COAL of AFRICA LIMITED

REPORT FOR THE MARCH 2008 QUARTER

Coal of Africa Limited ('CoAL' or 'the Company') is pleased to announce its operational report for the quarter ended 31 March 2008. A full copy of this report, as released today on the ASX, is available at the Company's website, www.coalofafrica.com.

Highlights

- CoAL received Section 11 approval satisfying the last remaining condition for the acquisition of 70% of the Mooiplaats coal project.
- CoAL reached agreement to acquire the remaining 30% of the Mooiplaats coal project. The cash portion of ZAR130 million of the acquisition price was paid during quarter and shareholder approval for the issue of 4.75 million shares to complete the transaction was obtained in April.
- Signing of a co-operation agreement with Transnet Freight Rail for export rail capacity from CoAL's Baobab and Thuli projects commencing with rail capacity of 1 to 1.5 Mt PA in 2009 increasing to 10 Mt PA in 2012.
- Draft mining contract received for the mining of the Mooiplaats coal project.
- Completion of an Aeromagnetic study on the Baobab, Thuli and Tshikunda prospects.
- Over 5,000 metres of drilling were completed on the Thuli coal project comprising 55 holes.
- New Order Mining Right application for the Holfontein coal project submitted to the Department of Minerals and Energy.
- Despite Nimag (Pty) Ltd's nickel magnesium alloy business continuing to experience tough trading conditions, the group generated an EBIT for the quarter of A$1.5 million.
- Cash balance at the end of the quarter was A$63 million.

Commenting on the results today, Simon Farrell, Managing Director of CoAL, said, "We are pleased to announce continued strong progress across the Company's coal projects. Drilling at the Thuli project confirms our expectations of the coal reserves and we plan to submit Mining Right applications for both the Baobab and Thuli projects by the middle of this year."

www.coalofafrica.com
AU: Level 1 Old Swan Brewery 173 Mounts Bay Road Perth WA 6000 Australia Telephone: +61 8 9322 6776 Facsimile: +61 8 9322 6778 Email: perth@coalofafrica.com ACN 008 905 388
ZA: Level 1 CoAL House Pinewood Office Park 33 Riley Road Woodmead 2191 South Africa Telephone: +27 11 785 4518 Facsimile: +27 11 807 6654 Email: johannesburg@coalofafrica.com

DISCUSSION OF RESULTS

Coal Activities

Mooiplaats Coal Project
(100% on completion in April)

During the quarter, CoAL received consent in terms of Section 11(1) of the Minerals and Petroleum Resources Development Act satisfying the last condition to complete the acquisition of 70% of the Mooiplaats coal project. CoAL paid the remaining acquisition price of GBP10 million and issued 4.44 million shares for the acquisition taking its interest in the project to 70%. Furthermore, the Company reached agreement to acquire the remaining 30% interest in the project for ZAR130 million in cash and 4.75 million CoAL shares. The issue of these shares required shareholders' approval which was obtained in April.

Management expect that mining will commence towards the end of the third quarter of this year and production will start in the following quarter. Limited access to the project site has led to a short delay in the development of the project. Discussions with the surface rights owner, allowing access to the site, have been ongoing and are expected to be finalised by the end of April.

A draft mining contract has been received, the terms of which are anticipated to be finalised by the end of May. Additional production related drilling has been commissioned to confirm data for the geological model to identify the best site for the Beta decline on the farm Klipbank.

New Order Prospecting Rights have also been executed for farms neighbouring the Mooiplaats project. The Prospecting Rights for the farms De Emigratie, Willemsdal and Klipfontein have an area of 9,260 Ha and the Directors believe that they may add significant additional coal resources to the project.

Discussions with potential off-take customers continued during the quarter and included the potential export of lean coal to Europe. Negotiations with Transnet regarding rail allocation for Richards Bay export coal together with port allocation agreements are expected to be finalised in the June quarter.

