



REPORT FOR THE JUNE 2008 QUARTER

Coal of Africa Limited ('CoAL' or 'the Company') is pleased to announce its operational report for the quarter ended 30 June 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 secures long term Black Economic Empowerment status with Mvelaphanda Holdings and associated companies, ensuring the Company complies with the 2014 South African legislative targets for BEE ownership.
- ArcelorMittal, the world's largest steel company, takes a 17.8% stake and agrees to enter into an off-take agreement with CoAL to secure a minimum of 2.5 million tonnes annually from the Company's Limpopo coal projects, with an option to secure a further 2.5 mtpa.
- Upgrade of the Company's Vele (previously Thuli) soft coking coal resource to 441 million gross in situ tonnes, of which 133mt is "measured."
- Agreement reached on the sale of the Holfontein coal project to Lachlan Star Limited for A\$25 million.
- CoAL completed the acquisition of the remaining 30% of the Mooiplaats project, taking the Company's interest to 100%.
- Nimag (Pty) Ltd's nickel magnesium alloy business generated a 12 month EBIT of A\$3.1 million.
- Section 11 approval received satisfying the last remaining condition for the acquisition of 60% of the 32,584 hectare Tshikunda coal project.
- Appointment of Riaan van der Merwe as Chief Operating Officer.
- Cash balance at the end of the quarter was A\$254 million. The Company has no debt.

Commenting on the results today, Simon Farrell, Managing Director of CoAL, said, "Progress on the Company's coal projects is continuing according to plan and the rehabilitation of the Mooiplaats box-cut is now completed. The results of the exploration programmes on the Vele and Makhado projects confirm our expectations of both coal quality and coal reserves with Mining Right applications for both projects to be submitted in the September quarter. This progress, together with the enhancement of CoAL's shareholder base, positions the Company uniquely whereby it has significant cash reserves for large scale development and an off-take agreement that will allow the Company to take advantage of the current resource prices within a reduced risk environment."

DISCUSSION OF RESULTS

Corporate Activities

Black Economic Empowerment Status

Agreement was reached whereby Coal Investments Limited ('CIL') will subscribe for shares and options which, if exercised, will result in African Global Company I, LP ('AGC')*, CIL and their affiliates owning in excess of 26% of the Company. This will ensure that CoAL satisfies the South African legislative requirements whereby Black Economic Empowerment ("BEE") groups must own at least a 26% equity interest in mining companies by 2014.

The agreement resulted in CoAL issuing 25.5 million shares for £33.15 million and, subject to Australia's Foreign Investment Review Board approval, CoAL will issue a further 12 million shares for £15.6 million. Combined with the 33.8 million shares in the Company already held by African Global Capital (a Mvelaphanda Holdings affiliate), this will result in CoAL's BEE partners having approximately 17.4% of CoAL's issued shares. In addition, subject to shareholder approval, CIL will be issued 50 million options exercisable at £1.80 each on the satisfaction of certain conditions, namely CoAL converting its New Order Prospecting Rights on the Makhado and Vele projects to New Order Mining Rights within 12 months of the date of entering this agreement. Furthermore, CIL cannot dispose of the options or the shares issued to it within 12 months from issue unless the disposal is to a CIL affiliate or another BEE group.

**AGC is the first fund managed by a private equity initiative involving amongst others New York based Och-Ziff Capital Management Group LLC and Mvelaphanda Holdings (Pty) Ltd.*

Placement and Off-Take Agreement with ArcelorMittal

During the quarter CoAL signed an agreement whereby ArcelorMittal, the world's largest steel company, subscribed for 60 million shares in the Company (approximately 16% of the issued capital) for £66.7 million. Furthermore, ArcelorMittal has agreed to enter into an off-take agreement to annually secure a minimum of 2.5 million tonnes (which may be increased to five million tonnes) of coking coal from CoAL's Makhado and Vele coal projects. As part of the transaction, ArcelorMittal has the right to nominate a director to the CoAL board.

Terms and conditions of the off-take agreement are subject to formal documentation but the two parties have agreed in principle that the coal will be delivered to the town of Musina in the Limpopo province at a Free-on-Rail price linked to the Free-on-Board price of Kestrel (East coast of Australia) hard coking coal assuming similar quality and specification parameters.

Coal Activities

Mooiplaats Coal Project (100%)

During the quarter CoAL shareholders approved the issue of 4.75 million shares satisfying the final acquisition payment for the remaining 30% of the project. By the end of the quarter, orders for over A\$28 million (ZAR200 million) of mining equipment had been placed with delivery to commence in the September quarter.

Access to the decline shaft was obtained during the quarter allowing for the de-watering of the box-cut. Development of the mine site has commenced and management expect mining to commence towards the end of the third quarter of this year, with production in the following quarter. Negotiations were initiated with suppliers of wash plants, which are anticipated to be commissioned by February 2009.

