen thermal coal complex ("Woestalleen") and the Mooiplaats thermal coal colliery ("Mooiplaats").
- Resumption of normal sales of export coal during the period, increasing by 87.7% from 277,499 tonnes in the September quarter to 520,812 tonnes in the December quarter.
- Further progress on disposal of the non-core assets including the Group companies of NiMag (Pty) Ltd and Metalloy Resources Investments (Pty) Ltd (together "the NiMag Group") and the Holfontein thermal coal project ("Holfontein Project").

- Total cash balance, available and undrawn facilities (excluding the New Bank Facility of US$40 million) as at 31 December 2011 of US$101.2 million.

Commenting today, Mr John Wallington, Chief Executive Officer of CoAL said: "The December 2011 quarter yielded positive outcomes for various initiatives undertaken during the year, highlights of which included signing a MOU with the Coalition ensuring that the Company is working with a broad spectrum of stakeholders to preserve the Mapungubwe cultural landscape during the lifetime of the Vele Colliery; the raising of capital and additional debt facilities which provides CoAL with sufficient financial resources to complete construction of the Vele Colliery, general working capital requirements and the funding for phase one of the acquisition and exploration of the Chapudi and Soutpansberg projects; the disposal of the NiMag Group by way of a MBO and advancement on the disposal of the Holfontein Project.

With the IWUL suspension lifted at Vele Colliery, the remaining construction of the mine and plant, and establishment of infrastructure was completed by the end of the quarter, facilitating the commencement of mining activities with approximately 3,200 tonnes of ROM coal extracted from the open cast pit and stockpiled at the plant. These critical operational and corporate developments, as well as the raising of significant additional capital and the reaching of a landmark agreement with the Coalition previously opposed to the Vele Colliery, were all significant milestones for the Group reached during the quarter."

QUARTERLY COMMENTARY

Woestalleen Complex – Witbank Coalfield (100%)

The outstanding safety record at the Woestalleen Complex continued without any lost time injuries recorded during the quarter (FY2012 Q1: nil lost time injuries).

In the December quarter, the Vuna Colliery produced 821,392 tonnes of ROM coal compared to 898,114 tonnes in the previous three months. Coal processed during the three months decreased to 860,974 ROM tonnes from 913,896 ROM tonnes during the previous quarter. The Woestalleen wash plant facility produced 353,395 tonnes (FY2012 Q1: 470,482 tonnes) of export quality coal and further 225,475 tonnes (FY2012 Q1: 108,648 tonnes) of middlings product supplied to Eskom Limited ("Eskom"), the South African electricity utility.

A drive in selective mining has led to improved plant yields towards the end of the quarter, with the overall yield increasing to 67.2% (FY2012 Q1: 63.4%) quarter on quarter.

Mooiplaats Colliery – Ermelo Coalfield (100%)

The safety performance at Mooiplaats reflected an improvement on the previous quarter as no lost time injuries were reported during the period (FY2012 Q1: three lost time injuries).

Despite a decline in ROM production to 262,004 tonnes compared to 301,788 tonnes in the previous quarter, the overall yield increased to 70.8% (FY2012 Q1: 67.4%). Coal processed during the three months decreased to 304,107 ROM tonnes from 317,709 ROM tonnes during the previous quarter. A total of 178,111 tonnes (FY2012 Q1: 181,578 tonnes) of export quality coal was produced and 37,234 tonnes (FY2012 Q1: 32,420 tonnes) of the lower grade product supplied to Eskom.

The reduction in ROM coal production was primarily a function of the short December month coupled with challenging mining conditions and infrastructure availability issues. Conveyor downtime is being addressed through an operational and engineering action plan with major work completed on the system during the year-end holiday break, resulting in improved availability from the start of the March 2012 quarter.

A twelve month operational initiative scheduled to commence during the March 2012 quarter, is expected to identify potential improvements in the mining process that should lead to sustainable levels of higher production. The process results in a change in the maintenance function for underground machinery by introducing a support contract with equipment supplier JOY Mining, designed to ensure a more effective approach in this critical area of the operation.

Marketing and Logistics

International demand for South African coal, specifically from Asia and Europe, remained subdued during the quarter. The reduced demand is attributed to continued concerns regarding the European economy, larger than normal stockpiles in India and increased availability of lower grade Indonesian coal. The demand for South African coal increased towards the end of the December quarter and this trend has continued in the March quarter.

Index-linked international coal prices were under pressure during the December quarter with sales recorded at discount to these indices. South African export coal spot prices declined from just over $110 per ton at the beginning of the quarter to approximately $100 at the end of November/early December but were offset during the period in South African rand terms by the decline in the value of the currency against the US dollar.