Baobab Coal Project (100%)

A detailed Aeromagnetic survey encompassing over 60,000 Ha of the Baobab, Thuli and Tshikunda project areas was undertaken during the quarter and was completed in April. During the survey, the helicopters used to collect the data will have flown more than 19,000 kilometres. The results of the survey will be used in an in-depth geophysical analysis to be undertaken in the June quarter.

Digitisation of the exploration data acquired from Exxaro Limited earlier in the year continued during the quarter under review. The information obtained from the data correlates with Management's expectations and will be included in an updated resource statement to be released later this year.

Detailed analysis has been completed on the selection of mineable coal horizons within the 35 metre thick coal seam. This analysis will be used in the geological modelling and resource estimation that will be performed in the next quarter. This exercise is expected to optimise the coal horizon being mined leading to higher coking coal yields.

Large diameter core drilling sites were prepared during the quarter allowing for the commencement of the large diameter core drilling in the June quarter. This drilling programme will yield samples for detailed petrochemical as well as other coal parameter testing. A further 5,000 metre smaller diameter drilling programme will be undertaken in the June quarter to define the coal outcrop zones and identify any dolerite intrusions.

East Coast Maritime (Pty) Ltd continued with Phase Two of the infrastructure study resulting in CoAL signing a Rail Cooperation Agreement with Transnet Freight Rail ('TFR'), the largest division of Transnet, the South African Government owned rail and freight organisation. The Rail Cooperation Agreement formalises interaction between CoAL and TFR whereby TFR will assist the Company to obtain the correct rail slots, appropriate rolling stock as well as commercially competitive freight rates for the transportation of its export coal to the Richards Bay and Maputo ports. CoAL has indicated to TFR that it will need railway capacity for the following export tonnages:

- 2009 - 1 to 1.5 Mt PA
- 2010 - 4 to 5 Mt PA
- 2011 - 4 to 5 Mt PA
- 2012 - 10 Mt PA

Thuli Coal Project (Limpopo) ***(74%)***

LudikCore (Pty) Ltd and GeoMechanics (Pty) Ltd continued drilling on the Thuli Coal Project and by the end of March had drilled over 5,000 metres comprising some 55 holes. The remainder of the drilling programme consists of 15 holes, which will be completed in the June quarter. Furthermore, CoAL acquired the original drilling data from the exploration undertaken by Southern Sphere (Utah Mining) in the early 1980's. During March, the data was converted to digital format, validated and progress made on the modelling of the data.

The drilling programme together with the data acquired will result in the current exploration programme delivering a JORC/ SAMREC compliant 'Indicated' resource, upgrading the previously reported 'Inferred' resource. Management are confident that portions of the prospect will be in a JORC/SAMREC compliant 'Measured' status as the current exploration programme is confirming the results of the earlier Southern Sphere exploration programme.

Holfontein Coal Project (100%)

During the March quarter, the New Order Mining Right application for the Holfontein project was submitted to the Department of Minerals and Energy. Exploration on the project continued with over 6,500 metres drilled since February, including the portion of Holfontein and the portions of Wildebeesfontein recently acquired. The drilling programme will be completed during the current quarter and is expected to result in a JORC/SAMREC compliant 'Measured' resource. During the quarter, third parties approached the Company with regards to acquiring a significant stake in the project; the Directors are currently assessing these offers.

Nimag Group of Companies (100%)

The Nimag Group's profit before interest and tax for the nine months was ZAR14.7 million (A$2.3 million). The nickel magnesium business continued to experience tough trading conditions in the form of thinner margins and increased working capital requirements but was able to improve significantly on the first six months' results. The smaller Ferro Silicon business operated well ahead of expectations contributing to the Group's profitability to date.

Authorised by

Simon Farrell
Managing Director
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For more information contact:

Simon Farrell, Managing Director	CoAL	+61 417 985 383 or +61 8 9322 6776
Petronella Gorrie	The Event Shop	+27 82 827 8815
Jos Simson/Leesa Peters	Conduit PR	+44(0) 20 7429 6603
Olly Cairns / Romil Patel	Blue Oar Securities Plc	+61 8 6430 1631 / +44(0) 20 7448 4400

www.coalofafrica.com