The results of the production related drilling concluded during the quarter were included in the geological model, allowing for the finalisation of production scheduling and the mining contract. CoAL has processed all of the geological information and re-built the geological model internally, verifying the models presented by the contract miners. This model has been submitted to independent mine planners who are generating life-of-mine schedules, the results of which are expected in August.

Once signed, details of the mining contract and revised production scheduling will be released to the market, expected to occur prior to the end of August. Additional production related drilling has commenced on the neighbouring farm Klipbank to identify the best site for the second decline (the Beta boxcut).

Discussions with potential off-take customers continued during the quarter and a non-exclusive marketing agreement for the project was concluded with Oreport (Pty) Ltd. Negotiations with Transnet regarding rail allocation for Richards Bay export coal, together with port allocation agreements, continued favourably and are expected to be finalised shortly.

Makhado Coal Project (formerly Baobab) (100%)

During the quarter, a 5,000 metre drilling programme to define the outcrop of the coal zones and to verify the positions of the dolerite sill intersections in the project area commenced. The large diameter (123mm) core drilling sites prepared for the drilling programme will enable this to be completed by the end of August. The large diameter drilling programme will yield samples for detailed coking as well as other coal parameter testing.

Digitisation of the exploration data acquired from Exxaro Limited was finalised during the quarter under review. Together with the results of exploration work previously undertaken, this resulted in the creation of geological models that were included in the updated resource statement released in July that increased the resource base to 1.33 billion tonnes. These

models have been submitted to independent mine planners who are in the process of generating life-of-mine schedules.

Negotiations with Rio Tinto with regards to the rationalisation of farms continued during the three months resulting in the signing of a Memorandum of Understanding in July. The rationalisation of farms results in farms being swapped by the parties, while others will form part of a joint venture between Rio Tinto and CoAL.

Vele Coal Project (formerly Thuli) (74%)

LudikCore (Pty) Ltd and GeoMechanics (Pty) Ltd continued drilling on the Vele Coal Project and by the end of June had completed phase one of the exploration project, comprising some 65 boreholes. The completed drilling programme, together with the data acquired earlier, resulted in an upgrade of the previously reported JORC/SAMREC compliant 'Indicated' resource. This programme, covering approximately 80% of the project area, delivered a resource of 441.47 million gross in situ tonnes, of which 133.84 million tonnes occur in the 'Measured' status and 76.58 million tonnes in the 'Indicated' status, with the majority of the coal being open-castable.

The Company proposes to undertake a further 65 hole drilling programme which is expected to result in over 70% of the resource being classified in the JORC/SAMREC 'Measured' category.

An additional large diameter (123mm) drilling programme was undertaken during the quarter. Drilling commenced on the first of three sites with the remaining two sites to be drilled by the end of August 2008. Samples from the first large diameter drilling site have been submitted, in conjunction with ArcelorMittal, for coking coal analysis.

The geological model for CoAL's Vele coal project is undergoing similar evaluation to the Makhado coal project with regards to the mine life and mine design, which is expected to yield a scoping study level schedule and cost estimation in the next quarter.

Holfontein Coal Project (100%)

During the June quarter, exploration on the project (including the Wildebeesfontein portions of the project) continued with over 8,800 metres drilled. Coal samples have been submitted for analysis and selected samples will be tested for their metallurgical coal properties with results of these tests expected in August. The results of the drilling programme will be geologically modelled and are expected to result in a JORC/SAMREC compliant 'Measured' resource.

CoAL has reached agreement to sell 100% of the Holfontein coal project to Lachlan Star Limited for A\$25 million, payable in a mix of cash and shares on the satisfaction of certain conditions. The transaction will include an upfront payment upon transfer of the project to Lachlan Star and a series of milestone payments linked to the granting of the New Order

Mining Right as well as certain production targets. Following the conclusion of the sale, CoAL will be the largest shareholder in Lachlan Star.

Nimag Group of Companies (100%)

The Nimag Group's unaudited profit before interest and tax for the twelve months was ZAR21 million (A\$3.1 million). The nickel magnesium business continued to experience tough trading conditions compared to the previous financial year.

Authorised by



Simon Farrell
Managing Director
30 July 2008

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	+44(0) 20 7448 4400

www.coalofafrica.com

About CoAL:

Coal of Africa Limited ("CoAL") is primarily focused on the acquisition, exploration and development of thermal and metallurgical coal projects. The Company's key projects, along with its leading metals processing company NiMag Group (Pty) Ltd, are in South Africa. The Company was incorporated in Western Australia and listed in 1980. Since 2005, the Company has also listed on both the AIM and JSE markets, allowing further growth in the Company's coal assets.

Resource Estimation

The information in this report that relates to exploration results is based on information compiled by Mr John Sparrow (Member of the South African Council of Natural Scientific Professions SACNASP) 400109/03 an independent geological and technical consultant with 26 years experience in the Southern African and Australian regions. Mr Sparrow has compiled a number of competent person's reports for various organizations for the JSE, ASX, and TSE.

Mr Sparrow has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sparrow has reviewed the information contained within this report and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.