The increased sales from the Matola Terminal in Maputo, Mozambique, with 520,812 tonnes of coal sold to the export market in the quarter under review (FY2012 Q1: 277,499 tonnes) and 212,803 (FY2012 Q1: 317,425) tonnes of coal were sold into the inland market. A total of 254,046 tonnes (FY2011 Q1: 90,344) of lower quality coal from Woestalleen and 37,421 tonnes (FY2012 Q1: 30,838 tonnes) from Mooiplaats, were delivered to Eskom.

Summary tables (tonnes)

	Woestalleen	Mooiplaats	Total
December 2011 quarter			
ROM production	821,392	262,004	1,083,396
ROM coal purchased	-	44,862	44,862
Total coal processed	860,974	304,107	1,165,081
Overall Yield	67.2%	70.8%	68.2%
Total coal produced	578,870	215,345	794,215
Export coal	353,395	178,111	531,506
Middlings coal	225,475	37,234	262,709
Total coal sales	427,112	77,158	1,025,082
Export	*	*	*520,812
Inland	173,066	39,737	212,803
Eskom	254,046	37,421	291,467

*export sales include both Woestalleen and Mooiplaats coal

	Woestalleen	Mooiplaats	Total
6 months year to date to December 2011			
ROM production	1,719,506	563,792	2,283,298
ROM coal purchased	-	44,862	44,862
Total coal processed	1,774,870	621,816	2,396,686
Overall Yield	64.8%	69.0%	66.2%
Total coal produced**	1,158,000	429,343	1,587,343
Export coal	823,877	359,689	1,183,566
Middlings coal	334,123	69,654	403,777
Total coal sales	793,627	149,250	1,741,188
Export	*	*	*798,311
Inland	449,237	80,991	530,228
Eskom	344,390	68,259	412,649

*export sales include both Woestalleen and Mooiplaats coal

Vele Colliery

During the quarter, the suspension of the IWUL was lifted by the Minister of Water and Environmental Affairs, thereby enabling the use of water and re-commencement of construction activities required to complete the remaining infrastructure and plant development at the mine. Based on the authorisation received, the IWUL remains in full force and effect pending an appeal to be heard by the Water Tribunal. As noted below, that appeal is expected to be withdrawn following the signing of a Memorandum of Agreement ("MOA") with the Coalition.

In line with the authorisations received, the mine commenced production in December and to date produced 118,000 m^3 of overburden and 3,200 ROM tonnes of coal. Progress continued with the plant and related infrastructure, with wet commissioning completed in December and hot commissioning scheduled for late January 2012.

Also during the quarter, the Company signed a MOU with the Coalition comprising the Endangered Wildlife Trust, Birdlife South Africa, Wilderness Foundation South Africa, World Wide Fund for Nature South Africa, Mapungubwe Action Group and the Association for Southern African Professional Archaeologists. The partners to the MOU share a commitment to work together and strengthen co-operation in the interest of sustainable development and the preservation and protection of the Mapungubwe cultural landscape. These negotiations aim to set a benchmark for best practice in relation to managing and mitigating the impacts of mining and related activities at the Vele Colliery on the environment, specifically the impact on water and heritage resources.

The MOU requires the signing of a MOA by 31 January 2012, subject to which the Coalition has agreed to withdraw legal proceedings and administrative appeals against the Vele Colliery's New Order Mining Right ("NOMR"), Environmental Management Plan ("EMP"), IWUL and Section 24G authorisation. Progress on converting the MOU into an MOA continues and the Coalition has agreed to extend the completion date to 29 February 2012.

The additional Heritage Impact Assessment as required by the United Nations Educational Scientific and Cultural Organization ("UNESCO") and the Department of Water Affairs ("DWA") was completed during the quarter and was presented to UNESCO in January 2012.

Makhado Coking Coal Project

The review of the Definitive Feasibility Study ("DFS") was completed during the December quarter and is expected to be presented to the CoAL Board during Q3 FY2012.

The Makhado Project NOMR consultation process with interested and affected parties continued during the quarter and included the involvement of various government departments. Additional comments from various interested and affected parties on the Environmental Impact Assessment, EMP and IWUL submissions were received and the IWUL Technical and Engineering report is expected to be submitted to the DWA during the March 2012 quarter.

Further product testing at ArcelorMittal South Africa ("AMSA") is nearing completion at both the Vanderbijlpark and Newcastle plants. In addition various independent tests have been commissioned for corroboration of the AMSA results. Test work for establishing potential secondary products was completed which conceptually indicates that the production of a secondary thermal coal product may be feasible.

A product road show to potential international customers for both Makhado Project and Vele Colliery is planned in the first half of the 2012 calendar year.

