



REPORT FOR THE DECEMBER 2007 QUARTER

Highlights

- Shareholder approval obtained for the change of name from GVM Metals Limited to Coal of Africa Limited ('CoAL').
- Issue of 80,000,000 shares raising more than A\$115 million to fund acquisitions and development of CoAL's projects.
- CoAL has paid an additional £10 million thereby increasing the Company's stake in the Mooiplaats Coal Project to 49%. Subject to Section 11 consent, the Company expects to increase its stake to 70% in the current quarter.
- Over 10,000 metres of drilling were completed during the quarter on the Mooiplaats coal project increasing the total amount drilled on the project to over 65,000 metres. The results of the drilling are in line with management expectations and will be released in the current quarter.
- Exploration expenditure for the quarter was A\$5.2 million including the payment of ZAR20 million to Exxaro Resources Limited for drilling information for 1,200 boreholes pertaining to the Baobab Coal Project.
- Concluded an agreement to acquire six farms comprising 7,000Ha located in the vicinity of the Baobab coal project from Sekoko Coal (Pty) Ltd.
- Finalised an agreement to acquire an area comprising 552Ha consisting of a remaining portion of the farm Holfontein and portions of the neighbouring farm Wildebeesfontein.
- Nimag (Pty) Ltd's nickel magnesium alloy business continued to experience tough trading conditions accompanied by increased inventories due to reduced global nickel prices and demand and generated an EBIT for the quarter of A\$512k.
- Cash balance at the end of the quarter was A\$117 million.

Commenting on the results today, Simon Farrell, Managing Director of CoAL, said, 'We are pleased to announce strong progress across the Company's coal projects. Drilling at Mooiplaats has been completed bringing the project into the 'Measured' status while negotiations with potential off takers continue. Coal prices continue to trend upwards and the market looks very encouraging. The drilling on the Thuli project has commenced and an 'Inferred' status is expected early in the next quarter. The drilling data acquired from Exxaro gives us the possibility of bringing two of the Baobab farms into production 18 months earlier than we previously thought.'

DISCUSSION OF RESULTS

Coal Activities

Mooiplaats Coal Project

(70% on completion of the Coal of Africa Limited transaction)

During the previous quarter, CoAL was granted Mining Rights for portions 1 and 9 in terms of Section 23 of the Mineral and Petroleum Resources Development Act, encompassing some 940 hectares of the 22k hectare project. Mining on these portions is expected to commence in the second half of the 2008 calendar year.

The infill drilling programme continued at Mooiplaats during the quarter and 10,000 metres were drilled, bringing the total metres drilled on the project to over 65,000. On completion of the exploratory drilling phases, additional holes will be drilled to enable water monitoring. The independent consultants' project reports on phases 1 and 2 of the drilling together with a report on mining floor and roof support requirements is expected shortly.

A further £10 million was paid as part of the £35.5 million payable to acquire 70% of the Mooiplaats Coal Project. The balance payable of £10 million in cash and 4,444,445 shares will deliver the remaining 21% of the 70% stake acquired in the project.

Discussions with mining contractors have been concluded and those with potential off take partners – including Eskom – continued during the quarter under review.

As a result of the substantial increase in the price of export thermal coal, the Company is now reviewing its earlier plans of supplying largely unwashed thermal coal to the domestic market and is now focusing on the possibility of concentrating on producing washed coals for the export market.

Baobab Coal Project (100%)

Gemecs (Pty) Ltd completed an initial geological evaluation and an initial geological evaluation of the Fripp and Tanga properties based on the data obtained from Exxaro. The evaluation yielded potential open cast resources of over 140 million tonnes of coal in 'Measured', 'Indicated' and 'Inferred' resource categories. Total resources at Fripp and Tanga stand at 710 million tonnes.

East Coast Maritime (Pty) Ltd were appointed to assess railway, road and port infrastructure required for CoAL's Baobab and Thuli coal projects and their mandate has been extended to Phase 2 of the project. Phase 1 of the study has been completed and the report detailing the findings will be finalised by the end of January while Phase 2 will develop the infrastructure and relationships identified in Phase 1.

A co-operation agreement has been signed with Transnet Freight Rail whereby CoAL will be able to acquire coal transport capacity from Transnet.

Thuli Coal Project (Limpopo) (74%)

LudikCore (Pty) Ltd and GeoMechanics (Pty) Ltd commenced drilling on the Thuli Coal Project and are expected to deliver a JORC/ SAMREC compliant 'Inferred' status on the Prospect area by the end of April 2008. An Aeromagnetic study of the Baobab, Thuli and Tshikunda Coal Projects has been contracted for February 2008 with the results by the end of the current quarter.

Holfontein Coal Project (100%)

During the December quarter, the consultants continued to prepare the Mining Work Programme as well as the Social and Labour Plan and Environmental Impact Study. The Company commenced with the application for the New Order Mining Right and the preparation of the Pre-feasibility study for the mining of the Holfontein coal project. Drilling on the new portion of Holfontein and the portions of Wildebeesfontein acquired in the previous quarter is expected to commence in February 2008.

Nimag Group of Companies (100%)

The Nimag Group's profit before interest and tax for the six months was ZAR5.5 million (A\$980k). The nickel magnesium business continued to experience tougher trading conditions in the form of thinner margins and increased working capital requirements due to depressed global nickel demand combined with slow movement of goods at Durban harbour. The smaller Ferro Silicon business operated well ahead of expectations contributing to the Group's profitability.

Authorised by

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The information in this report as it relates to geology of the Baobab Project was overseen by J C Sparrow a Director of Gemecs (Pty) Ltd. Mr Sparrow is a member of the South African Council for Natural Scientific Professions (400109/03), with a BSc (Univ. of Natal), BSc Hons Geology. (Univ. of Johannesburg) and a Chamber of Mines certificate in Rock Mechanics and qualifies as a competent person in the field of activity being reported on and consents to the inclusion of this information in the form and context in which it appears in this report.