Disposal of the NiMag Group

On 23 December 2011, CoAL entered into a definitive Sale and Purchase Agreement for the disposal of its 100% interest in the non-core NiMag Group by way of a MBO. The Company will dispose of its shares in the NiMag Group companies for a total of ZAR54 million (approximately US$6.6 million) of which 60% is being funded by a combination of equity contributions and bank debt. The remaining 40% will be financed by an interest bearing loan provided by CoAL that is repayable over four years. The closing of the transaction is subject to certain conditions precedent normal with a transaction of this nature, including finalization of bank loan financing agreements and, to the extent necessary, exchange control approval from the South African Reserve Bank, expected to be satisfied by 29 February 2012.

Disposal of the Holfontein Project

On 30 January 2012, the Company agreed with HDSA owned Govhani Consulting (Pty) Ltd ("Govhani" or "the Purchaser"), to acquire from CoAL an exclusive right to acquire by 30 June 2012, the Holfontein thermal coal project ("Holfontein Project") for a total consideration of ZAR100 million (approximately US$12.7 million) and a continuing payment to CoAL of ZAR2.00 (approximately US$0.25) per tonne of saleable coal produced by the project.

Govhani paid an initial non-refundable deposit of ZAR4.0 million (approximately US$0.5 million) to conduct a detailed review of the project and a further amount upon signature of this agreement of ZAR5.0 million (approximately US$0.6 million), to finalize the DFS in order to complete the acquisition of the project. Upon completion of the transaction, the total purchase consideration will be reduced by ZAR9.0 million (approximately US$1.1 million).

Conditions precedent to closing the transaction include, Govhani completing the DFS and obtaining the remaining funding for the project and approval of the transaction by the Department of Mineral Resources.

Soutpansberg Coal Bed Methane Project

During the December quarter, Tshipise Energy (Pty) Ltd ("Tshipise") a joint venture between CoAL and BEE partner Vibrant Veterans (Pty) Ltd, completed the exercise to collate desktop studies undertaken by Australian based Geogas (Pty) Ltd ("Geogas") on the coal bed methane potential of the properties located in the Soutpansberg coalfields, substantially in the same proximity as the various coking coal projects the Group is currently involved in. Geogas compiled desktop studies of the total area granted under Tshipise's 1,578 km^2 Exploration Right and the Company will move into the next phase of the exploration based on recommendations detailed in the Geogas reports. This will include the drilling of additional holes and completing further technical studies in order to prove up a potential coal bed methane resource in accordance with the JORC code.

Cash and Available Facilities

At 31 December 2011, total available cash on hand and call deposits was US$89.2 million (FY2012 Q1: US$8.8 million), available loan facilities and standby credit arrangements under existing facilities of US$12.0 million (FY2012 Q1: US$20.1 million). The remaining conditions precedent for the New Bank Facility of US$40.0 million, are expected to be completed in Q3 FY2012.

Corporate Activity

The Company issued 130,000,000 shares during the quarter raising gross proceeds of approximately US$106 million (excluding expenses). The proceeds of the capital raised will be used to finance the continuing development of the Group's projects, the first tranche cash payment for the acquisition of Chapudi Coal (Pty) Ltd and Kwezi Mining & Exploration (Pty) Ltd (the holders of the Chapudi Coal Project prospecting rights), bringing the Vele Colliery into production, general working capital, exploration of the Chapudi and Soutpansberg coal fields and the establishment of certain financial guarantees. The raising of US$106 million satisfied a significant condition precedent to secure the US$40 million New Bank Facility.

Work continues with the group restructuring and preparation for the migration of the primary listing from the Australian Stock Exchange to the main market of the London Stock Exchange. In preparation for this change and achieving further alignment of corporate advisors, CoAL is pleased to advise the appointment of J.P. Morgan Equities Limited as JSE sponsor with effect from 30 January 2012.

Authorised by
JOHN WALLINGTON
Chief Executive Officer
31 January 2012

For more information contact

John Wallington	Chief Executive Officer	Coal of Africa	+27 11 575 4363
Wayne Koonin	Financial Director	Coal of Africa	+27 11 575 4363
Shannon Coates	Company Secretary	Coal of Africa	+61 893 226 776
Chris Sim/Jeremy Ellis/Neil Elliott	Nominated Adviser	Evolution Securities	+44 20 7071 4300
Jos Simson/Emily Fenton	Financial PR (United Kingdom)	Tavistock	+44 207 920 3150
Reuben Govender	JSE Sponsor	J.P. Morgan Equities Limited	+27 11 507 0430
Charmane Russell/James Duncan	Financial PR (South Africa)	Russell & Associates	+27 11 880 3924 +27 82 372 5816

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